

UNCLASSIFIED

492-0374 1/2
82-111-582
13725

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT PAPER

PHILIPPINES

REGIONAL DEVELOPMENT FUND PROJECT

492-0374

AUGUST 1982

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	A nendment Number _____	DOCUMENT CODE 3
---	--	-------------------------	---------------------------

2. COUNTRY/ENTITY Philippines	3. PROJECT NUMBER 492-0374
----------------------------------	-------------------------------

4. BUREAU/OFFICE ASIA 04	5. PROJECT TITLE (maximum 40 characters) Regional Development Fund
--	---

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 1 2 3 1 8 7	7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4) A. Initial FY <u>8 2</u> B. Quarter <u>4</u> C. Final FY <u>8 4</u>
---	---

8. COSTS (\$ 000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1,500)	(18,500)	(20,000)	(3,000)	(42,000)	(45,000)
(Loan)	()	()	()	()	()	()
Other 1.						
U.S. 2.						
Host Country						
Other Donor(s)						
TOTALS	1,500	18,500	20,000	3,000	42,000	45,000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ESF	280	10C		-		45,000		45,000	
(2)									
(3)									
(4)									
TOTALS				-		45,000		45,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 120 130 140 820	11. SECONDARY PURPOSE CODE
---	----------------------------

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code BR	B. Amount
---	-----------

13. PROJECT PURPOSE (maximum 480 characters)

To provide ESF funds resulting from the Amended Military Bases Agreement of 1947 to assist the GOP with ameliorating the poor socio-economic conditions of squatter communities in the reverted baselands and along the perimeters of U.S. military facilities in the Philippines and with enhancing the socio-economic development of the wider impact area of such facilities through high priority, growth-related infrastructure projects.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 1 2 8 4 1 2 8 7	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____
--	--

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY	Signature <i>Anthony M. Schwarzwald</i> Anthony M. Schwarzwald	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY 07 07 82
	Title Director, USAID/Philippines	Date Signed MM DD YY 06 23 82

Regional Development Fund

TABLE OF CONTENTS

Facesheet

List of Abbreviations

I. SUMMARY AND RECOMMENDATIONS	1
II. BACKGROUND AND DETAILED DESCRIPTION	
A. Background	2
B. Detailed Description	
1. General	7
2. Squatter Assistance Component	9
3. Provincial Capital Improvements Component	14
III. PROJECT ANALYSES	
A. General Considerations	16
B. Technical/Institutional Analysis	16
C. Administrative Arrangements	20
D. Social Analysis	22
E. Socio-Economic Analysis	28
F. Financial Plan and Budget	31
G. Environmental Analysis	32
IV. IMPLEMENTATION PLANNING	
A. General	32
B. Implementation Arrangements	32
C. Evaluation Arrangements	35
D. Conditions, Covenants, and Status of Negotiations	36

ANNEXES

A. Logical Framework Matrix
B. Region III Profile
C. Illustrative Subprojects
D. PDAP Experience and Lessons
E. 611(e) Certification
F. Statutory Checklist
G. Project Authorization

List of Abbreviations

A&E	Architectural and Engineering
AID	Agency for International Development
BLISS	Bagong Lipunan Integrated Sites and Services
BWP	Barangay Water Project
CABCOM	Clark Air Base Command
CDC	Cash Disbursement Ceiling
CDIP	City Development Investment Program
CIP	Capital Improvement Plan
DAP	Development Academy of the Philippines
ESF	Economic Support Fund
GOP	Government of the Philippines
IBRD	International Bank for Reconstruction and Development (World Bank)
LRM	Local Resources Management Project
MAC	Management Advisory Committee
MAR	Ministry of Agrarian Reform
MDF	Municipal Development Fund
MHS	Ministry of Human Settlements
NACIAD	National Council on Integrated Area Development
NEDA	National Economic Development Authority
PDAP	Provincial Development Assistance Project
PNB	Philippine National Bank
RDC	Regional Development Council
RDF	Regional Development Fund
RDIP	Regional Development Investment Program
RRP	Rural Roads Project
RSC	Rural Service Centers Project
SDA	Sacobia Development Authority
UNDP	United Nations Development Programme
USAF	United States Air Force
USAID	United States Agency for International Development
USG	United States Government

I. SUMMARY AND RECOMMENDATIONS

- A. **GRANTEE:** The Government of the Philippines (GOP) will be the Grantee. The executing agency will be the Secretariat of the Management Advisory Committee (MAC). Project components will be implemented by the provincial governments of all six provinces of Region III and in some cases regional or national line ministries or agencies.
- B. **AMOUNT:** - \$45.0 million
- C. **PURPOSE:** To provide ESF funds resulting from the Amended Military Bases Agreement of 1947 to assist the GOP with ameliorating the poor socio-economic conditions of squatter communities in the reverted baselands and along the perimeters of U.S. military facilities in the Philippines and with enhancing the socio-economic development of the wider impact area of such facilities through high priority, growth-related infrastructure projects.
- D. **PROJECT DESCRIPTION:** Under this project, peso funds will be made available to:
- (1) support GOP efforts to resettle and/or ameliorate conditions in existing squatter settlements within the reverted baselands and along the perimeter of the bases; and
 - (2) support high priority, growth-related provincial capital improvement projects.
- E. **PROJECT ELEMENTS:**
- | | |
|---|---------------|
| | (\$ 000) |
| Consultant Services to Provincial Governments | \$ 4,000 |
| Squatter Assistance | 10,000 |
| Provincial Capital Improvements | <u>31,000</u> |
| Total | \$45,000 |
- F. **ANALYSES:** The analyses in the project paper present overall feasibility considerations, as well as indicate criteria to be applied in assessing subproject viability. In the course of finalizing subproject plans, all standard analyses (including technical, institutional, administrative, social, economic, financial and environmental will be undertaken by the GOP and reviewed by AID, as appropriate.
- G. **RECOMMENDATION:** That an ESF grant of \$45.0 million be authorized for the proposed Regional Development Fund Project.

II. BACKGROUND AND DETAILED DESCRIPTION

A. BACKGROUND

1. General

In early planning exercises for the ESF program in the Philippines, it was thought that \$60 million (of an estimated total of \$200 million of ESF funds to be made available during the period FY 1980-84) would be devoted to the socio-economic development of the Clark reverted baselands. However, this activity was de-emphasized for a variety of reasons, including: continuing uncertainty over the proportion of the baselands to be made available by the Philippine military for civilian settlement and development; and political difficulties associated with identifying an institution with overall responsibility for the development process. As a consequence, the GOP decided to redirect a portion of these funds to accomplishing two objectives related directly to the language of the Bases Agreement amendment: (1) amelioration of the poor socio-economic conditions of communities in selected areas of the reverted baselands and the immediate vicinity of the various U.S. military facilities; and (2) enhancement of the socio-economic development of the wider impact area of the U.S. military facilities through a program directed at financing high priority growth-related infrastructure projects.

AID views these Philippine activities as excellent ones to support under the ESF commitment made in association with the 1979 amendments to the US-RP Military Bases Agreement. By means of this support, AID can assist the GOP to improve socio-economic conditions around U.S. military facilities and provide foreign exchange to assist the balance of payments and economic stability of the Philippines consistent with AID's overall ESF strategy. Inasmuch as the Mission is pursuing two purposes with its ESF assistance to the Philippines -- to provide \$200 million over a certain period of time and to promote economic development -- this Project is addressed toward achievement of both purposes simultaneously. The historical background and detailed description of project components are set forth below.

2. Historical Context

Prior to 1979, between 60-65,000 hectares of land in Pampanga and Tarlac Provinces were under the jurisdiction of the military of the United States, the area having been established as a U.S. military reservation in 1903 by President Theodore Roosevelt. It

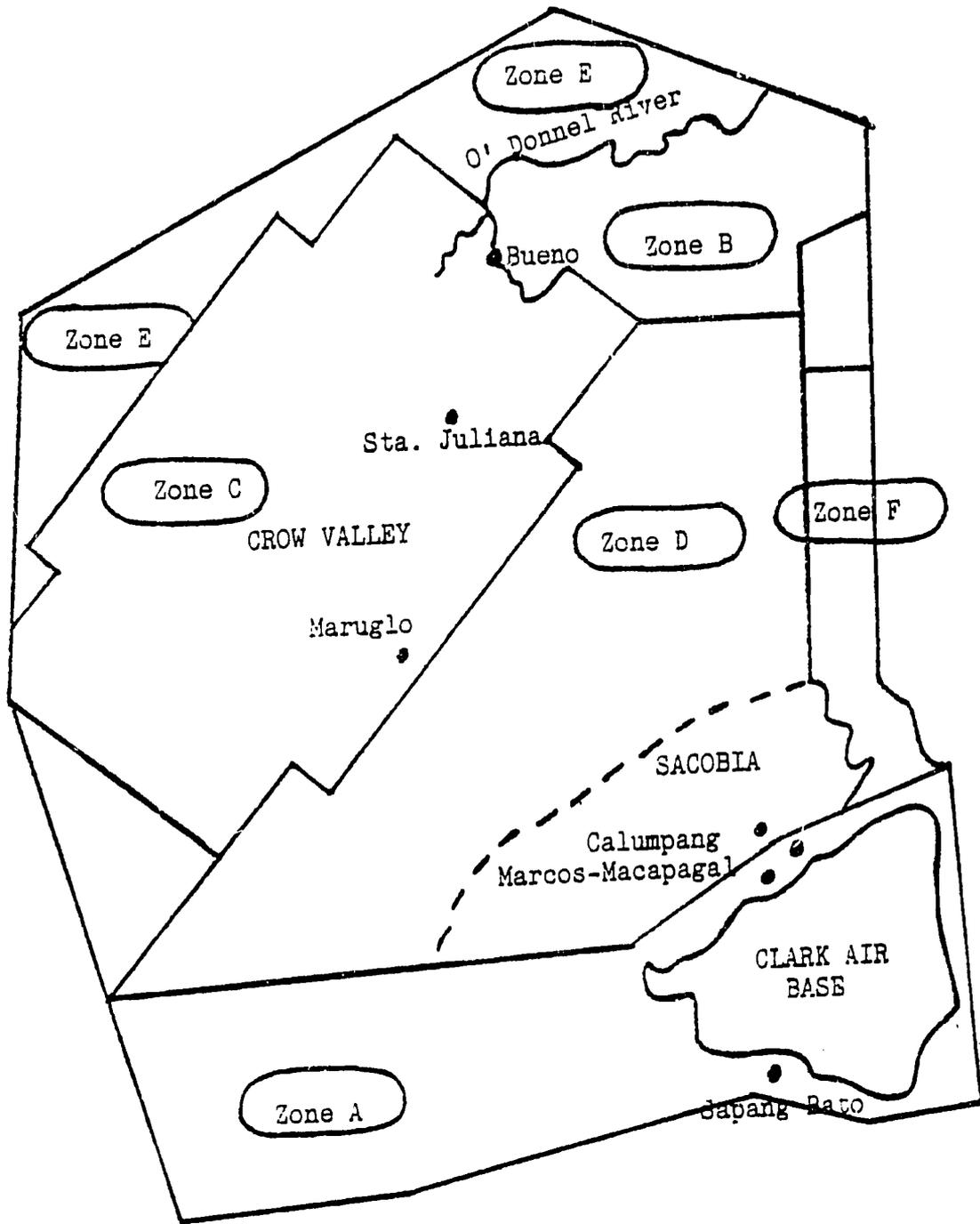
was returned to Philippine jurisdiction in 1979 with the signing of the Amendments to the Military Bases Agreement of 1947. While relinquishing sovereignty over the entire land area, the U.S. retained the right of unhampered access (for military use) to the roughly 6,000 hectare portion which constitutes the Clark Air Base proper and to use of the 17,000 hectare Crow Valley Bombing Range (see Map 1). The remaining roughly 41,000 hectares reverted to Philippine control.

The so-called reverted baselands were once the exclusive preserve of the Ayta or Negrito upland tribes who foraged and hunted in the forests and fished the wetlands. Over a long period of time, most Ayta retreated high into the Zambales Mountain Range, as they were displaced by large numbers of lowland settlers who farmed portions of the military reservation. In the hills, the Ayta increasingly adopted shifting agricultural (kaingin) practices.

With the establishment by President Roosevelt of Clark, originally known as Fort Stotsenburg, some Ayta became involved with base activities. As a result, Ayta settlement camps were established along the base perimeters. This marked the beginning of a long and significant relationship between the U.S. military and the Ayta, which continues today. The Ayta were initially invited to provide the labor for construction of stables for the cavalry and for the maintenance of forage. They were also relied on to provide guide services for cavalrymen. In exchange, the military gave gifts to the Ayta King Lucas and his people and extended fort privileges to them.

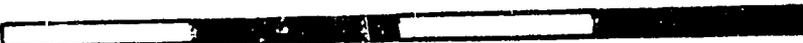
The real growth of the Clark (Fort Stotsenburg) facility came after World War II. At the conclusion of the war, many Ayta who had befriended American servicemen during the effort to extract the Japanese came down from the hills to work at the base as guard staff, as well as various base service jobs. Semi-sedentary Ayta settlements were established at present-day Sapang Bato Barrio, on the southern perimeter of the base. In 1952, some of these Ayta were relocated to the present site of Macapagal Village on the base's northern perimeter. The settlements grew with the lure of increasing employment opportunities, and more Ayta left their upland sources of livelihood. Land-hungry lowlanders bought the usufruct rights from the departing Ayta and began to settle and plant sugarcane and wet-rice fields in the lower valleys of the military reservation. In time, some lowland settlers also joined the Ayta at Macapagal village.

Map 1. Clark Reverted Baselands/Squatter Communities



Scale 1:200,000

5 0 5 10 15 km.



Beginning in 1957, various attempts were made to remove the settlers from the perimeters of the Clark Air Base in the interest of enhanced security. However, as soon as some Ayta were moved to a settlement site within the base called San Joaquin where they continued their base employment, their old homes at Macapagal were taken over by additional lowland settlers who bought the rights to their fields. Therefore, when a new base commander decided ten years later to move the Ayta again, for security reasons, their homes were dismantled and moved to a sugarcane field east of Macapagal. The new settlement of Marcos grew quickly with the addition of more lowlanders and additional Ayta seeking employment, especially as Clark Air Base grew in importance during the Vietnam war. During this period, more lowland tenant farmers also moved into the reservation to work the sugar plantations established in the Sacobia River area just north of the base.

Thus, when Ayta privileges to use base facilities were revoked in the 1970s and employment opportunities wound down at the conclusion of the war, the Ayta found themselves highly dependent upon Clark Air Base and simultaneously caught in a land squeeze in the hills of Sacobia. At the same time, base officials became concerned about increasing problems ranging from security breaches to health and sanitation problems at the poor squatter communities along the base perimeters. In 1974, base authorities requested the Ministry of Agrarian Reform (MAR) to resettle the residents of Marcos and Macapagal to Zone F of the military reservation which had reverted to Philippine jurisdiction in 1969. First the USAF and then MAR contracted with the Development Academy of the Philippines (DAP) which undertook planning studies for the relocation. However, by 1975, MAR and DAP concluded that Zone F was not suitable for the resettlement of the Marcos and Macapagal populations, and they requested the use of a nearly 5,300 hectare site in the Sacobia River area. The USAF concurred and an agreement was reached with the Armed Forces of the Philippines to develop what has become known as the Sacobia Resettlement Area for 600 families.

Thus, when the much more extensive baselands at Clark reverted to Philippine jurisdiction in January 1979, MAR was already involved in planning for the relocation of the entire villages of Marcos and Macapagal to new homesites at San Vicente and Calumpang, two settlement sites in Sacobia. Immediately following the reversion, President Marcos directed the Ministry of Human Settlements (MHS) to take over responsibility for developing the Sacobia Resettlement Area as a special project of the Bagong Lipunan Sites and Services (BLISS) program. To accomplish this

he created the Sacobia Development Authority (SDA). Construction of roads, bridges, and housing began in San Vicente in May 1979; and pilot-scale livelihood projects were begun largely under the aegis of the Ministry of Agriculture. Unfortunately, for a variety of reasons, the current 100 resident families at San Vicente are not the planned Marcos-Macapagal squatters but settlers from outside areas.

Therefore, after nearly ten years of effort, the Ayta-lowlanders squatters remain along the perimeters of the Clark Air Base where they live in substandard conditions and continue to present base officials with security and other concerns. Accordingly, CABCOM, the Philippine Clark Air Base Command responsible for maintaining the perimeter, has indicated its desire that ESF funds be used to ameliorate the condition of squatter communities generally and to relocate those squatters along the northern perimeter who are a security concern. This will affect the residents of Marcos and Macapagal Villages, as well as other squatters residing within the Crow Valley Bombing Range. (Squatters in the Sapang Bato community, along the southern perimeter of the Base, are also being resettled. The problems associated with other squatter communities, including those around Subic Naval Station and John Hay Air Station at Baguio, are also beginning to demand more attention.)

Clark Air Base, Subic Naval Station, and other U.S. military installations in the Philippines have had an impact on a much wider population than those who have become squatters along base perimeters. The provinces, chartered cities and municipalities around these facilities and the barangays which have grown up on the reservations have been affected in various ways by the existence of the bases and the large U.S. presence. While the bases provide employment and have generally contributed to the economic life of the area, they have also strained marginal and inadequate public services which are the responsibility of the national and local governments.

The overall impact of Clark Air Base and Subic Naval Station increased dramatically following World War II, especially during the Korean and Vietnam conflicts. The support economies, typified by commercial strips along the boundaries of the bases, grew equally rapidly, responding to the growing requirements for supplies and provisions and for a wide variety of labor skills. The bases functioned for many years as the premier economic magnet within these areas, as thousands of people were drawn to the economic activity generated by the bases and populations nearby came to depend on them.

Both the national government and affected local governments have argued for some time that some form of compensation or assistance from the United States was justified to help the more heavily affected provinces, cities and municipalities improve their social and economic well-being. This sentiment is heightened by the sharp contrast between living conditions on the bases and those in neighboring areas. While the U.S. and Philippine militaries have maintained active civic action programs over the years to assist the municipalities, program budgets were inadequate to make more than a limited contribution. As a result, when the 1947 Military Bases Agreement was amended in 1979, the United States made a "best efforts" commitment to provide \$200 million of Economic Support Funds (ESF), as well as \$300 million of military assistance, as compensation for continued unhampered access to U.S. military facilities in the Philippines. Also, as has been noted, approximately 41,000 hectares of land surrounding the Clark Air Base reverted to Philippine jurisdiction, some of which is available for economic development. In a Memorandum of Understanding following signing of the amendment, Minister of Human Settlements Imelda Romualdez Marcos and U.S. Ambassador Richard W. Murphy reaffirmed an earlier statement by President Carter that the ESF was "designed to improve economic and social conditions in the Philippines with emphasis on areas surrounding the military bases and the returned base land areas." It was also understood that the resulting projects would be directed at serving the basic human needs of the Philippine population.

The Municipal Development Fund (492-0361), authorized at a total ESF funding level of up to \$70 million, was obligated in FY 81 to begin fulfilling this understanding. The purpose of MDF is to provide ESF funds to enhance the capabilities of selected municipalities, with an emphasis on those most affected by U.S. military facilities, to manage resources in carrying out development activities responsive to locally established priorities. As of this date, the chartered cities of Angeles and Olongapo and seventeen municipalities close to Clark Air Base and Subic Naval Station are planning to participate in MDF.

The Regional Development Fund (RDF) will enable the United States and Philippine governments to move further toward fulfilling the understanding. Through RDF, funds will be available for two essential objectives: (1) to address the condition of squatters around the perimeter of the military bases and on the reverted lands, and (2) for high priority growth-related subprojects of provinces in Region III as well as region level subprojects.

Through the provinces, the remaining 106 municipalities (excluding the seventeen MDF municipalities) in Region III will be eligible to participate.

Through the combined subprojects of the MDF and those planned under RDF, including activities to ameliorate the living conditions of squatters in and around the bases, a total of up to \$115 million will have been made available to improve economic and social conditions within the impact area of U.S. military facilities. In addition, \$5 million was obligated in FY 81 for the construction and improvement of an access road into the Sacobia portion of the reverted lands, for feeder road construction, and for a soil and water conservation pilot to refine techniques for arresting the degradation of the largely denuded Clark reverted lands. Finally, preliminary planning is underway for an integrated Upland Agricultural Resource Center costing up to \$10 million which may be constructed on the reverted lands for area farmers, as well as serve as an important regional site for adaptive research on upland farming and soil and water conservation techniques. In all, between \$120 and 130 million will have been targeted on the development of the impact area of U.S. military facilities. (This figure is in addition to the more than 200 three-room and twelve two-story elementary schools built in Region III under the Elementary Schools Construction project, the first ESF activity following the signing of the 1979 Amendments.)

B. DETAILED DESCRIPTION

1. General

This Regional Development Fund Project is set forth as support to a GOP-managed fund. The fund approach was chosen because it is consistent with the U.S. government's overall ESF strategy and with the concept that GOP-owned pesos are being used to implement subproject activities. The fund concept places responsibility for subproject execution squarely on the GOP implementing agencies while giving AID a joint role with the GOP in structuring the criteria and procedures the GOP will use in designing and implementing subprojects. The Fund is an extremely useful mechanism, for both AID and the GOP, to group into a single project a range of Philippine-initiated activities. Using it, AID can support, via an ESF dollar transfer to the GOP Treasury, additional GOP development activities which the Philippines would not otherwise be in a position to finance and

which AID would not be in a position to manage as separate projects. Additionally, AID monitoring attention can be focused on the process by which local government units plan, organize, finance, implement and maintain locally-chosen infrastructure projects.

In the case of RDF, AID has elected not to monitor the details of subproject implementation but to a major extent to rely on the capacities of existing institutions. Use of the fund concept does, however, insure AID a "seat at the table" in deciding the approaches, criteria and procedures by which the subprojects are carried out. While AID will have limited subproject monitoring responsibilities, it will be concerned with the effectiveness of the existing institutional arrangements. Using this approach, subproject monitoring will not be an unmanageable work item for AID.

The RDF will be capitalized in two ways. First, AID will hold in reserve, on behalf of the GOP, an amount of \$3.0 million to be used for foreign exchange costs. These foreign exchange funds will be disbursed using traditional Letters of Commitment and Letters of Credit or other appropriate mechanisms in support of selected subprojects requiring foreign exchange-financed goods or services. Second, the GOP will appropriate pesos to be allotted to the Fund, under the stewardship of the ESF Secretariat, Ministry of Human Settlements (MHS), for selected regional development subprojects, including squatter assistance. In exchange for this allotment of pesos for the RDF over and above those that would normally be provided and in exchange for the GOP agreeing to certain terms and conditions on the use of these funds (e.g., AID monitoring, approvals and audit rights) as contained in an executed bilateral project agreement, AID will support the local cost components of the Fund via annual dollar disbursements to the GOP Treasury. This procedure is described in the "Implementation Planning" section of this paper.

The capitalization of the Fund will result in squatter assistance subprojects within the immediate impact area of the bases, as well as capital improvements supportive of the economic development of the region as a whole. The RDF does not have as its primary purpose institutional development per se. However, the fact that both GOP regional planning structures and the provincial governments themselves will have significant additional resources at their disposal will result in gains in institutional capacity to plan, coordinate and implement development subprojects. While this is viewed as a secondary benefit of the RDF, it is considered important.

2. Squatter Assistance

The Squatter Assistance component of RDF will include resettlement and settlement upgrading to improve the living conditions of Ayta and Lowland Filipino squatters currently residing along the perimeter of U.S. military facilities or within the reverted baselands. While subprojects may ultimately include squatter communities at other bases, initial activities will concentrate on three communities along or near the northern perimeter of Clark Air Base and another three communities within Crow Valley Bombing Range. These communities are being given emphasis, because the proliferation of marginal squatter communities around the Clark reservation is a problem not only to Clark Air Base authorities but increasingly to municipal and provincial governments as well. In addition, the reverted baselands present an immediate opportunity for squatter resettlement, where upgrading of current communities is not feasible.

At present, it is estimated that 600 families reside in the villages of Marcos, Macapagal and Calumpang to the north of Clark (Refer to Map 1). Located in Pampanga Province, they are generally considered to be within the jurisdiction of the municipality of Mabalacat. While Calumpang is accessible by road to Mabalacat (through Sacobia), the villages of Marcos and Macapagal remain isolated communities without access to employment or social services except through Clark Air Base. Although there are some basic facilities and services within the communities, such as elementary school buildings and barangay health centers, they are inadequate. Further, staff to man these facilities now travel via the base road. Employment is highly dependent on access through the base: some residents work at legitimate jobs on the base and enter and exit through an existing "temporary gate" known as Negrito Gate; others farm both sides of the Sacobia River and take their crops to market on jeepneys which serve Marcos-Macapagal through the base. The problem of access is compounded by the physical characteristics of the present location of the two communities which are bounded on the north by the Sacobia River. The two villages are perched along the eroding southern bank of the river, with houses literally built up against the base fence; there is currently no alternative route.

The communities of Sta. Juliana, Maruglo, and Bueno in Crow Valley are located in a restricted zone under the exclusive use for bombing practice of Philippine, U.S. and allied military personnel. The three communities are populated by a

heterogeneous group of approximately 555 families, including both Ayta and lowland Filipinos. Located within Tarlac Province, they are under the political jurisdiction of Capas.

The proximity of the settlements within Crow Valley to the firing range poses danger to the life and safety of the squatters. In addition, the inaccessibility of the communities accounts for the absence of social services, facilities, and other amenities, including transport, sanitation, agricultural extension services, marketing, and so on. However, the squatters have resisted all earlier efforts to resettle them into other communities within the Clark reservation or outside the base. They apparently derive much of their livelihood from constructing targets for bombing practice for the military and from scavenging the practice bombs dropped there regularly. Resettling them outside Crow Valley therefore would involve creation of alternative employment options, as well as provision of basic physical and social amenities.

Planned subprojects under the squatter assistance component of RDF will include both resettlement and settlement upgrading. Preliminary socio-economic surveys and planning studies are underway under the aegis of the MAC Secretariat, but in consultation with the provincial governments. Initial findings suggest that it will be necessary to provide basic social services and facilities to the communities, together with livelihood assistance, in addition to undertaking sites and services and, in the case of resettlements, actual housing construction. The aim is to provide targeted beneficiaries with housing structures and basic supportive facilities and services to ensure their self-sufficiency in the long run. In view of their extremely low incomes some combination of grant and loan assistance will be provided. On one hand, the MAC is anxious not to create the impression of unlimited grant assistance which could prompt more squatters to move onto the reverted baselands. On the other hand, because these people must move to accommodate military requirements of continued secure use of the Clark facility and because they are poor, it is not realistic to contemplate strictly loan assistance in the provision of sites and services, including housing.

Designing the total assistance package will include the following steps:

- Establishment of a senior-level, inter-agency group responsible for GOP policy formulation and coordination of squatter resettlement/upgrading projects on and around the bases.

- Establishment of a planning process which ensures participation of both Ayta and lowlander groups, as well as local and national governments;
- Design and implementation of livelihood/income generating ventures which go beyond land cultivation;
- Construction of needed roads, bridges and drainage;
- Provision of housing, as well as corresponding community facilities, including adequate school classrooms, medical facilities, and so on; and
- Provision of a clean domestic water supply system and electrification.

Current estimates, based on similar programs elsewhere in the Philippines, are that such development will cost P50-75,000 (\$6,250 - 9,500) per household. In addition, it will be necessary to finance the costs of the following: land surveys, environmental assessment studies, the preparation of site development plans, detailed engineering studies, detailed socio-economic surveys and livelihood feasibility studies. Funding for these studies will come from the Project Design Project (492-0343), to the extent funds are available, or from the RDF design component.

Once implementation is underway, squatter assistance subprojects will become the responsibility of the provincial governments in cooperation with regional and national government ministries engaged in housing and shelter. This is considered advantageous for a number of reasons: (1) the importance, from both a political and service-delivery standpoint, of integrating the squatters into surrounding jurisdictions; (2) the desire of the provinces to take a leadership role, and (3) the greater likelihood of achieving success with a participatory venture which includes local government rather than a top-down approach to such politically difficult issues as resettlement and squatter settlement upgrading. In recognition, however, of the inexperience of the provincial governments in planning and implementing squatter projects, provision will be made within the project for the provincial governments to enter into cooperative agreements with agencies of the central government or private contractors for planning, design and the actual implementation of the subprojects. The most likely national agencies to become parties to such agreements are the Ministry of Agrarian Reform (MAR) or an agency of MHS, such as the National Housing Authority, the Human Settlements Development Corporation, or perhaps the Sacobia Development Authority.

In view of increasing pressure from military and political sources to resolve some of the outstanding squatter problems, the MAC Secretariat is proceeding with the detailed design of the first squatter assistance subprojects. In so doing, resolution of the following issues will be necessary:

(1) Security of Tenure.

Resolution of this issue is critical since the objective is to offer some combination of grant and loan assistance to the squatters and long-term investment and development of the land resources is being encouraged. The issue of land tenure is quite possibly the most volatile one in the Clark Air Base area today. Apparently by agreement with the U.S., the reverted baselands must remain public at least until 1991; in the interim they cannot be sold to private citizens or organizations. Since it cannot provide private title to the lands, the GOP is proposing to grant long-term leases to settlers and private organizations occupying them. However, the duration of such leases, somewhere between ten and twenty-five years, is still uncertain. To some extent, the plan to provide a mix of loan and grant assistance under RDF may help resolve the issue, since all parties agree that current and potential residents need assurance that they have sufficient vested rights to the land to borrow initially and to make further development worthwhile.

(2) Social Dislocation.

To the extent that resettlement assistance is necessary, rather than simpler settlement upgrading, social dislocation is inevitable. Integrated physical and socio-economic development plans will minimize whatever adverse effects are created. However, in the case of Marcos-Macapagal squatters, the problem will be compounded by their generally negative perceptions of the Sacobia Resettlement Area. Further, they have experienced a series of unpleasant moves in the past, and promises of assistance and services have usually not been fulfilled. To minimize resistance, it will be important to involve squatters fully in the planning process, whether resettlement or settlement improvement is determined to be the preferred course.

(3) Service Delivery and Infrastructure Support.

The current locations of Marcos and Macapagal, as well as the Crow Valley squatters, illustrate the difficulties of providing socio-economic infrastructure, such as population,

health care and educational services and facilities, as well as employment opportunities and transportation, to remote localities. This will be less of an issue if they are integrated into existing communities, for instance at Calumpang or O'Donnell to the north.

(4) Livelihood.

While many of the squatters are lowland and slash-and-burn farmers, others derive legitimate employment from Clark Air Base, including some Marcos-Macapagal squatters and those building bombing targets and scavenging on the Crow Valley Bombing Range. Adequate livelihood opportunities which build on their existing skills and recognize employment preferences must be made available. The San Vicente BLISS Project at Sacobia neglected to provide timely or adequate livelihood opportunities and thus underscored the fact that livelihood opportunities must be developed before settlers are moved in or they will not stay in their new homes. The San Vicente experience is known to many current squatters, especially those at Marcos-Macapagal.

(5) Political Jurisdiction.

The Crow Valley squatter communities clearly fall within the municipality of Capas, Tarlac. However, jurisdiction over Marcos, Macapagal, and Calumpang remains unclear at the municipal level, although most observers consider them within the jurisdiction of Mabalacat, Pampanga. The decision to implement the project at the provincial level was made in part to circumvent continuing uncertainty over municipal jurisdiction. Other jurisdictional issues, however, continue to plague efforts to address squatter problems and fully utilize the development potential of the reverted baselands. Among them are: (1) the difficulties associated with efforts, to date, to work with the Sacobia Development Authority which thus far has been reluctant to identify which parts of its 5,300 hectares are available for resettlement, settlement upgrading, or other development activities financed under the ESF program; and (2) continued uncertainty over how much of the reverted lands might be reserved by the Philippine military for its use.

The nature of the squatter assistance component of RDF is such that detailed planning must be undertaken in conjunction with each resettlement or settlement upgrading subproject. However, GOP policy and approaches to squatter resettlement are continually evolving. Therefore, the GOP

has agreed, in exchange for AID support via annual dollar transfers, to allow the Mission, at its discretion, to review and approve detailed plans, implementation schedules, and budgets for subprojects prior to disbursing pesos for them, but following RDC and Secretariat approval. Following AID approvals, the projects will be sent to the MAC for final endorsement.

In the absence of such plans at this time, the component has been tentatively budgeted at \$10 million which is considered more than sufficient to finance resettlement/settlement upgrading anticipated at Marcos-Macapagal-Calumpang and at Maruglo-Sta. Juliana-Buenc. Any remaining balance will be available to undertake similar subprojects elsewhere in Region III. Should \$10 million exceed the cost of all RDF squatter subprojects, surplus funds will be made available to the provinces under the capital improvement component of RDF.

3. Provincial Capital Improvement Assistance

Under this component of the RDF, peso funds will be appropriated by the GOP to capitalize a fund for capital improvements at the provincial and/or regional level. The six provinces of Region III -- Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, and Zambales -- will participate (Map 2). Within Region III, the 106 municipalities not covered by the Municipal Development Fund (MDF) will be eligible for participation through the provinces.

Based on planning guidelines developed by the MAC with concurrence of the RDC, participating local governments will identify priority capital improvement subprojects, such as bridge and road construction, water supply, flood control, and construction and repair of selected public buildings (see Annex C), not included in the regular GOP budget. The Regional Development Council (RDC) of Region III and the Secretariat will consolidate the provincial requests and review them according to agreed upon criteria for RDF subprojects.

All subprojects agreed upon by the RDC for financing under RDF will be subject to a preliminary screening and approval by the MAC Secretariat, based on the Secretariat's "Project Development System" manual similar to AID Handbook 3. This system aims to ensure that the projects contribute to the overall development objectives of the GOP and specifically of Region III and that proper design procedures and standards are being applied, including those related to protection of the environment. (The Secretariat's Project Development System is discussed further in the Administrative Analysis.)

The following criteria shall be satisfied for projects to be eligible for funding:

- Subprojects shall be certified by the RDC as beneficial and of high priority for socio-economic development, employment creation and supportive of private sector growth in participating provinces;
- Priority shall be given to subprojects which are supportive of the Regional/Provincial Development Plan;
- All subprojects shall be technically sound and economically justifiable; full consideration shall be given to such factors as size of population benefitted, economic externalities, and quality and extent of socio-economic impact;
- Proposals for revenue generating subprojects shall demonstrate that they are self-sustaining in terms of operating and maintenance costs; such subprojects should demonstrate a high cost recovery rate, recovering a large proportion if not all of the initial investment, as well as all operating costs;
- Proposals for non-revenue generating subprojects shall insure that adequate arrangements are made for the provision of resources to cover operating and maintenance costs, and that cost-effective activities are planned;
- Only subprojects which are not already included in the budgets of regular government agencies shall be approved for RDF funding.

The nominating province shall be responsible for preparing subproject documentation, including a description and required pre-feasibility studies, with assistance from the RDC technical staff and/or the staff of the MAC Secretariat. Funding for costs associated with initial project identification will be borne by the nominating local government. Once specific subprojects are approved for development, the nominating local government will be eligible to draw on RDF project design funds for detailed design and engineering work. The RDF will also include funding for technical assistance, for instance the contract services of an A&E firm, for those provinces without sufficient project design/implementation capability.

Once approved, subprojects will be implemented by nominating local governments with assistance of national line agencies as appropriate. Depending upon the nature of the proposed activity,

Map 2. REGION III

CENTRAL LUZON



implementation will be accomplished by force account, contract or through a cooperative agreement with a national government agency. The following considerations shall guide the final selection of implementing entities:

- the nature of the project in relation to the regular functions and responsibilities of candidate local government units/national government agencies; and
- the capability of the candidate agency in terms of existing competence, manpower resources, and equipment required to implement the subproject.

The technical staff of the RDC and the Secretariat will assure that the implementing entity finally selected fully satisfies these criteria.

All basic infrastructure subprojects which are non-revenue generating (for instance, roads, bridges, flood control, drainage, health centers) will be funded on a straight grant basis. Revenue generating infrastructure subprojects such as water supply, rural electrification and power, or solid waste disposal, on the other hand, will be loan funded. Interest and principal grace periods, and term of the loans will be determined, based on the financial position of the implementing local government. Interest rates, however, are expected to be the same as those in the Municipal Development Fund -- currently 9 per cent.

III. PROJECT ANALYSES

A. GENERAL CONSIDERATIONS

The details of both the squatter assistance and provincial capital improvements components of the RDF remain to be worked out. In the course of finalizing subprojects plans, all standard analyses (including technical, institutional, administrative, social, economic, financial, and environmental) will be given consideration by the GOP and reviewed by AID as appropriate. Therefore, the discussions and analyses which follow present overall feasibility considerations and indicate criteria to be applied in the assessment of subproject viability.

B. TECHNICAL/INSTITUTIONAL ANALYSIS

Beginning in the 1950s, efforts were made to enhance the role of local government in the Philippines. A series of decentralization laws promoted local government involvement in an increasingly wide

range of areas, although for the most part both power and resources remained concentrated with the central government in Manila. Practically speaking, the role of local government was relegated to administration of central government programs without any prior local input into planning.

In the mid-1960s, the emphasis of Philippine development efforts began to shift away from capital intensive industrialization concentrated in urban areas to social and economic development in the rural sector. AID's initial support of rural development in the early and mid-sixties was, of necessity, concentrated on centrally designed and managed development efforts which in retrospect, failed to adequately address local needs. As a result, AID became convinced that little would be accomplished in the area of rural development until local people were given a greater voice in development of their areas. This was the original stimulus to what was to become a major commitment on the part of AID to develop the capacity of local government to effectively manage its resources and improve the quality of public services.

"Operation SPREAD" (Systematic Programming for Rural Economic Assistance Development) was initiated in the provinces of Tarlac and Laguna on a two year (1966-68) pilot basis. Its success in establishing a basis for further institutional development of provincial governments led the GOP to establish the Provincial Development Assistance Project (PDAP) in 1968. USAID's complementary Provincial Development Project and a subsequent Local Development Project provided advisors, commodities and training assistance to develop local government capacity to foster and sustain economic development. PDAP was essentially phased out in 1978 after reaching twenty-eight provinces, including all those proposed for inclusion under RDF. Subsequently, several Special Projects (SPs) were funded by USAID and the GOP covering PDAP and other provinces with requisite planning and engineering capability. The SPs include: Rural Roads I and II, Real Property Tax Administration, Rural Service Centers, and Barangay Water I and II. (See Annex D for a fuller discussion of Philippine local government institutional development, including its impact on economic development.)

Through its highly structured development approach and the provision of capital resources, PDAP markedly enhanced the planning and management capabilities of participant provinces. Participation included such standardized requirements as establishing a fully staffed Provincial Development Office, performance budgeting, preparation of annual plans, and so on, all of which were intended to build planning and management capacity at the provincial level.

Although the PDAP Central Organization became somewhat rigid in its adherence to these tools and requirements, the program strengthened provincial government capacity, thereby contributing to the

institutionalization of the provincial executive and its professional staff. PDAP-established systems have become required for GOP budgeting purposes, and they have been adopted by many non-PDAP provinces. The accepted planning systems and procedures include: the socio-economic profile, road network development planning, sectoral development planning, provincial comprehensive planning, project evaluation and priority ranking techniques, capital improvement programs, real property tax administration systems, budgeting-accounting-forecasting-fiscal planning techniques, infrastructure programming, project engineering, quality control, and so on. PDAP systems and established procedures thus provide a strong foundation for further development assistance especially of a capital improvement nature.

In summary, the RDF focus on provinces for project identification and implementation makes sense for several reasons: (1) they are the lowest level of government in the Philippines which have an adequate capacity to plan and implement development activities (in contrast, most municipalities are more in need of assistance in basic capacity building); (2) after more than a decade of PDAP efforts, provinces are generally in a position to make effective use of development resources, since PDAP systems and procedures have been widely instituted in non-PDAP provinces as well; (3) on the average, the regular GOP budget includes funding for less than half of the projects identified in provincial plans, with the result that development is constrained; and (4) the provinces are well placed to improve horizontal links to line agencies which continue to control the bulk of development resources and thus to dominate rural development.

However, the emphasis under both PDAP and the SPs was to build local capacity to plan and implement development projects which stressed capital improvements. For this reason, the Local Resource Management (LRM) Project, a major new AID initiative, is planned to further develop the capacity of provinces to carry out projects which address broad social and infrastructure demands and are targetted more directly on poverty groups. LRM will be focussed initially only on Regions V, VI and VIII however. Therefore, without the benefit of LRM assistance to further develop the capacities of participating RDF provinces, it is considered essential to permit local governments to enter into cooperative agreements with national agencies and/or private contractors to assist in both the planning and implementation of RDF subprojects of a social nature. This will be particularly important to the success of the squatter assistance component of RDF.

The decision to build into RDF a coordinative oversight function for the Regional Development Council (RDC) is consistent with GOP post-PDAP efforts to decentralize. In 1972, the national government

was reorganized to include creation of a regional structure.* RDCs composed of regional governors and regional directors of national line agencies were established throughout the Philippines under aegis of the National Economic and Development Authority (NEDA). The Councils are responsible for coordinating with the line agencies of the national government and local governments within the region. They have the following major functions:

- To survey regional resources and potentials, and prepare long-range and annual plans for the region within guidelines established by NEDA;
- To translate national economic goals into regional objectives which are to be reflected in the plans; and
- To coordinate all planning activities of the line agencies of the national government in relation to those of the local governments and local planning boards.

In support of these functions, RDC professional staffs are charged with developing research programs covering the social, economic and cultural development of the region and with preparing an annual regional economic report and periodic regional development investment plans (RDIPs).

In further support of the GOP's commitment to decentralization, NEDA recently proposed but has not yet secured funding for two new programs: creation of a Regional Feasibility Study Fund and a Regional Development Fund. Therefore, the ESF-funded RDF which stresses provincial implementation, through the RDC coordinative mechanism, of capital improvements is both timely and supportive of current and planned GOP decentralization/rural development initiatives. Although it will include funding for only Region III, it will be a useful prototype for the national program NEDA hopes to implement, because proposed criteria for project selection and proposed operating procedures are similar to those contemplated by NEDA.

*The United Nations Development Programme (UNDP) and World Bank have assisted in the regionalization move under two phases of a jointly-funded Assistance in Regional Planning Project.

C. ADMINISTRATIVE ARRANGEMENTS

1. Regional/Provincial Administrative Arrangements

Established relationships of the RDC to local government units put it in an ideal position to recommend allocation of RDF resources among provinces and to coordinate and review provincial subproject proposals. The RDC is currently the point at which provincial/municipal plans and the sectoral thrusts of the national ministries are reconciled into regional development plans which are the basis of the Five Year National Development Plan prepared by NEDA. Thus, the RDC is responsible for preparing long-, medium-, and short-range plans for the region, including a Year 2000 Plan, a Ten Year Development Plan (1978-87), and two Five Year Development Plans (1978-82 and 1983-87). Out of this planning process comes the more targetted Regional Development Investment Program (RDIP) supported by annual plans. The RDIP includes local government projects of the provinces, chartered cities and municipalities, but the budget includes only the requirements of the national agencies.

The local government project ideas which are eventually included in the RDIPs often originate at the barangay level and are collated by the City or Municipal Development Coordinator. The RDC reviews these plans, suggesting additional programs or projects which it may feel are lacking and screens the final lists to eliminate duplication and inconsistencies. Refined municipal/city plans are then referred to the Provincial Development Coordinator who adds the requirements of provincial projects before referring the entire package to the RDC. The RDC staff consolidates provincial plans and the requirements of the regional offices of the ministries into a single regional document which is reviewed and endorsed by the council. Among other concerns, the RDC assures that national priorities are reflected in regional plans. The RDC also establishes priorities among local government, regional, and national proposals, because of the certainty that funding will be sufficient, on the average, for less than half of the projects included in the RDIP.

(At the national level, NEDA prepares the National Development Plan on the basis of the RDIPs. At the same time, the national ministries prepare their budgets which include regional and national projects. The various national plans and budgets are then reconciled into a single budget document by the Ministry of Budget.)

In Region III, the RDC which is chaired by the Governor of Bulacan at the present time, is composed of more than seventy-five members. They include: the six governors; the mayors of the region's five chartered cities; nearly fifty regional directors and managers of national ministries and agencies; and, the twenty-four assemblymen from the region. In view of its size, the RDC meets infrequently. Matters are screened initially by the RDC Executive Committee which is chaired by the NEDA Regional Executive Director and composed of the Regional Executive Directors of the Ministries of Public Works and Highways, Agrarian Reform, Local Governments, Social Services, Education and Culture, and Human Settlements, as well as one governor (currently of Tarlac) and one mayor (currently of San Jose City, Nueva Ecija).

The structure and procedures of the RDC make it an ideal vehicle for coordinating and reviewing RDF capital improvement subprojects, as well as reviewing detailed plans for squatter resettlement and settlement upgrading. Once the RDC has received an overall regional funding level under RDF, the Council will recommend to the MAC the allocation of funds among provinces. Following MAC approval of provincial allocations, the RDC staff will work with the Provincial Development Coordinators to refine subprojects plans which have already been given a high priority in connection with the regular planning process but which have not been included in the regular GOP budget.

When the provinces propose projects for inclusion in the RDIPs, they do so on the basis of Project Profiles which are little more than simple descriptions. Actual feasibility and detailed design work is generally done by the appropriate national ministries. It is planned under Phase III of the UNDP-IBRD Regional Planning Project that the RDC staff will take over this function. However, for the immediate purposes of the RDF, project funding will include a component for subproject development.

With regard to project implementation, there is consensus that the provinces generally have the capability to monitor and supervise the construction of capital improvements. The general expectation is that the work would be done by contract with private sector firms rather than force account. However, some Region III provinces have recently experienced difficulties in maintaining their engineering staffs, since many Filipino engineers are going to the Middle East. Therefore the RDF includes funding for provinces to contract for engineering expertise to assist in project supervision and monitoring, as needed.

2. MAC Secretariat Administrative Arrangements

The RDF will be under the general oversight of the ESF Management Advisory Committee (MAC) and its Secretariat. The MAC is an interministerial committee created by President Marcos on May 27, 1980, and composed of eight GOP ministers. It provides policy and program guidance to the President in the selection and execution of projects under the ESF program. The Secretariat, organized under the Ministry of Human Settlements (MHS), is responsible for day-to-day coordination of the ESF program. It is headed by an Executive Director with a full-time staff and is able to call upon a broad range of consultants. The staff of the Secretariat is composed of engineers, economists, development planners, public accountants, systems designers, and project managers. The Secretariat functions as a funding agency with coordinating and planning responsibilities. As such, it does not directly implement projects, but rather relies on GOP line agencies and local government units to do so. The Secretariat works with them in reviewing proposals, planning projects and overseeing implementation progress. To do so, it establishes procedures and standards, participates in evaluations, and sponsors or performs project audits.

The MAC Secretariat has prepared general policy and procedural guidelines for its operation. They are closely related to AID's Handbooks on project design, procurement, and administrative services. Major documents include: a project development system similar to Handbook 3, and manuals for service contracting and for materials, equipment and construction contracting which are consistent with AID regulations for local procurement. Off-shore procurement is governed by AID Handbook 11 requirements for host country contracting. Specific policies and procedures for implementation of the RDF are discussed under Implementation Planning.

D. SOCIAL ANALYSIS

1. Reverted Baselands Beneficiaries

Under contract to the MAC Secretariat, the National Council on Integrated Area Development (NACIAD) prepared a master plan for the reverted baselands at Clark. As background, they undertook a socio-economic study of existing populations on the lands and a survey of existing services as a basis for devising development

strategies. This involved pulling together existing secondary data,* as well as extensive interviewing. The NACIAD surveys covered the communities of Marcos, Macapagal, Calumpang, Maruglo and Bueno. The resulting report is therefore a rich source of information regarding the current status of the populations which will be directly affected by proposed squatter assistance activities.

The present population of the reverted lands is estimated at 28,300 (Table 1 includes present and projected populations of reverted baselands communities). Although the National Census and Statistical Office does not report separately on the Ayta population, NACIAD estimated that the Ayta account for less than fifteen percent of the total (Table 2).

Except for those Ayta close to the base, the staple food of the Ayta population is rootcrops. In comparison, the lowlanders subsist mostly on rice, fish, vegetables, and occasionally meat.

The staple food supply in the reverted lands comes mostly from farmers who cultivate wetland rice, rootcrops, and vegetables, in addition to sizeable amounts of sugarcane. Housing tends to be built of light materials and much is almost "temporary" in nature, because most baselands settlers neither own nor rent their homelots. The NEDA-BAECON study reported that, of the population as a whole, 31 percent have piped or pumped water within their homes, 24 percent have pumps or standpipes in their yards, and 18 percent use public pumps or pipes, while the remaining 28 percent get their domestic water supply from open wells, rivers, or ponds. In Marcos and Macapagal, however, the only source of water is an extension pipe from the Base. In contrast, Maruglo barangay residents developed a spring and constructed a water tank, with the result that the entire population has access to public standpipes. With regard to sanitation, the majority of the reverted baseland population has unsanitary or sub-standard toilet facilities.

The most common reported illnesses are respiratory tract infections and gastro-intestinal disorders. A few health centers operate within the reverted lands, and a team of nursing students

*Sources included: A Draft Environmental Impact Statement for Sacobia prepared in December 1980 by Michael Harlow and Associates on contract to USAID; a Socio-Economic Study of the Clark Airbase Reservation Area prepared by NEDA-BAECON in 1979; the Sacobia Development Framework Plan prepared by Development Academy of the Philippines (DAP) in 1979; the Regional Development Investment Plan for Region III; and the national census.

TABLE 1. PRESENT AND PROJECTED POPULATION OF THE REVERTED BASELANDS

Zone	Barangay	Y e a r										
		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
A	Marcos	1,520	1,558	1,597	1,678	1,720	1,763	1,807	1,807	1,852	1,898	1,946
	Macapagal	869	891	913	936	959	983	1,008	1,033	1,059	1,085	1,112
	Sapang Bato	756	775	814	834	834	855	877	899	921	944	968
	Calumpang	541	555	583	597	612	627	643	659	676	676	693
	TOTAL	3,686	3,779	3,872	3,970	4,068	4,170	4,275	4,382	4,491	4,603	4,719
B	Sta. Lucia	4,540	4,654	4,770	4,889	5,011	5,137	5,265	5,397	5,532	5,670	5,812
	O'Donnell	8,338	8,546	8,760	8,979	9,204	9,434	9,670	9,911	10,159	10,413	10,673
	TOTAL	12,878	13,200	13,530	13,868	14,215	14,571	14,935	15,308	15,691	16,083	16,485
C	Sta. Juliana	1,999	2,049	2,100	2,153	2,206	2,262	2,318	2,376	2,436	2,496	2,559
	Maruglo	492	504	517	530	543	557	571	585	599	615	630
	Bueno	303	311	318	326	334	343	351	360	369	378	388
	TOTAL	2,794	2,864	2,935	3,009	3,083	3,162	3,240	3,321	3,404	3,483	3,577
D	San Vicente	594	609	624	640	656	672	689	706	724	742	760
	Sto Nino	594	609	624	640	656	672	689	706	724	742	760
	TOTAL	1,188	1,218	1,248	1,280	1,312	1,344	1,378	1,412	1,448	1,484	1,520
E		1,951	200	2,050	2,101	2,154	2,209	2,263	2,319	2,377	2,437	2,498
F		3,212	3,292	3,375	3,459	3,545	3,634	3,725	3,818	3,913	4,011	4,112
G		1,962	2,011	2,061	2,113	2,166	2,220	2,275	2,332	2,391	2,450	2,512
	TOTAL	7,125	7,303	7,486	7,673	7,965	8,063	8,263	8,469	8,681	8,898	9,112
GRAND TOTAL		27,671	28,364	29,071	29,787	30,543	31,309	32,091	32,892	33,715	34,557	35,413

Note: Computations based on average growth rate of 2.5% for the provinces of Pampanga and Tarlac.

TABLE 2. TOTAL AYTA POPULATION BY BARANGAY/SITIO

<u>Municipality/ City</u>	<u>Barangay</u>	<u>Sitio</u>	<u>Number of Persons</u>
Mabalacat	Marcos		716
Mabalacat	Calumpang		120
Angeles	Sapang Bato		192
Capas	Sta. Juliana		1,363
		Doray (Marc Cojuanco Village)	488
		Pilyen	234
		Alunan	160
		Mag-ubi	129
		Patal-Pinto	128
		Mapagla	43
		Pisapungan	100
		Bangan Pula	39
		Payapa	42
Capas	Maruglo		448
		Flora	308
		Calluncan	50
		Yangca	42
		Balatong	48
Capas	Patling		50
Capas	Bueno		40
Bamban	San Vicente		404
		Balacbac	107
		Burog	179
		Mataba	118
Bamban	Sto. Nino		405
		Nayon San Martin	176
		Bagwingan	99
		Gayanan	105
		Tiyag	25
	TOTAL		3,738

from Angeles University provides primary health care to residents of Marcos, Macapagal and Calumpang. Some pre-school feeding programs are also operative. Among the Ayta, the cure for most illness is through folk or herbal medicine or "lunas ng bundok" (medicine of the mountain) which is practiced by an Ayta "herbolario".

Grade school facilities, though crowded, are available in all barangays. However, only the privately-owned barangays of Patling (O'Donnell) and Sta. Lucia in the north have barrio high schools. These schools serve the needs of a few children from Maruglo, Sta. Juliana and Bueno. For the rest of the barangays, the long distance which must be traveled to high schools in Bamban or Mabalacat is generally prohibitive. Marcos and Macapagal residents have regular jeepney service through Clark Air Base which provides both passenger and cargo transport at reasonable rates. To the north, however, jeepney service is both less regular and very expensive. On the whole, one-third of the population reported that walking was its only form of mobility.

With regard to social structure and organization within the reverted baselands, there are two principal social groups and one minority one: native Ayta inhabitants, Christian lowlanders, and a mixed group. Among the Ayta, the basic social unit is generally the family. Marriage among close kin is frequent.

Genealogical studies reveal that different Ayta groups in the reservation are related to one another by ties of kinship, with the result that all of the Ayta can be roughly divided into three distinguishable neighborhood communities or kinship circles: (1) the Marcos-Sapang Bato community on either side of Clark Air Base; (2) the San Juan-Borog-Balacbac community within the Sacobia area; and (3) the Maruglo-Sta. Juliana-Bueno community to the north.

In view of their isolation, the Ayta have traditionally relied on their immediate community, and sharing within the community, especially of food, is the prevailing practice. Because the upland Ayta still practice hunting and food-gathering in the forests, as well as slash-and-burn agriculture, they are highly mobile. Their mobility is directly related to their concept of land ownership. Rather than accept the traditional Filipino concept of private ownership, they see God as the owner of the land which they occupy, and they give the "owner" periodic shares of the harvest. Ownership extends only to the dwelling or crop the individual has placed on the land. This property concept and Ayta agricultural practices have made them particularly

vulnerable to the influx of lowlanders into the military reservation. In fact, they are culturally handicapped to prevent lowlanders from occupying land which does not have anything Ayta-owned on it. This explains why they have readily sold the usufruct rights to the land to incoming lowlanders.

In contrast to the Ayta, the lowland Christian population consists of a number of different ethnic groups including Kapampangans who constitute the majority, the Tagalogs, Bikolanos, Ilocanos, Pangasinenses, and Bisayans. Formation of their communities or settlements has been largely influenced by economic interests. Coming from a lowland cultural make-up, the social practices of the lowlanders are similar to other Christian lowlanders. Without the kinds of kinship bonds which characterize the Ayta, they are more residence-based and thus less mobile. They also have wider access to the network of social and economic resources of other lowlanders outside the reverted lands. They thus have an advantage in activities, such as sugarcane farming, which require outside contact or coordination.

Aside from the Aytas and lowlanders, there is a minority group of mixed-Ayta or mixed-lowlanders resulting from intermarriages. They are concentrated in Marcos and Bueno.

The pattern of interaction among groups is characterized by conscious or unconscious efforts to maintain a degree of social distance. Lowlanders describe the Ayta as evasive, suspicious, distrustful. Within the close kinship system of the Ayta, bad experiences with lowlanders are communicated readily, and in the process the Ayta mistrust of the lowlanders is strengthened with the result that they become even more evasive and suspicious.

Despite the social distance between the two majority groups, economic circumstances have caused a certain amount of interaction within the northern reaches of the reverted lands. To the lowlanders, the Aytas are a source of cheap labor and raw materials gathered from the base or the forest. They are also customers of the community stores operated by the lowlanders. Conversely, to the Ayta, the lowlanders are a source of employment and a market. The same pattern of economic symbiosis is observable among the Ayta and lowlanders of Marcos and Sapang Bato, although there the economic activities revolve more around business opportunities arising from the base. At Crow Valley, the Ayta and lowlanders are reported to have an informal agreement pertaining to a weekly rotation for scavenging.

Another factor which affects patterns of interaction is politics. The barangay governments theoretically control both the Ayta and lowlander subgroups. Most often, however, the barangay councils are dominated by the lowlanders and operate side-by-side with established and emergent Ayta tribal organizations. The present tribal organizations of the Ayta correspond with the three kinship circles described above. The community of Marcos dominates the most southern of the three neighborhoods. There Alfonso Valentin, better known as King Alfonso, is the chief as a result of recognition given him by several Base Commanders for services performed for the U.S. military. To the north, PANAMIN has been actively trying to promote tribal organizations.

Not surprisingly, economic activities within the reverted lands are centered around agriculture. Farming is the major source of income for both Ayta and lowlander groups, although they are engaged in different kinds of agricultural activities. Almost seventy percent of the labor force has been estimated to be either farmer-operators or laborers in sugarcane plantations. Cultivated farm lots generally range from one half hectare to 7 hectares in size. However, while the majority of the farmers are categorized as small-scale subsistence, a few enterprising ones, mostly lowlanders, operate large-scale sugarcane farms. Some of them assembled large parcels of land by purchasing usufruct rights from the Ayta.

The major crops raised in the area are sugarcane, palay and root crops, including gabi, sweet potato, cassava and yams. For the cultivation of palay and sugarcane, carabao plowing is primarily relied upon. The Ayta practice kaingin or slash-and-burn cultivation of their rootcrops and corn. Contour plowing has not been extensively used, resulting in the alarming extent of soil erosion in the area.

Except for lowland sugarcane planters and some rootcrop growers, investment in agricultural production is very limited. Those with financial resources borrow capital for land preparation and procurement of inputs. In other cases, traders provide cash advances, especially to rootcrop growers, on the understanding that all the produce will be sold to the creditor. Ayta palay farmers in the Sacobia area claim that they received fertilizer from Clark Air Base before the reservation reverted to Philippine control, but that now such inputs are not available and that, in addition, they must pay a "rent" of ten percent of their produce to the "government".

Agricultural production is reportedly low (see Table 3). According to the NEDA-BAECON surveys, the average production per hectare for palay is 26 sacks compared to the regional average of 65 sacks; sugarcane production per hectare is slightly less than half the regional average. Both sugarcane planters and rootcrop growers do not seem to encounter difficulties in marketing their products, although expensive and inadequate transportation services results in a small margin of profit for some.

Other than farming, some lowlander and Ayta families are engaged in cottage industries such as handicrafts, sewing, basket weaving, and making bow and arrows. For many residents, especially in Marcos, Clark Air Base garbage was once a major source of income, because of the market for metal scrap and other recyclable materials. More recently Clark Air Base has taken charge of disposing of most of its garbage. In the Crow Valley area approximately 200 Ayta are employed making effigies for target practice in exchange for which they receive rice. In addition, they scavenge scrap materials.

2. Regional Profile

Annex B presents a full statistical description of Region III, the wider impact area of the capital improvements component of RDF. It describes an area which varies widely from the more sparsely populated provinces of Bataan and Zambales on the South China Sea coast to the rich rice-producing areas of Tarlac and Nueva Ecija to more urban and industrialized Pampanga and Bulacan. In geographic area, Central Luzon is the fourth smallest region in the Philippines, although it ranks third in population size. Energy availability and services, including both health and education, are on the average better in Region III than in the nation as a whole, although some such as housing are particularly deficient. While the regional economy registered an average growth rate of over six percent over the past several years, the employment rate decreased slightly.

Efforts to improve both the quantity and quality of employment and social services will be undermined by rapid population growth due to a high rate of natural increase, as well as in-migration. The high net migration rate is attributed to the proximity of Central Luzon to Metro Manila, the recent establishment of an Export Processing Zone in Bataan, and to the presence of the military bases.

TABLE 3. COSTS AND RETURNS BY CROP, CLARK AIR BASE
RESERVATION AREA, 1979 (IN PESOS PER HECTARE)

	C R O P S				Other	
	Palay	Corn	Sugarcane	Rootcrops	Watermelon	ALL
					Tomatoes,	CROPS
					Sitao, Mongo	
Number of Farms	221	9	32	13	5	279
Cash Costs:	261.26	55.45	1,623.28	171.56	156.00	519.3
Fertilizer	83.96	10.25	1,033.59	36.40	127.40	272.8
Chemicals	15.33	3.35	3.66	-	28.57	4.4
Irrigation fee						
Hired Labor	161.97	41.85	586.03	135.16	-	242.1
Loan Interest						
Non-Cash Costs:	506.64	138.29	995.86	525.40	691.22	591.9
Landlord's share	103.73	-	573.14	129.10	-	194.8
Harvester's share	52.20	38.42	89.24	27.19	-	58.5
Thresher's share	51.86	-	61.41	-	-	50.9
Reserved seeds	38.33	1.12	17.11	-	48.57	32.2
Unpaid labor	257.83	98.75	254.95	369.11	642.65	254.3
Loan Interest	-	-	-	-	-	-
Irrigation fee	1.69	-	-	-	-	1.3
Total Costs	767.90	193.74	2,619.14	696.96	847.22	1,111.2
(Value of Production)						
Total Returns	1,180.44	153.24	4,014.33	1,740.22	3,948.29	1,745.9
Returns above cash cost	919.18	97.79	2,391.05	1,568.66	3,792.29	1,226.6
Returns above non-cash costs	674.80	14.95	3,018.47	1,214.82	3,257.07	1,154.0
Net Returns	413.54	(-40.5)	1,395.19	1,043.26	3,101.07	634.7

Source: BAECON-NEDA Report, 1979, p. 78

E. SOCIO-ECONOMIC ANALYSIS

1. Socio-Economic Criteria

The primary justification for this project is one of meeting basic human needs. As part of the U.S. commitment "to improve economic and social conditions in the Philippines with emphasis on areas surrounding the military bases and the returned baseland areas," the RDF is directed toward two ends: (1) ameliorating the condition of squatters residing along the perimeter of the bases and on the reverted baselands, including resettlement where present settlements conflict with unhampered military use of base facilities; and (2) improving the socio-economic condition of communities within the wider impact of these facilities, largely through capital improvements which facilitate more effective provision of services or stimulate private economic activity. Concern with maximizing the development impact of the RDF has led to agreement on certain socio-economic criteria for the review and approval of subprojects. These are discussed in the Detailed Project Description.

In general, revenue generating activities will be expected to be self-sustaining in terms of operating and maintenance costs. Equally important, they should demonstrate a high cost recovery rate, recovering initial investment whenever possible. Where it is not possible to utilize cost-benefit or internal rate of return methodologies, as will be the case with non-revenue generating capital improvements and squatter assistance activities, cost-effectiveness in terms of cost per beneficiary will have to suffice.

The decision to build a review/approval and coordinative role for the Regional Development Council (RDC) into implementation of the RDF reflects the GOP interest in maximizing socio-economic impact. The RDC will assure that project activities are consistent with overall GOP development planning, as well as specific planned undertakings of the line ministries. In its oversight role, the MAC Secretariat will make sure that full consideration has been given to such design considerations as number and nature of direct and indirect beneficiaries, economic factors, and the degree of anticipated socio-economic impact, before subprojects are approved.

2. Assessing Socio-Economic Impact

While it is not possible to be specific about the socio-economic impact of subprojects to be financed under the RDF, it is possible to address the issue of the impact of capital

improvements generally. This can best be accomplished by setting forth certain assumptions which underlie GOP development planning and by drawing from specific experience under various AID-assisted infrastructure projects, including the PDAP/SPs generally and the Rural Roads and Barangay Water Projects in particular.

When the GOP and AID began in the 1950s to think seriously about the weakness of local government in the Philippine political equation, it was a result of its assessment of the low level of development of the rural sector, outside of a few major urban areas. Therefore, the primary emphasis in Philippine development began to shift away from capital intensive industrialization concentrated in urban areas, and in Metro-Manila in particular, to social and economic development in the rural sector. The objective was to narrow the continually worsening gap between urban and rural living conditions.

After a period in which institutional development of provincial governments was stressed, the GOP and AID turned toward providing the capital resources needed by local governments to select and carry out their own projects. The initial emphasis on rural capital infrastructure was a function of a shared GOP-AID conviction that without additional physical infrastructure development would not take place. In fact, the magnitude of the need for capital investments in the rural sector was so great that little thought was given to measuring the precise extent of the need or attempting to assess the socio-economic impact of particular investments. It was assumed that they were the necessary building blocks upon which both public and private investments resulting in rural development would occur.

More recently AID and the GOP began exploring ways in which assistance could be more accurately targetted on the poor. The desire to target resources is the result of continuing wide income disparities, in spite of early investments in the rural sector in institution building and capital infrastructure. The Local Resources Management (LRM) Project is one result of this re-thinking. The effort to more accurately assess the development impact of particular investments in capital improvements is another. In this regard, it is possible to draw on formal and informal evaluations of PDAP and the SPs to arrive at tentative conclusions about their development impact above and beyond the highly successful institutional development process to which they contributed. Annex D contains a fuller discussion of the development impact issue. What follows is a preliminary assessment of AID-supported projects in the Philippines.

Although the criteria for subprojects selected under the Rural Roads Project (RRP) were not directed explicitly toward promoting more equitable growth, according to a 1981 AID impact evaluation, the effort clearly promoted agricultural growth, benefitting primarily small farmers, fishermen and small businessmen. The same evaluation identified the greatest impact and the highest rate of return of the project as resulting from construction of penetration roads and bridges which provide access to previously isolated areas.

By way of example, the last phase of an important Cebu provincial road system of 22 kilometers of gravel road and 255 linear meters of permanent bridges completed under RRP opened up the north-eastern municipalities of Sogod, Borbon, and Tabogon to the national highway system. Today, from this previously isolated area, fresh fish and other farm products are reaching the market in Cebu and small subsistence farmers and fishermen have increased cash incomes to about \$450 per year. Farmers of the Mindanao Province of Davao del Norte also benefited from the project. Completion of a 130 linear meter concrete bridge over the San Miguel River and 14 kilometers of all gravel road linked the municipality of Sto. Tomas with the provincial market town of Tagum. This reduced by half the distance 10,000 farmers in the area travel to market, thereby increasing their incomes by lowering transportation costs and reducing loss due to spoilage.

Under the Barangay Water Project (BWP), more than 800 water systems have been completed or are under construction in communities of 300-5,000 population. As a requirement of participation, at least 85 percent of community residents are direct beneficiaries.

USAID once contemplated developing a companion project to BWP to assure that full advantage would be taken of the provision of these communal water systems to secure health and economic development benefits. However, after visiting several BWP communities, it became apparent that as many as 90 percent of BWP community residents with household connections had of their own accord already installed sanitary facilities such as flush toilets and showers. A smaller but significant number of residents had already added a pig or two or planted a small garden for home consumption and, in a few cases, private entrepreneurs had undertaken sizeable livestock and/or nursery enterprises as a result of the availability of water. While such initiatives are not universal, it is clear that the broader development benefits of BWP are widely appreciated by system participants.

Finally, the Rural Service Centers (RSC) Project is designed to build the capabilities of chartered rural cities to undertake development programs. The project targets poor households as its beneficiaries and follows a participatory approach, wherein the people themselves are involved in the identification, design, and implementation of subprojects. More than 200 GOP funded subprojects have been completed to date, three-fourth of which are income or employment generating projects. Although RSC is still experiencing minor implementation problems, the socio-economic impact at the local level is undeniable: the unemployed (particularly out of school youth) have jobs, large numbers of poor households have been able to supplement their incomes, and beneficiaries are increasingly able to participate in the decision-making that affects their lives.

The subprojects to be funded under the capital improvements component of RDF will be similar to those successfully completed under PDAP and the SPs. Their benefits are sufficiently clear to local governments that they continue to generate proposals for similar projects to benefit a growing rural population.

F. FINANCIAL PLAN AND BUDGET

1. Obligations/Dollar Disbursements

The following schedule of obligations is based on the financial needs of the RDF, as well as the USG commitment to provide a total of \$50 million per year in ESF monies during FY 82-84: FY 82 - \$20 million; FY 83 - \$10 million; and, FY 84 - \$15 million. AID's disbursement procedure is discussed under Implementation Planning.

Projected dollar disbursements (to the GOP Treasury or to U.S. suppliers) are as follows: FY 82 - \$3 million; FY 83 - \$15 million; FY 84 - \$15 million; FY 85 - \$10 million; and FY 86 - \$2 million. These projected disbursements are equivalent to anticipated commitments. AID's dollar support of local cost activities will be disbursed and expended at the time of annual dollar transfers, while expenditures of peso funds will lag behind somewhat.

2. Project Budget

The project budget follows. The costs of project development and supervision/monitoring apply to both squatter assistance and provincial capital improvement components; training is expected to be utilized in connection with squatter assistance.

Project Budget
((\$000))

I. Consultant Services to Provincial Governments	
1. Project Development	2,000
2. Project Supervision/Monitoring	1,500
3. Training	500
II. Settler Assistance	10,000
III. Provincial Capital Improvements*	<u>31,000</u>
TOTAL	45,000

*Funds under this component can be used for excess property purchases to supplement provincial equipment pools if needed for the implementation and maintenance of subprojects.

G. ENVIRONMENTAL ANALYSIS

Environmental analyses will be conducted in conjunction with the design of all squatter assistance and capital improvement subprojects. MAC Secretariat environmental procedures are similar to AID's. The environmental analyses for all squatter subprojects and for all capital subprojects in excess of \$1.0 million in value will be reviewed and approved in detail by USAID prior to subproject approval.

IV. IMPLEMENTATION PLANNING

A. GENERAL

It is anticipated that most project costs will be local costs. In the case of local financing, AID will provide dollars to the GOP in exchange for the Government using its own budget resources to capitalize a fund to carry out agreed upon projects and provide agreed upon outputs. When the Project Agreement is signed and Conditions Precedent met, AID will disburse dollars to the Treasury of the Philippines equal to the estimated peso cash requirements needed to meet annual local project costs. These disbursements will be annual features of the implementation plan, as will the use of regular GOP budgetary resources to implement subproject. This arrangement allows AID to rely on GOP procedures and administrative apparatus. Further, proposed local cost procedures: (1) allow AID to expend dollars in advance of local cost peso expenditures in support of base-related reasons for providing timely ESF assistance; and, (2) allow the GOP to use its own pesos to carry out agreed upon activities leading to agreed upon outputs. However, USAID will continue to be involved in a reduced way, in monitoring these components.

It is possible that minor foreign exchange costs will be involved in project implementation, for instance for technical advisory services in connection with planning or carrying out the squatter assistance component or for limited importation of commodities including excess property. In this event, standard AID financing and procurement procedures will be used.

B. IMPLEMENTATION ARRANGEMENTS

1. MAC Secretariat

In the nearly nine months between obligation of the Municipal Development Fund (MDF) and meeting conditions precedent, the

Secretariat developed a detailed set of policies and procedures for MDF implementation including a set of manuals setting forth program guidelines, procurement guidelines and financing procedures. To promote rapid disbursement under the RDF, MDF procedures will be followed, with modifications when necessary.

In brief, MHS will enter into project grant or loan agreements with participant local governments for subprojects under the RDF. The Philippine National Bank (PNB) will handle funds, reporting monthly to both MHS and the Bureau of the Treasury on actual payments made to local governments and/or contractors. In the case of loans for revenue-generating subprojects, the local government will repay the loan principal and interest to PNB.

The MAC Secretariat will also be directly involved in subproject design, review and approval, as well as monitoring of implementation. Once funds have been allocated to specific provinces, by the MAC, the participating province will submit subproject proposals to the RDC for review and approval, and the RDC, in turn, will submit them to the MAC Secretariat (and USAID, where appropriate) for concurrence. After subprojects are approved, proponent local governments will be eligible to utilize project development funds for detailed design and engineering. The MAC Secretariat will assure that subprojects are fully justified (including economic and financial analyses, social analyses, environmental assessments, and so on) prior to approving them for implementation. Final plans will be endorsed by the RDC and approved by the Secretariat prior to implementation. At this point MHS will enter into the project grant or loan agreements discussed above. Project funds will also be available for provinces to contract for the services of an A&E firm, as needed, to assist in project supervision and/or monitoring.

The MAC Secretariat will monitor RDF subprojects and report quarterly both on subproject completions and disbursements to USAID. The Secretariat will also initiate process and final impact evaluations of selected subprojects to insure that implementation is smooth and that completed subprojects are having the intended soci-economic impact.

2. USAID Monitoring and Approvals

Because of the sensitivities of the squatter assistance component and the need to coordinate both planning and implementation of settlement upgrading and resettlement activities with the U.S. military as well as the Philippine military, USAID will monitor the activity closely. However, USAID plans a reduced monitoring

role for the provincial capital improvement component. The Mission will monitor progress primarily to ensure that output targets are met, in accordance with the Project Agreement, and that succeeding dollar disbursements are calculated accurately and made in a timely manner. USAID's principal concern for these subprojects will be that once approved for implementation they are completed in accordance with the implementation plan. USAID engineers and project officers will conduct site inspections on a sample basis. More thorough monitoring will be conducted by the MAC Secretariat which will monitor day-to-day implementation by the provincial governments of both the squatter assistance and capital improvement activities .

After approving Conditions Precedent, USAID will require only a limited number of implementation approvals. These will be spelled out in detail in the Project Agreement and implementation letters. Generally, in addition to approving the detailed plans for the squatter assistance component, USAID anticipates approving modifications in design, bidding documents, evaluations, and awards, as well as memoranda of agreement between the provinces and national agencies. With regard to the capital improvement component, however, USAID will provide standard approvals of detailed designs, engineering, implementation plans, bidding documents, evaluations and awards only in the case of contracts which exceed \$0.5 million in value. In addition, the Mission will monitor activities to ensure progress/completion in accordance with the Agreement, prior to approving the subsequent year's dollar disbursement. Beyond these approvals, USAID does not plan to be involved in implementation or approval actions which will be the responsibility of the MAC Secretariat and the implementing agencies.

3. Implementation Schedules

Plans for each subproject under both the squatter assistance and provincial capital improvements components of the RDF will include implementation schedules to be reviewed and approved in conjunction with the designs and engineering. Therefore, at this time, it is only possible to estimate the project assistance completion (PACD) of FY 87, or five years following obligation.

4. Dollar Disbursements

USAID will disburse dollars annually equivalent to the pesos required to finance the local cost components for one year. Dollar disbursements will be made to the Philippine Treasury and will become free foreign exchange at the time of disbursement. The GOP will use appropriated pesos to execute local cost

components in accordance with the Project Agreement. The pesos will be disbursed from the GOP Treasury General Fund and will be owned, controlled and accounted for solely by the GOP. In the Project Agreement, the GOP will agree to: (1) the AID review and approval procedures contained in Annex I of the Project Agreement, and elsewhere in the Agreement; (2) report to AID on the peso uses in quarterly progress, management and financial reports; and (3) allow for audit and inspection by AID of the agreed upon peso-funded project elements.

5. GOP Budgetary Procedures

The GOP peso/AID dollar disbursement system is presented below:

- a. The peso equivalent of \$15.0 million has been included in the GOP's CY 1982 General Appropriation Act. The balance will be included in future Appropriation Acts.
- b. After the Project Agreement has been signed and the CPs met, the appropriated project pesos will be fully allotted to MHS.
- c. AID dollar disbursements will be equivalent to the estimated peso cash requirements of the project for the ensuing twelve months and will be linked as closely as possible to the date when peso disbursements are scheduled to commence. The GOP will release a Cash Disbursement Ceiling (CDC authorizes disbursement of appropriated and allotted funds) in pesos equivalent to the amount of the dollar disbursements.
- d. Whereas dollar transfers will be based on estimated annual cash requirements, requests for additional amounts may be processed more frequently than annually if peso disbursements exceed projections. On the other hand, if peso disbursements are slower than predicted, the succeeding dollar disbursements would be delayed or reduced accordingly.
- e. Loan repayments by participating provinces will be repayable in pesos. It is required that payments will flow back to the Philippine Treasury General Fund via the Philippine National Bank (PNB). At this point AID will no longer monitor usage of the pesos. The Project Agreement will not restrict the use of these peso re-flows to any particular activity(ies).

C. EVALUATION ARRANGEMENTS

Midway through RDF implementation, a process evaluation will be conducted to determine: (1) that the RDC and MAC Secretariat are effective in screening local government proposals according to establish criteria, and that their technical staffs are able to

provide required assistance in finalizing subproject plans; (2) that local governments are capable of implementing subprojects through a variety of arrangements include force account, cooperative agreements with line ministries, and contracts with private sector firms; and, (3) that RDF procedures are conducive to rapid subproject implementation. At the conclusion of the RDF, a sample of subprojects will be assessed to determine their impact on the socio-economic development of the region and/or province.

D. CONDITIONS, COVENANTS, AND STATUS OF NEGOTIATIONS

There will be several general conditions precedent to disbursement of dollars for the project:

1. An amendment to the existing Financial Services Agreement between the Bureau of the Treasury, the Ministry of Human Settlements, and the Philippine National Bank to include RDF funds;
2. Evidence that MDF manuals have been adapted as necessary and accepted by M&S for implementation of RDF; and
3. Draft memoranda of agreement between the MAC Secretariat and participating provinces and/or national line agencies regarding implementation of both the squatter assistance and provincial capital improvement assistance components of the RDF.

As a covenant to the squatter assistance component of the project, the GOP will agree that prior to disbursing pesos for implementation, appropriate land tenure rights will be obtained assuring beneficiaries of reasonable security on the resettlement/settlement upgrading sites.

The project has been under intensive discussion with the MAC Secretariat. The Secretariat received both MAC and Presidential endorsement of its development scheme for the reverted baselands at Clark, including plans to ameliorate the living conditions of squatters. In addition, appropriate officials of the National Economic and Development Authority (NEDA), including representatives of both central and regional offices, have been consulted regarding the provincial capital improvement assistance component.

There is agreement between USAID and the MAC Secretariat on all substantive elements of the project, as well as disbursement procedures, reporting and monitoring requirements, and proposed conditions precedent to disbursements. USAID does not therefore anticipate any obstacles to or delays in execution of the Project Agreement.

PROJECT DESIGN SUMMARY
LOGICAL FRAMEWORK

Life of Project:

From FY 67 to FY 67

Total U. S. Funding \$ 33 million

Date Prepared: May 17, 1967

Project Title & Number: NATIONAL DEVELOPMENT FUND (492-0174)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS										
<p>Program or Sector Goal: The broader objective to which this project contributes: (A-1)</p> <p>Improvement of the socio-economic conditions of selected regions of the Philippines.</p>	<p>Measures of Goal Achievement: (A-2)</p> <p>Socio-economic indicators, including per capita income and Gross Regional Domestic Product (GRDP), improve.</p>	<p>(A-3)</p> <p>(1) Subject socio-economic impact assessments. (2) GDP statistics.</p>	<p>Assumptions for achieving goal targets: (A-4)</p> <p>(1) Investments in squatter communities will result in increased income and general improvement in socio-economic conditions. (2) Capital improvements of both a revenue and non-revenue generating nature stimulate area socio-economic growth.</p>										
<p>Project Purpose: (B-1)</p> <p>To provide funds resulting from the Second Military Base Agreement of 1967 to assist the GOP in improving the economic and social conditions in areas within the impact area of U.S. military facilities, including squatter settlements on the reverted base lands.</p>	<p>Conditions that will indicate purpose has been achieved: End-of-Project status: (B-2)</p> <p>(1) Squatters have adequate housing and utilities and access to livelihood opportunities; improved social services are available to squatter communities. (2) Non-revenue generating capital improvement subprojects are supportive of provincial/regional economic growth and/or service delivery capability. (3) Revenue generating subprojects are able to pay back loans, as well as cover operating and maintenance costs.</p>	<p>(B-3)</p> <p>(1) Evaluations. (2) Completion Reports. (3) Revenue Records.</p>	<p>Assumptions for achieving purpose: (B-4)</p> <p>Implementation procedures result in rapid disbursement requirements for GOP peace and therefore regular transfers of ESP funding.</p>										
<p>Project Outputs: (C-1)</p> <p>(1) Completed squatter relocation and/or squatter settlement upgrading subprojects. (2) Completed regional and/or provincial capital improvement subprojects.</p>	<p>Magnitude of outputs: (C-2)</p> <p>It is not possible to quantify output prior to subproject identification and detailed design.</p>	<p>(C-3)</p> <p>(1) Subproject completion reports. (2) Evaluations.</p>	<p>Assumptions for achieving outputs: (C-4)</p> <p>(1) Provincial are willing to serve as implementing agencies for both components, and they are able to enter into inter-governmental Agreements as needed. (2) National/provincial staffs are capable of handling planning and implementation of capital improvement subprojects.</p>										
<p>Project Inputs: (D-1)</p> <p>(1) Consultant Services to Provincial Governments for: - Subproject development; - Subproject supervision and monitoring; - Training. (2) Support for Squatter Assistance (3) Support for Provincial/Regional Capital Improvements.</p>	<p>Implementation Target (Type and Quantity) (D-2)</p> <table border="1" data-bbox="611 1360 1004 1478"> <thead> <tr> <th></th> <th>(\$ 000)</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>4,000</td> </tr> <tr> <td>2.</td> <td>10,000</td> </tr> <tr> <td>3.</td> <td>21,000</td> </tr> <tr> <td>TOTAL</td> <td>45,000</td> </tr> </tbody> </table>		(\$ 000)	1.	4,000	2.	10,000	3.	21,000	TOTAL	45,000	<p>(D-3)</p> <p>(1) GOP budgetary appropriations. (2) Signed grant/loan agreements between NDF and provincial governments. (3) Subproject progress reports.</p>	<p>Assumptions for providing inputs: (D-4)</p> <p>(1) Timely availability of ASF and GOP funding. (2) Policies and procedures for Municipal Development Fund are adapted, as necessary, and adopted for NDF implementation in a timely manner. (3) GOP resolves issues of availability of reverted base lands for economic development and squatter resettlement, including related issue of securing land tenure rights. (4) GOP and US officials agree on which squatter communities will be resettled for security reasons and which settlements can be upgraded at their present locations.</p>
	(\$ 000)												
1.	4,000												
2.	10,000												
3.	21,000												
TOTAL	45,000												

ANNEX B
REGIONAL PROFILE - CENTRAL LUZON*

GENERAL:

Region III (Central Luzon) is comprised of six provinces in the central part of Luzon Island: Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, and Zambales. It has five chartered cities within its boundaries (Angeles in Pampanga, Olongapo in Zambales, and Cabanatuan, Palayan, and San Jose in Nueva Ecija). Both major U.S. military facilities in the Philippines--Clark Air Base (Pampanga) and Subic Naval Station (Zambales)--are located within Region III.

The region is physically the fourth smallest in the country with a total land area of 1,827,785 hectares. Forest area accounts for more than one-third of the total, and farmlands account for one-third (Table 1). A little more than 50% of the farmlands are currently irrigated. There are two major river basins in the region--the Agno River Basin in the north, and the Pampanga River to the south--and the region has rich inland and coastal fishing grounds. Of more than 200 million estimated metric tons of metallic minerals in the region, less than 5% is currently being exploited. Non-metallic minerals abounding in the area include cement, asbestos, limestone, marble and silica; less than half is under exploitation.

In population size, Central Luzon ranks third with a population of 4,794,382 in 1980 (Table 2). The provinces of Bulacan, Pampanga, and Nueva Ecija account for 71 percent of the regional total, with Pampanga alone accounting for 24%. Population density was 262 persons per square kilometer in 1980, compared to a national average of 160 per square kilometer. Based on projected growth rates the density is expected to reach 340 per sq. km. by 1991. In fact, the regional annual population growth rate is higher than the national growth rate. With an estimated birth rate of 16.2 to 18.2 percent in 1980 against a projected crude

*Sources of secondary data on Region III include: (1) Clark Reverted Baselands Integrated Area Development Project, Final Report, Volume III-A, Appendix I (prepared by the National Council on Integrated Area Development, August 1981); (2) Region III Five-Year Development Plan 1978-82 (prepared by the National Economic Development Authority); (3) 1980 Census of Population Preliminary Report (National Census and Statistical Office); and (4) Surveys and Statistical Reports of the Region III offices of the various line ministries and agencies of the GOP.

TABLE 1
PRESENT LAND USE PATTERN, REGION III

Category	Area in Hectares	Share
Total Land Area	1,827,000	100
Public Forest	831,679 ^{a/}	45
Alienable and Disposable	996,106	55
(Croplands)	(601,851 ^{b/})	(33)
(Fishponds)	(52,454)	(3)
(Swamplands)	(37,422)	(2)
(Urban Lands ^{1/})	(38,000)	(2)
(Others)	(266,379)	(15)

^{1/} Task Force on Human Settlements, "urban and commercial area" + 1% of total land areas for infrastructure.

^{a/} Estimates of land use within public forest lands, 1972 in the BFD Statistics 1975, show that about 70,000 hectares within forest areas are under cultivation, thus increasing the aggregate cultivated farmlands/cropland area to 671,851 hectares.

^{b/} Under land capability classes A, B, C, D of the Bureau of Soils, total cropland availability in 1975 was about 734,000 hectares.

SOURCE: Region III, 5-Year Development Plan 1978-1982.

birth rate of 5.7 to 6.7 percent, the region will continue to grow rapidly. Aggravating the high natural increase in a sizeable net migration rate of 5.3 percent. The high net migration rate is attributed to the presence of the military bases, as well as the Export Processing Zone in Bataan and the proximity of the region to Metro Manila. In any case, if the current rapid growth rate persists, Central Luzon will have a population of more than 6 million in 1990 (Table 3).

SOCIO-ECONOMIC PROFILE

The health status of Region III is relatively better than that of the nation as a whole, although it is in an area where the incidence of malnutrition is reported to be widespread. The average life expectancy is 62 years, compared to a national average of 60. In 1980 the crude death rate was 4.5 per thousand which is significantly lower than the national rate of 10.6 per thousand. The infant mortality rate of 32 per thousand live births is also substantially lower.

For the period 1975-80, regional economic growth registered an average rate of 6.17 percent. The region relied largely on the services sector for its economic growth. The region's Gross Regional Domestic Product (GRDP) of ₱7,271 million accounted for 7.89 percent of the total GDP. The per capita GRDP amounted to ₱1,517 at constant prices.

Despite economic growth, employment decreased slightly (Table 4). Only the agriculture, fishery and forestry sectors registered positive growth rates. Both the services and industry sectors showed negative growth rates of employment, due at least in part to the worldwide recession and regional production slumps as a result of the oil crisis. A 1975 survey indicates that an average family income of ₱5,620 per annum was slightly lower than the national average (Table 5).

ECONOMIC SECTORS:

In the area of agriculture, rice accounted for more than 81 percent of the total area planted to major crops in 1980, and sugarcane accounted for another 10 percent. The remainder was planted to corn, vegetables, rootcrops and fruits. Agricultural inputs are supplied mainly by 132 private dealers concentrated in the major rice producing areas of the region. In 1980, poultry (87%) and livestock (13%) consisted of more than 11.5 million heads; most were in backyard production.

TABLE 2
POPULATION DENSITY AND ANNUAL GROWTH RATE BY PROVINCE
REGION III, 1975, 1980

PROVINCE	POPULATION		LAND : AREA	DENSITY		ANNUAL GROWTH RATE	
	1975	1980		1975	1980	1970-1975	1975-1980
Bataan	263,269	321,860	1,373.0	191.0	234.4	4.02	4.10
Bulacan	1,050,134	1,095,963	2,672	393	410.2	4.66	.85
Nueva Ecija	947,955	1,069,406	5,281.3	179.3	202.4	2.18	2.44
Pampanga	1,042,164	1,175,314	2,190.7	475.7	536.5	2.81	2.43
Tarlac	650,899	687,980	3,053.4	213.1	225.3	2.75	1.43
Zambales	343,034	443,859	3,714.4	92.3	119.5	3.95	5.28
TOTAL	4,287,495	4,794,382	18,287.8	234	262	3.09	2.6

SOURCE: 1980 Census of Population Preliminary Report, NCSO.

TABLE 3
POPULATION PROJECTION, REGION III, 1975-1990

PROVINCES	1975	1980	1985	1990
Bataan	263,269	321,860	393,490	481,062
Bulacan	1,050,134	1,095,963	1,143,792	1,193,708
Nueva Ecija	947,995	1,069,406	1,206,366	1,360,867
Pampanga	1,042,164	1,175,314	1,325,475	1,494,822
Tarlac	640,899	687,980	738,519	792,771
Zambales	343,034	443,859	574,318	743,133
TOTAL	4,287,495	4,794,382	5,381,960	6,066,353

NOTE: Computed on 1975-1980 growth rate per province

TABLE 4
NUMBER OF EMPLOYED PERSONS BY MAJOR INDUSTRY GROUP, REGION III

MAJOR INDUSTRY GROUP	1977	1978
TOTAL	1,480,000	1,453,000
Agriculture, Fishery, and Forestry	524,000	528,000
Mining and Quarrying	10,000	13,000
Manufacturing	184,000	191,000
Electricity, Gas & Water	10,000	2,000
Construction	100,000	80,000
Wholesale and Retail Trade	269,000	193,000
Transportation, Communication and Storage	82,000	83,000
Financing, Insurance, Real Estate & Business Services	155,000	43,000
Community, Social and Personal Services	132,000	315,000
Activities not adequately defined	14,000	5,000

SOURCE: Integrated Survey of Household, 1978, NCSO.

TABLE 5
AVERAGE FAMILY INCOME AND EXPENDITURE
REGION III, 1975

Provinces	Average Annual Family Income			Average Monthly Family Income			Expenditure Per Family	
	Total	Urban	Rural	Total	Urban	Rural	Annual	Monthly
PHILIPPINES	₱5,840	₱8,329	₱4,745	₱486.67	₱694.08	₱395.42		
REGION III	5,775	7,515	5,103	381.25	626.25	425.25	7,895.45	657.95
Bataan	4,632	5,341	4,444	366.00	445.08	370.33	7,895.43	657.95
Bulacan	5,806	7,282	4,908	483.83	606.83	409.00	7,628.67	635.72
Nueva Ecija	4,068	7,120	3,616	339.09	593.33	301.33	6,714.25	559.52
Pampanga	7,317	7,630	7,172	609.75	635.83	537.75	7,289.86	609.49
Tarlac	5,309	6,452	5,142	442.42	537.67	428.50	6,445.67	537.92
Zambales	7,188	8,700	5,447	599.00	725.00	543.92	7,759.02	646.59
Average	5,720	7,087.5	5,121.6	473.33	590.62	441.80	7,290.82	607.87

SOURCE: National Census and Statistics Office, Region III.

A wide variety of agricultural support services exist in the region, including land reform and leasehold operations, as well as seven settlement projects. As of 1980, nearly 2,000 Samahang Nayon (cooperative) were organized, and several area marketing cooperatives and four cooperative rural banks had been established. Agricultural credit is available through the rural banks and other credit facilities. A total of nearly 300 extension workers provide technical extension services within the region. Grains marketing is carried on largely by the National Food Authority, while sugarcane is sold directly to the milling center in Tarlac.

The industrial outputs of Region III grew at an average annual rate of 6.82 percent during the period 1975-80. The industry sector had four subsectors responsible for its increasing contribution to GRDP: manufacturing which includes paper and pulp, electrical insulators, and chemical production; mining and quarrying which principally involves copper and nickel concentrates; construction; and electricity, gas, and water. However, the services sector, including the transportation, communications and storage, and commerce subsectors, grew more rapidly.

SOCIAL SECTORS:

The permanent health care service system of Region III, as of 1980, consisted of 52 government hospitals and 130 private hospitals with a total bed capacity of 5,820 to serve the population of 4.8 million. There are also 191 rural health units, and 990 barangay health stations (Table 6). Despite the relative overall adequacy of facilities, there is a problem of maldistribution which leaves some areas, for instance Nueva Ecija, poorly served. Also, there is a considerable deficit of health personnel to staff the facilities (Table 7).

The reported incidence of malnutrition has been decreasing; 26 percent were identified in 1980 as suffering from second and third degree malnourishment, with Tarlac and Pampanga provinces having the greatest proportion. The GOP family planning program is being implemented region-wide; as of December 1980, a total of 20,544 acceptors were reported.

For the five year period, 1975-80, an increase in school enrollment to a total of 1,194,035 was noted. The greatest increase in enrollment was registered at the secondary level. On the average, the region has one classroom for every 39 students at the elementary level which is slightly lower than the national standard ratio; and, a ratio of one teacher for every 33 elementary students is considered sufficient.

TABLE 6
HEALTH FACILITIES, HOSPITAL BEDS BY PROVINCE, 1980

Province	Health Facilities				Total Hosp.:	Beds	Surplus/ Deficit
	Gov't. Hospitals:	Private Hospitals:	RHU	BHS	Bed Capacity	Required: No.	
Bataan	6	6	15	57	338	321	17 surplus
Bulacan	8	34	52	291	1,400	1,095	305 surplus
Nueva Ecija	13	13	45	171	994	1,069	-17 surplus
Pampanga	14	45	36	256	1,718	1,175	543 surplus
Tarlac	5	18	28	144	806	687	119 surplus
Zambales	5	14	15	71	564	443	121 surplus
TOTAL	51	130	191	990	5,820	4,790	

SOURCE: Ministry of Health, Region III.

TABLE 7
HEALTH MANPOWER (1980)

Province	Physicians		Nurses		Midwives		Dentists		Rur. San. Insp	
	Exist- ing	Re- quired	Exist- ing	Re- quired	Exist- ing	Re- quired	Exist- ing	Re- quired	Exist- ing	Re- quired
Bataan	19	321	27	642	100		7			20
Bulacan	49	1,095	51	2,190	215		17			37
Nueva Ecija	39	1,069	55	2,136	187		13			29
Pampanga	34	1,175	46	2,350	228		16			22
Tarlac	23	689	33	1,374	138		10			12
Zambales	22	443	22	886	84		8			16
TOTAL	186		234		952		71			136

SOURCE: Ministry of Health, Region III.

Basic among the problems of the region is the availability of decent housing. The considerable housing backlog is being aggravated by a rapid rate of household formation. The government projects a deficit of more than 100,000 housing units by 1987.

INFRASTRUCTURE:

The major transport infrastructure serving the region is its highway system made up of a network of roads linking urban and rural areas, production centers to distribution points, and farms to markets (Tables 8 and 9). A total of 17 ports, located mostly in the province of Bataan, and 12 airports serve the region. A regional total of 187 kilometers of railroad tracks and bridges are judged to be in substandard condition.

The communication system of the region showed that there were a total of 126 communication facilities distributed among 123 municipalities of the six provinces (Table 10). Most are telegraph stations. Eleven radio stations provide broadcast service.

Nearly 60% of a total irrigable area of 274,854 hectares is served by more than 6,200 existing systems, including 23 national systems, 366 communal systems, and more than 5,800 pump systems (Table 11). With regard to domestic water supply, facilities are judged very inadequate. There were more than 71,000 water sources in the region as of 1977. Of this total, nearly all were shallow or deepwells; there is a negligible number of waterworks system (Table 12). A Ministry of Public Works inventory indicated that the sources were in a dismal state due to inefficient and poor management.

Central Luzon has a total of fourteen dams and reservoirs designed for flood control, as well as for storage. Electricity is supplied by the National Power Corporation through the Luzon Grid (Table 13). Four power stations generate a considerable amount of energy to provide for the power needs of the region. Twelve cooperatives are operating, and at present, out of a potential total household connections of 573,000, more than 50 percent are served by the cooperatives, with Zambales being the least energized (Table 14).

TABLE 8
LENGTH OF ROADS BY CLASSIFICATION BY PROVINCE
REGION III, 1980

Province	CLASSIFICATION					Total
	:National:	Provincial:	Municipal:	City :	Barangay:	
Bataan	258.160	214.550	45.072	-	501.188	1,027.97
Bulacan	232.126	372.615	125.786	-	1,190.885	1,921.41
Nueva Ecija	438.235	768.447	323.556	46.537	1,657.685	3,234.45
Pampanga	281.016	444.527	117.321	123.516	1,557.442	2,525.22
Tarlac	211.600	552.289	133.037	-	1,739.644	1,635.57
Zambales	220.752	307.895	149.691	91.490	567.435	1,337.26
TOTAL	1,641.889	2,660.323	903.463	262.943	7,214.278	12,681.89

SOURCE: Ministry of Public Highways

TABLE 9
POPULATION, AREA, ROAD LENGTH AND ROAD DENSITY BY PROVINCE
REGION III, 1980

Province	:Population:	Area :(in sq. km.):	:Road Length (in kms.):	: Road Density	
				:Per Thousand: : Population	: Per Square : Kilometer
Bataan	321,860	1,373.0	1,027,970	3.2	0.7
Bulacan	1,095,963	2,672.0	1,920,414	1.8	0.7
Nueva Ecija	1,069,406	5,284.3	3,188,647	3.0	0.6
Pampanga	1,175,314	2,180.7	2,400,305	2.0	1.1
Tarlac	687,980	3,053.4	2,636,200	3.0	0.9
Zambales	443,859	3,714.4	1,245,773	2.8	0.3
Total/Average	4,794,382	18,277.8	12,419,309	2.6	0.7

SOURCE: NCSO and MPH.

TABLE 10
NUMBER AND TYPE OF COMMUNICATION FACILITIES BY PROVINCE
REGION III, 1980

P R O V I N C E	Type of Communication Facilities					Total
	Telephone:	Radio :	Radio :	Telegraph:	Telex :	
	Station :	Station :	Telegraph:	Station :	Station :	
	:	:	Station :	:	:	
Bataan	2	1	1	11	1	16
Bulacan	-	-	-	23	1	24
Nueva Ecija	-	3	3	27	-	33
Pampanga	-	-	-	19	2	21
Tarlac	-	-	-	16	1	17
Zambales	-	-	2	13	-	15
Total	2	4	6	109	5	126

SOURCE: Bureau of Telecommunications.

TABLE 11
NUMBER AND TYPE OF EXISTING IRRIGATION SYSTEM BY PROVINCE
REGION III

Province	Potential Area	Type of System						Total	
		National		Communal		Pump		No.	Area
		No.	Area (Has.)	No.	Area (Has.)	No.	Area (Has.)	No.	Area (Has.)
Bataan	10,640	5	1,528	77	6,462	287	1,258	369	9,248
Bulacan	40,360	5	25,957	44	3,740	949	3,479	988	33,276
Nueva Ecija	200,835	5	95,343	45	19,635	906	3,982	956	118,960
Pampanga	80,296	1	14,239	79	15,692	2,639	14,107	2,719	44,038
Tarlac	91,090	5	27,305	56	19,806	993	6,024	1,054	53,135
Zambales	40,964	2	6,400	75	8,764	89	1,033	166	16,197
Total	464,185	23	170,772	366	74,099	5,863	29,983	6,252	274,854

SOURCE: National Irrigation Administration.

TABLE 12
NUMBER OF EXISTING WATER SUPPLY SYSTEM BY PROVINCE
REGION III, 1977

Province	Water-works	Deepwell	Shallow well	Developed Springs	Others	Total
Bataan	25	401	1,890	8	426	2,750
Bulacan	27	2,107	-	12	41	2,187
Nueva Ecija	17	1,385	5,304	12	128	6,847
Pampanga	23	23,296	19,699	-	853	43,865
Tarlac	2	146	-	-	318	466
Zambales	7	6,650	8,205	-	266	15,128
Total	101	33,980	36,098	32	2,032	71,243

SOURCE: DEP, Region III, RDC (NEDA)

TABLE 13
NUMBER, LOCATION, AND CAPACITIES OF POWER SUPPLY
REGION III

Name of Plants	Location	Capacity
1. Pantabangan Hydro-Electric Plant	Pantabanga, NE	100 megawatts
2. Angat Hydro-Electric Plant	Norzagaray, Bulacan	218 megawatts
3. Bataan Thermal Power Plant Unit I	Limay, Bataan	75 megawatts
4. Bataan Thermal Power Plant Unit II	Limay, Bataan	175 megawatts

SOURCE: NAPOCOR

TABLE 14
STATUS OF ENERGIZATION, BY PROVINCE
REGION III, AS OF MARCH 1981

Cooperative	C O V E R A G E					
	Municipalities		Barangays		House Connections	
	Potential	Actual	Potential	Actual	Potential	Actual
Bataan Electric Coop.	12	12	215	194	44,000	38,730
Bulacan Electric Coop. I	10	6	254	169	70,000	42,619
Bulacan Electric Coop. II	5	5	56	56	21,000	12,365
Nueva Ecija Coop. I	14	12	282	169	78,000	46,717
Nueva Ecija Coop. II	17	14	492	176	74,000	26,598
Pampanga Electric Coop. I	12	12	264	188	69,000	46,352
Pampanga Electric Coop. II	8	6	202	107	63,000	41,091
Tarlac Electric Coop.	14	14	395	238	59,000	28,895
Zambales Electric Coop.	14	13	232	170	69,000	26,705
PRESCO			37	37	5,000	3,654
San Jose City Electric Coop.	1	1	37	30	10,000	5,382
Sapang Palay Electric Coop.			25	17	11,000	9,311
Total	107	95	2,491	1,551	573,000	328,419

SOURCE: National Electrification Administration

ANNEX C
ILLUSTRATIVE CAPITAL IMPROVEMENTS SUBPROJECTS

Initial identification of capital improvement activities is done regularly by chartered cities, provinces and municipalities in conjunction with periodic preparation by them of Provincial Development Investment Programs. These project ideas are reviewed by the Regional Development Council which assigns them priorities in the expectation that funding will be available for less than half of the activities proposed by the local government units. It is anticipated that most RDF capital improvement subprojects will be high priority, growth related activities not funded as part of the regular GOP budget. Most will be of the following general types:

- (1) Sites and Services for Industrial Development. The development of a regional industrial site would be for the purpose of stimulating industrial investments and increasing employment opportunities. Support could involve site preparation, road construction, sewerage, drainage, water supply, power and telecommunications, perimeter fencing, and so on. Revenues would be derived from land rentals, building rentals, power and water collections.
- (2) Rural Roads Development. This non-revenue generating activity would involve the construction of farm to market roads and other roads designed to stimulate investment, as well as facilitate service delivery. To the maximum extent possible, this activity would be implemented following procedures developed for the nearly complete Rural Roads Project.
- (3) Community Water Supply. This revenue-generating subproject would involve supplementing existing funding for municipal and rural water supply to increase coverage in Region III. To the maximum extent possible, water supply activities would be implemented using institutional approaches and procedures developed under existing programs, including Barangay Water and Local Water Development. If funding permits, attention would be given to sanitation in conjunction with water supply.
- (4) Irrigation. To the extent that funding for small-scale community irrigation systems is inadequate in the Region, this activity would promote the irrigation of more land using established successful procedures of the Farm Systems Development Corporation and other GOP agencies currently promoting irrigation.

- (5) Flood Prevention and Drainage. This would involve the construction of small-scale infrastructure to minimize flooding to protect existing investments and promote a healthier environment, as well as reforestation directly related to flood control. This activity would not be revenue generating.
- (6) Reforestation. This non-revenue generating activity would be directed toward arresting deterioration of environmental conditions resulting from prevalent deforestation leading to reduced water retention, flooding and siltration, and a general reduction in land productivity.
- (7) Solid Waste Management. This revenue-generating activity would be in support of municipal/provincial efforts to modernize their solid waste collection systems and develop alternative methods for disposal.

ANNEX D

PROVINCIAL DEVELOPMENT ASSISTANCE PROJECT (PDAP) EXPERIENCE AND LESSONS

PDAP was created in 1968 by the GOP and was expanded in the early 1970s to improve provincial planning and implementation of economic development programs. PDAP central support was essentially phased out in 1978 after reaching 28 provinces. From 1975 to 1978, several "PDAP" Special Projects^{1/} were funded by USAID and the GOP, covering PDAP and other participating provinces which had or were willing to develop the requisite planning and engineering capabilities.

PDAP followed a highly structured development approach. Participation in PDAP included such standardized requirements as establishing a fully staffed provincial development office, performance budgeting, preparation of annual plans, and so on, all of which were intended to build planning and management capacity at the provincial level.

Although the PDAP central organization became somewhat rigid in its adherence to these requirements and procedures, the Program strengthened provincial government capacity, thereby contributing to the institutionalization of the provincial executive and a professional development staff. PDAP type procedures and documents continue to be required by the GOP for planning and budget purposes. The accepted planning systems and procedures include: the socio-economic profile, road network development planning, sectoral development planning, provincial comprehensive planning and annual updates, project evaluation and priority ranking techniques, capital improvement programs, real property tax administration systems, an improved personnel classification system, budgeting-accounting, project engineering and quality control. PDAP systems and established procedures thus provide a strong foundation for further development assistance, given the capability of provincial governments to identify, plan, manage and assess development projects, especially of a capital improvement nature.

This experience with the PDAP program activities and the expanded special projects has demonstrated a number of concerns and developmental issues which need to be taken into account during the design of local development projects:

Organization - Special authorities or organizational structures created outside of permanent organizations specifically for flexibility and convenience of implementation of a particular project provide only short term

^{1/} Rural Roads Projects (RRP) I and II, Barangay (Village) Water Projects (BWP) I and II, Real Property Tax Administration (RPTA), and Rural Service Center (RSC).

solutions to longer term needs of institution building. Development projects should be integrated, to the maximum degree possible, into existing systems from the start.

Decentralization - Provincial capacities have been strengthened and provincial bargaining power enhanced under PDAP. However there has been still inadequate devolution of authority and responsibility to date. The national government recognizes this in general policy pronouncements, but the challenge is operationalizing the policy. There clearly is a need to enlarge the scope of actions for which provinces have primary decision making responsibility in order to make the required development impact.

Planning - PDAP invested heavily in blue print planning--advance programming--based on engineering and compliance requirements appropriate specifically to infrastructure. However, there is little experience in dealing with social and environmental problems. The next step is to move to more open, responsive planning and into a broader range of local projects.

Reaching the Poor - PDAP was somewhat untargetted, relying on indirect benefits to the rural population generally. Local development programs need to move toward direct targetting on groups of people or poor areas. (Note: Recent efforts by the Barangay Water and Rural Service Center special projects, for example, have begun to focus on people through associations).

Fiscal Administration - Local financial resource mobilization is weak and increased financial capacity and accountability is the key to decentralization. Real property tax is still the single most important resource but other tax resources and approaches need to be developed and integrated. Rural Service Center Project experience shows promising approaches in working through a diagnostic and financial monitoring approach with key local officials.

Experimental/Innovation/Institutional Learning - PDAP moved too quickly from an early experimentation mode in favor of quick expansion of uniform procedures for project development. This limited the discretion and potential of local governments to expand development efforts to other types of activities. Local development projects currently being designed for implementation will have to resist pressure toward uniform procedures in order to retain responsiveness to locally established priorities.

The developmental issues briefly summarized above have evolved from nearly fifteen years of experience in USAID assistance to Philippine rural development/local government programs. As might be expected various assessments and evaluations have been conducted over that period

of time, producing numerous examples and vignettes of developmental impact as well as observations of, and conclusions about, institutional development that has occurred and lessons that have been learned during the process. The remainder of this paper first sets the perspective with a brief description of USAID assistance to the broader PDAP Program and special PDAP projects. This is followed by an abbreviated account of identified institutional accomplishments and selected examples of beneficiary impact and concludes with a few of the more important lessons that have been learned from the experience.

I. Evolution of U.S.-Assisted Provincial Development Programs.

A. Background/Setting: (1950-1968)

USAID's early assistance efforts in rural development had less than fruitful results when USAID attempted to work solely through the central government mechanism. Centrally planned and directed projects, with limited local input in planning or feedback during implementation, generally did not meet local needs or expectations. Over time and with experience in several less than successful programs, GOP and USAID officials acknowledged that little in the area of rural development would be accomplished until (1) representative local government was given more freedom to select and carry out its own projects and (2) local governments developed a capacity to implement and manage development activities.

In 1965, several governors approached USAID/Philippines and the National Economic Council (the central planning board of the GOP at the time) about the possibility of direct aid from USAID in improving their capability to effectively participate in the formulation of provincial as well as national development plans. This was the seed of what was to become a major commitment on the part of USAID/Philippines to the development of the capacity of local government to more effectively manage its resources and improve public services, and begin to provide the infrastructure for small farmers and private sector generally. The NEC made a formal request for such assistance, and "Operation SPREAD" was created.

"Operation SPREAD" (or Systematic Programming for Rural Economic Assistance Development) was initiated 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 rational basis and effective technique for future extension of development assistance efforts to other provinces. The major feature of the program was in developing basic infrastructure.

The Philippine Government was so impressed with the results of SPREAD that on completion on January 1968, it established the Provincial Development Assistance Project (PDAP) as an agency of the National Economic Council to deal specifically with the development of local government capacity.

B. GOP Provincial Development Assistance Program: (1968-1980)

The formation of PDAP represented a significant shift of program emphasis in that a specific agency of the Government of the Philippines was established to coordinate and extend pilot efforts aimed at upgrading the administrative capabilities and implementation capacity of local governments for infrastructure development. The follow-on USAID-assisted Provincial Development Project (PDP) provided technical advisors, commodities, and training in standard operating procedures. The difference from Operation SPREAD was that this assistance was channeled through a central government mechanism--PDAP--instead of being supplied directly to the provinces.

PDAP's efforts began in the provinces of Palawan, Leyte and South Cotabato. By the time the Provincial Development Project had drawn to an end in FY 74, PDAP was operational with sixteen provinces spread throughout the country and had successfully begun work in three major fields: (a) development of a planning capacity through the creation of the Provincial Development Councils, the Provincial Development Staffs, the Capital Improvement Plan (the five year plan for infrastructure development) and the Annual Implementation Plan; (b) improvement of budgetary and fiscal management; and (c) improved capacity at the local level to plan and implement capital improvement projects.

In July and August of 1972, the island of Luzon (where over a third of the total Philippine population lives) was devastated by typhoon-fed rains causing the worst flooding in the country during this century. The U.S. Congress responded to a request from the Philippine Government for assistance by voting a \$50 million Disaster Recovery Grant (Flood Rehabilitation Program). PDAP was allocated \$10.8 million of the Relief Funds

to reconstruct infrastructure (roads, bridges and small-scale irrigation systems) in the eleven worst hit provinces in Luzon. The flooding of July/August 1972 proved to have long term development implications.

The PDAP/USAID Flood Rehabilitation Program was a major turning point for development of local government capacity. Out of it came important policy and operational decisions giving a basis for active promotion of planning at the provincial and regional levels. Improvements in five major program areas were initiated that have served to enhance the ability of local governments to serve their constituency. These include: (a) upgrading of engineering, planning and implementation capacity; (b) establishment of the Equipment Pool Development Program and initiation of the U.S. Excess Equipment Program; (c) establishment of engineering quality control facilities; (d) compilation of Equipment Pool Operations Manuals; and (e) the institutionalization of Fixed Amount Reimbursement (FAR) procedures. (The FAR disbursement mechanism has become a widely used disbursement mechanism utilized by USAID and the GOP in follow-on projects.)

An important benefit of the Flood Rehabilitation Program was that it proved that provinces can act as effective partners of the national government in development. This was most evident in the dramatic improvement in the capabilities of the Provincial Engineering Offices to plan and implement major infrastructure projects once they were transferred from the Ministry of Works to the provincial governments.

In July 1973 the Special Infrastructure Program (SIP) was initiated to capitalize on the engineering capacity improvements accomplished under the Flood Rehabilitation Program and to maintain the momentum gained in improving 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, particularly in the agricultural sectors. SIP was funded from PL-480 sources.

At the same time the SIP came into existence, the AID assisted Provincial Development Project was concluded and a follow-on AID assisted Local Development Project (LDP) was started. The concepts, various projects and activities, and the central GOP office continued to go by the name of "PDAP". The LDP was

designed to further build capacities of local government in the areas of: infrastructure development, overall administration, planning and coordination, improved personnel classification, and financial management, plus strengthen the national level capability to carry out sustained assistance to local governments. In 1976 the administration of PDAP projects was transferred from the National Economic Council, under the Office of the President, to the Ministry of Local Government which had been established at that time.

C. Special Projects Under PDAP Umbrella

1. Rural Roads Programs I and II (1976-83)

In March 1976, Rural Roads I, the first discrete "spin-off" project of PDAP was approved. The Rural Roads Projects were similar to the 1972 SIP road program, but with more stringent controls over standards and administrative requirements for road planning and implementation. The primary objectives of capability building continued from PDAP. The stated objectives are to:

- increase efficient road access for the rural poor between agriculture/fishery areas and market service centers; and
- institutionalize a permanent capacity and commitment at national and local government levels to fund and implement a sustained Rural Roads Program.

The Rural Roads I project was initially implemented in 15 provinces and eventually expanded to 26 provinces by 1978, its final year. Under this project, 476 kilometers of roads and 4,750 linear meters of bridges were constructed.

The Rural Roads II program involves 55 provinces, more than doubling the number of provinces previously reached, in rural roads improvement and adopting PDAP procedures. Under the follow-on project, scheduled to end in September 1983, over 700 kilometers and 6,500 linear meters of bridges will be constructed. Under the RR II Project, additional technical assistance and studies have been programmed to include establishment of a monitoring and evaluation system, testing of labor-based technology for road construction and maintenance, road network planning, road inventory and base-line studies for future impact evaluations.

The USAID assisted Rural Roads Program has met its primary objectives and has generated interest from other donors. The IBRD has approved a \$60 million Phase I Rural Roads Improvement Project. The ADB is proposing a \$30 million Phase I component as part of their new roads loan. Both the IBRD and ADB assisted projects will utilize procedures developed under the USAID assisted Rural Roads Program.

Of particular significance, the GOP is implementing a follow-on Rural Roads III Project for provincial class roads using appropriated GOP funds. Further, because of the significant capacity of many provincial engineering offices, the Ministry of Public Works and Highway (MPWH) is transferring the budget, equipment spreads and overall responsibilities for the maintenance of all classes of rural roads. The principal remaining problems, and possible opportunities for external donor assistance, are (1) effective annual maintenance of rural roads and (2) construction improvement of access roads into the upland crop areas using labor-based technology. Year-round access to the extensive rainfed areas is critical for the poorer groups to participate in the market economy.

The PDAP rural roads projects clearly established the capacity in participating provinces, constructed a significant number of road sections in the process which have provided significant development impact. The requirement for rural roads and good maintenance expands as the development process proceeds.

2. Barangay Water Program

The second special project under PDAP, initiated in 1977, follows overall PDAP objectives of developing capacities at the local and national levels. The stated objectives are:

- to design and provide safe and sufficient domestic water to small and medium size communities;
- to establish a capacity to fund and implement a sustained small water system development program.

A distinct feature of the Barangay Water Program (BWP) is its concern that the type and size of system fit local requirements and that the systems be owned, amortized,

managed and maintained by associations made up of the users themselves.

Under BWP I, 390 Level I facilities and 113 Level II/III systems will be completed by 30 June 1982.^{1/}

For BWP II which will end in December 1985, it is expected that approximately 1000 Level I facilities and 300 Level II/III systems will be installed.

3. Rural Service Center Project^{2/}

This special project was developed to address the needs of rural chartered cities (autonomous from the provinces) which were excluded from participation in the previous local development projects. The project continues PDAP overall thrust toward development of capacity to serve local needs. A distinctive feature of RSC is that it is more explicitly focused toward

the poor living in the rural barangays within the chartered cities. The project's stated objectives are to:

- create a working administrative capacity in selected cities;
- involve the poor in the decision-making process on matters directly affecting them;
- establish systems to plan and implement social action projects; and
- establish a sustained commitment by local governments and the national government on issues and problems relating to the poor.

^{1/} Level I systems are manually operated pitcher pumps serving households within a radius of 250,000 meters.
Level II systems utilize a motor driven pump delivering water from a storage tank to several standposts serving at least 10 households.
Level III systems provide a direct connection to each household.

^{2/} Also referred to as City Development Assistance Program (CDAP).

Under the project the GOP provides small grants for locally identified subprojects to be implemented by associations of the poor. The project has been piloted in 16 cities and over 200 small infrastructure and income-generating projects have been financed. The GOP will expand the program to an additional six cities in 1982.

4. Real Property Tax Administration

The project was initiated in 1978 as a direct follow up on pilot work under the LDP. The project was developed in response to the need for additional resources to support local development efforts. The objective of the project is to:

- test and develop improved tax systems for national replication; and
- develop a capacity at central and local government levels to expand and maintain the systems.

Project administration was transferred from the Ministry of Local Development to the Ministry of Finance in early 1982 after experiencing serious implementing difficulties.^{3/} The GOP considers the improvement of a local tax base as critical. Under the MOF, a permanent office has been established to administer RPTA Project for the long term benefit of local governments since provinces, cities and municipalities have complete control of revenues collected. The project involves a close working relationship among the MOF, local governments and the Ministry of Local Government.

3/ Credit is due to MLG for extensive early testing of new procedures and sensitizing local governments and local government executives to the need and potential of improved real property tax administration.

Summary of USAID Financial Assistance to
GOP Provincial Development Assistance Programs

- Operation SPREAD	(1966-68)	\$ 890
- Provincial Development Project	(1968-74)	\$4,966
- Flood Rehabilitation Program	(1972-74)	\$10,800
- Special Infrastructure Program (equiv.)	(1973-74)	\$5,490
(PL 480 Trust Funds P36,789,194)		
- Local Development Project	(1974-80)	\$5,595
		<hr/>
		\$27,741

Special Projects:

- Rural Roads I (1976-78)	\$15,000	
- Rural Roads II (1978-83)	\$35,117	
- Barangay Water I	(1978-82)	\$6,184
- Barangay Water II	(1981-85)	\$20,437
- Rural Service Center	(1978-83)	\$1,600
- Real Property Tax Administration (Transferred to Ministry of Finance 1/82)	(1978-83)	\$8,200
		<hr/>
		\$86,538

II. Evaluation of PDAP Experience

PDAP and the associated projects have been evaluated at various stages. The May 1977 PDAP report concluded that the assistance projects and GOP Program were making significant contributions to development of the capability of the provinces to plan, manage and implement programs. The final PDAP evaluation report issued in August 1980 provided an assessment of the general effects of the entire GOP/USAID Program since 1973 and concluded that progress in local development would exceed the original expectations. The USAID Project Evaluation Summary (PES) report submitted to AID/W in November 1980 concluded that a majority of the rural population, particularly in the 28 provinces which participated more fully in the PDAP Program supported by the USAID assistance projects, have benefited from better planning, financing and implementation of several hundred local development subprojects. Gathering of longitudinal baseline data for impact evaluations was not part of the PDAP program, however development professionals and casual observers comment on the obvious impact that strengthened institutions have had on the lives of the rural poor in terms of basic services, income, and productivity.

A. Institutional Accomplishments

The 1980 Evaluation pointed to several institutional achievements. As a direct result of the USAID-assisted PDAP efforts:

- PDAP provinces are rapidly becoming effective systems of governance and administration, quite capable of developing their projects, their own management systems, their own agendas.
- A strong provincial executive office is emerging; it has significant administrative and conflict-resolving capacities.
- Provincial coordinators and development staffs have become vital actors, serving as executive staff, planning offices, and coordinating agents.
- Provincial governments now possess the technical, administrative and political means necessary for the management of their jurisdictions and the implementation of national development projects.
- Non-PDAP provinces have been positively influenced by the organizational and capacity improvements instituted by PDAP with resulting national policy and operational changes.

B. Development Impact

In addition to its institutional accomplishments, the PDAP program has had significant impact on the poor majority. A considerable portion of this impact results from local infrastructure projects conducted as PDAP special projects such as Rural Roads I and II, Barangay Water I and II and Rural Service Centers. This section first sets the general context for impacts from local infrastructure projects based on worldwide experience, then cites specific examples of impact obtained in the Philippines under the PDAP Program.

1. The Impact of Rural Roads Development

a. Global Experience

A variety of experiences worldwide have long indicated the positive and pervasive impact of rural road construction on the development of rural areas. This experience was recently collected, summarized and documented through the PPC/E Impact Evaluation of Rural Roads which reviewed available literature and conducted field evaluations in eight countries, culminating in a three day workshop conference last year.

This intensive assessment established an impressive list of positive contributions derived from improved rural roads including:

- substantially reduced transport cost,
- increased agricultural production,
- shift from subsistence to cash crops,
- changes in crop composition in response to better market opportunities,
- expanded use of new agricultural technology,
- improved access to extension and private cooperatives,
- expanded agro-industrial, industrial, and commercial enterprises,
- increased employment, especially in the short run,

- increased land values,
- increased marketing, especially along the road,
- increased access to and use of purchased consumer goods,
- increase access to health and education services, and
- improved outlook and optimism about future development.

Clearly, very few, if any, rural road activities can be expected to provide all of these impacts, nor would all of them necessarily be positive. In general, results show that all residents of a road influence area will benefit, with larger land owners who have the productive capacity usually capturing a proportionately greater share. In addition, empirical evidence suggests that penetration roads have greater beneficial impact than upgrading of existing roads. This would indicate that careful selection of sites, particularly for new, penetration roads for areas with higher concentration of poverty groups, would permit greater incidence of benefits to the targeted beneficiaries.

b. Specific Impact of PDAP Rural Roads Activities

What then have been the specific results obtained in the Philippines from these kinds of activities? The rural roads projects have had the dual objectives of (1) institutionalizing a permanent capacity and commitment at national and local levels to fund and implement a continuing rural roads program and (2) increase efficient road access for the rural poor to market service centers. It has been generally assumed that if these objectives are met, other development benefits, of the type and nature listed above, will then accrue to the beneficiaries in the influence area. Therefore most evaluations have focused primarily on determining whether and how well the institutional and physical objectives have been attained.

These findings are well summarized by a recent audit report of the Rural Roads II Project (Audit No. 2-492-82-09) which concludes that the institutional objective has been largely achieved. Roads are being built in a timely manner and in accordance with plans and specifications. Where provinces had little or no infrastructure planning, design or construction capacity before the project, they now have an established capacity in these areas.

Decentralization of provincial and barangay rural roads is evidenced by the shifting of GOP responsibility for such roads from provinces through the Ministry of Public Works and Highways to the Ministry of Local Government. In addition, the GOP has developed a system to assist local government with the financing of maintenance and the procurement and repair of construction equipment.

However, in addition to these institutional impacts, direct developmental impacts on target beneficiary groups have also been identified. As described in the PPC/E coordinated Philippine Rural Roads Impact Evaluation of March 1981, almost all road subprojects stimulated increased competition among vehicle drivers, reduced transport costs, improved communications, and expanded marketing opportunities. Spoilage has been reduced and farmers are receiving significantly higher prices for their produce. Some farmers have shifted to higher-value fruits and vegetables. When interviewed by the evaluation team, most rural residents indicated that the road interventions had improved their "quality-of-life". They cited such examples as reduced travel time, more comfortable rides, and year-round ability to reach nearby towns by motor vehicle for medical and other emergencies.

While not all subprojects were complete successes, and some even had some adverse impacts, "the great majority of rural residents interviewed claimed to have benefited from road construction" (Impact Evaluation, p. iv). The following examples drawn from the Impact Evaluation illustrate the development impact of the rural roads projects.

- The linking of the Barrio of Matipoc to the Municipal Center of Calaca resulted in:
"increased agricultural production, attributable to improved access to such items as fertilizer and agricultural extension information provided by the road. This is particularly true with respect to coconut and tomato production. Some people have increased their pig stock because pig feed is now more easily obtained from the poblacion. In a number of areas, the construction of improvements or additions to houses offers evidence both of increased income and of easier access to transportation of building materials from Calaca." (p. B-4)

- In the area influenced by the Pawa-Santa Magdalena road, "farmers have reported substantial increases in rice production as a result of increased use of fertilizer, stemming in part from easier access to fertilizer stores, and the reduced cost of transportation to and from these stores." Also, "there have been dramatic impacts in the Santa Magdalena-Talaonga section. As a result of improved access, use of fertilizer increased as did agricultural production. Higher prices were offered for crops both at the farm and at nearby markets..." (p. B-5).

- "Travel between Nagbayan and Castillejos, for a variety of purposes, seems to have increased considerably after the road was improved, providing benefits that are often difficult to measure but nevertheless very real to area residents. Many houses, especially in Nagbayan and along the road close to Castillejos, are concrete block structures. Radios are commonplace, and 7 houses in Nagbayan reportedly now have TV sets." (p. B-7).

- "As a result of the road improvement, this traffic to Vito Junction has increased markedly. Receipts to the barrio from the rental of stalls on market day have increased

forty percent. Commercial establishments, like restaurants and sari-sari stores, have benefitted from the increase in visitors, and there is evidence of some physical expansion. While the evidence of the road's impact on fishermen is more ambiguous, it is clear that fish prices have increased at the Vito market, and that the fishermen's options have increased since they can now sell more readily and with reduced spoilage to the wholesale market at the poblacion of Sagay, some eight kilometers from Junction Vito." (p. B-8).

2. The Impact of Local Water Development

The objectives of the Barangay Water projects are to: (1) provide safe, reliable, low-cost water systems to small rural communities, and (2) develop national and local government capacity to plan, organize, finance, install, and maintain Barangay cooperative water systems.

In meeting these objectives, the projects have had considerable impact on target households and communities. While lack of baseline data and a sophisticated evaluation program makes it difficult to measure health benefits in a quantitative sense, health workers and other field observers state that significant health benefits are being achieved. Rural health workers report a rapid increase in the construction of water sealed toilets resulting from the water improvements. These improved sanitary facilities should lead to long term health benefits.

Affected communities are benefitting from a wide variety of economic activities which were not possible before installation of a safe, reliable, year-round water system. Household poultry raising has expanded rapidly and numerous commercial poultry enterprises have been established. As a result of improved water supply, households now have more livestock. Reports indicate that a large number of families have increased their number of pigs and cows. The resulting increase in poultry and livestock has expanded considerably the use of organic fertilizer thus reducing purchases of chemical fertilizer. While vegetable growing used to be a limited,

seasonal pursuit, it is now a thriving, year-round activity supplying produce for both commercial and household consumption. Backyard vegetable gardens are being expanded in the dry season primarily where gravity flow systems are located. This is improving family nutrition and providing some monetary return. Project monitors feel that economic benefits resulting from water improvements have increased household incomes by at least 20 percent.

The Barangay Water Program has provided participating barangays with the opportunity to manage their own development project. The various training programs offered by the Program have strengthened the management capabilities of offices of barangay water associations. These aspects make this program different from most previous GOP activities. The following specific examples illustrate the benefits of the local barangay water projects.

- Before the project, San Pedro residents dug through the sand of the dry Tanauan River bed to get drinking water during the dry season. Ibajay and Maloco-Capilihan residents depended on shallow and open-dug wells or rainwater collected from dusty roofs and stored in tanks which were often rusty. Lolomboy residents either bought their water from a neighboring barrio or obtained it from a shallow well which was not considered safe by medical authorities. Now, all communities have a safe, year-round, supply of piped water. Construction of water-sealed toilets has increased 30 percent; now between 80 percent and 95 percent of the households in these communities have water-sealed toilets.
- Whereas residents of Lolomboy use to pay an average of ₱45 per month for water brought in by motorized tricycle, now they pay an average of ₱24 for a continuous supply of piped water.
- Due to lack of water, families in San Pedro could not engage in backyard gardening during the dry season. Now, at least 70 percent have year-round backyard gardens. Household piggeries have increased in San Pedro with about 60 percent of families now raising pigs.

- Barangays Talaga, Emmanuel, and San Pedro in Batangas Province each have at least three new commercial poultry operations following the completion of local water systems.
- In a Luzon barangay the project has had both economic and institutional impacts. The improved water system lead to such an increase in the number of cows that a dairy cooperative was established. Based on the experience gained with the water activity, the barangay water association expanded to include a daily cooperative. A Manila firm now buys all the milk that the community can produce.

3. Development Impact of Other Local Development Activities

a. Real Property Tax Administration Project

The project seeks to strengthen local government financial capability by improving local tax mapping, records management, tax assessments and collections. Although presently behind schedule, the restructured project nevertheless is having a significant impact on some communities.

An evaluation conducted in 1980 showed an increase of taxable parcels of more than ten percent in a majority of the municipalities. However in some municipalities the number of taxable parcels was reduced due to the elimination of duplicate tax declarations for the same property or declarations that were no longer valid. Overall under the project total assessed value increased in 85 percent of the municipalities while collection efficiency improved in 58 percent.

A 1981 audit report (No. 81-12) indicates that in the eleven project communities visited by the audit team, tax collections increased by 66 percent in one year. While all of this increase cannot be attributed directly to the project, the results certainly point out the potential impact of improved real property tax administration. The most rapid increases occurred in Albay Province, Lucena City, Baguio City

and Legaspi City where local governments took a firm stand. In one case, properties with delinquent taxes were put on the auction block, in two other cases no business licenses were approved until all past and current property taxes were paid. It is important to note that small homelot owners and small-scale farm owners have to pay little or no real property taxes. The principal problem has been with larger property holders, especially on land that has been upgraded (e.g. agricultural to industrial use) but the owners have not paid a fair rate. The improved system will correct this situation.

In five project municipalities in Antique Province, tax collections increased three-fold in one year. Tax collections for the municipalities of Barbaza, Bugasong, Caluya, Laua-an, and San Remigio went from \$7,068 (P56,546), for the four-month period October 1980 to February 1981, to \$20,849 (P166,790), for October 1981 to February 1982. Although part of the increase resulted from the paying of delinquent taxes and therefore cannot be expected every year, the dramatic increase once again demonstrates the potential impact of improved local tax administration.

b. Rural Service Centers (RSC) Project

The objective of the project is the decentralization of decision making by strengthening local governments and the provision of the capacity to assist local barangay groups to successfully design and implement subprojects which respond to basic social and human needs of the poor. The project was initiated in 1978 and now involves twenty-two chartered cities which include extensive rural areas within their boundaries.

An evaluation of the project in May 1982 indicates that the project is having considerable impact on poverty groups. The evaluation studied 26 income-generating subprojects most of which were already providing benefits although underway for only a few months in many cases. Fully 60 percent of those surveyed indicated their incomes had increased

as a result of the project while 33 percent indicated their incomes were, as yet, unchanged. Survey respondents reported an average increase in monthly family income of \$15 per family representing a ten to twenty percent increase in total income. Eighty-six percent stated that subprojects are having significant multiplier effects and 87 percent felt that subprojects have increased overall socio-economic development in the barangay. In addition to these income impacts, 76 percent believed benefits were being distributed equitably.

As well as improving the well-being of poverty groups, the RSC project also seeks to promote local involvement in the decision-making processes. The evaluation suggests that the project is succeeding in this respect. The survey revealed that 94 percent of participants feel that the subprojects have increased solidarity and cooperativeness within the barangay. Also, 71 percent believe they are more in control of their destinies and better able to bring about changes in their community. These results are particularly encouraging because they suggest that participating barangays have the appropriate attitude to independently undertake self-sustaining development activities.

Of the ten subprojects included in the survey, the Malitam deep sea fishing subproject in Batangas City appears to be one of the most successful. Though only four months old, the enterprise is generating \$114 (P910) per member or an increase of \$40 (P325) over their previous monthly income level. The subproject provided a loan to the local association for the purchase of a fishing boat and related gear.

While most of the 26 subprojects evaluated have only been operating for a short time, most show various degrees of "preliminary success" while only three appear to be in trouble at this early stage. The few subprojects that are in trouble did not have adequate feasibility studies prior to their selection and GOP funding, or operational management is weak. Some of this can be corrected. Useful data and experience for redesign is coming from the problem subprojects.

An example of a success is the First Natural Rattan Factory in Angeles City which has risen from the ashes of a burned out private factory. The new building was inaugurated in February 1981 and by May 1981 there were 56 workers making rattan furniture. Another example is the Association of the Poor of Pandan which initiated a cement block factory now employing six full-time and ten part-time workers, all formerly unemployed and from very poor families. In Roxas City, the Barra Gas Pumping Station is proving to be an excellent money making project; its bank balance in December 1981 was almost \$3,000. In addition to providing income for the local association, the gas station saves fishermen and other gas/diesel users the trouble and expense of going into town to get gas.

C. Lessons Learned from the Broader PDAP Program Experience¹

1. Development assistance projects whose objective is to strengthen localities so that they can on their own identify, initiate, and implement development programs must contain provision for a phased withdrawal of the project control agency. Otherwise localities tend to become subordinates of a control agency, subject to operational constraints which suppress initiative and self-reliance, produce ritualistic compliance systems, prevent experimental responses to the differential character of local conditions, and inhibit the development of local organizational and managerial capacities. In the case of PDAP, it was the effective absence of a central control agency at a crucial point in its history that enabled the provinces to achieve "take-off".
2. External assistance should be provided in the form of tangible resources which can be directly deployed under the authority of the locality.

Real discretion as to allocation of resources provides local executives with policy and project alternatives, with agendas of their own and the opportunity to prevent visible accomplishment in their own right.

^{1/} These lessons are summarized from "Lessons Learned: Provincial Development Assistance Program, Philippines", by Martin Landau and James Anderson (1980). The evaluation was supported by AID/W S&T.

3. PDAP-Central's early assumption of responsibility for the national extension of the program displaced its original experimental emphasis. As line responsibilities took hold, experimental effort and "research and development" activities ceased, and "monitoring and evaluation" were reduced to pro-forma checklists. Its primary thrust became that of establishing control and compliance systems and monitoring clearance and accountability procedures. When line administration is allowed to overwhelm experimental effort, opportunities for systematic learning and error-correction are lost.
4. In projects designed to develop or strengthen local administrative capacity, care must be taken to select management techniques that stimulate local administrative development and to avoid those that tend to establish tight hierarchical control over localities.
5. Projects intended to build planning capacity at the level of local government must guard against overloading the structure of local administration with requirements that are at best marginal. Localities are saddled with numerous distinct planning responsibilities, many of which are of no value to them and cannot be justified on grounds of training or "learning by doing".
6. The repertoire of a local development project should contain both bounded and unbounded planning strategies. Bounded (closed) plans rest on priorities which are translated into action sequences that follow a strictly determined path. Unbounded (open) plans are strategic. They are more general in character, less procedurally exact, and allow for easy and rapid alterations.

ANNEX E

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

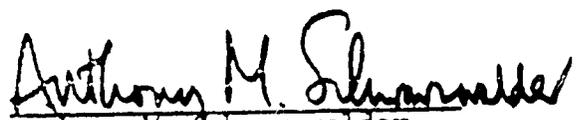
Ramon Magsaysay Center
1680 Roxas Boulevard

Telephone: 59-80-11

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

I, ANTHONY M. SCHWARZWALDER, the principal officer of the Agency for International Development in the Philippines, having taken into account, among other things, the maintenance and utilization of projects in the Philippines previously financed or assisted by the United States, do hereby certify that in my judgment, the Philippines has both the financial capability and the human resources to effectively maintain and utilize the proposed Regional Development Fund Project.

This judgement is based upon the project analyses as detailed in the Regional Development Fund Project Paper and is subject to the conditions imposed therein.


Anthony M. Schwarzwald
Director, USAID/Philippines

23 June '82

Date

PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. 81 App. Act. Unnumbered;
Sec. 653(b).

(a) Describe how authorizing and appropriations Committees 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 amount)?

Congress will be notified by advice of program change.

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

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?

None required.

4. FAA Sec. 611(b); 81 App. Act. Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?

Where water or water related land resource construction is concerned such principles and standards will be met.

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 and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? Yes
6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). 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; and (c) encourage development and use of 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. (a) No; (b) Yes; Project capital assistance is supportive of private sector growth; (c) N/A (d) N/A (e) Yes; some planned capital assistance for irrigation, roads, etc. (f) 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. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprises). Project is almost exclusively local cost financing; if any off-shore commodities or technical assistance required will be US source and origin.

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 in lieu of dollars. A local contribution is not required for ESF projects. Philippines is not an excess currency country.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No
11. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes
12. App. Act. Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria.
2. Development Assistance Project Criteria (Loans Only).
3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

Yes. Project will improve socio-economic conditions around US military facilities, including squatter settlements.

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

No.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

PROJECT AUTHORIZATION

PHILIPPINES

Regional Development Fund
Project No. 492-0374

Pursuant to Part II, Chapter IV, Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Regional Development Fund Project for the Philippines (Cooperating Country) involving planned obligations of not to exceed Forty-Five Million United States Dollars (\$45,000,000) in grant funds over a three (3) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project.

The Project is one of a series designed to provide ESF assistance of \$200 Million pursuant to the Amended Bases Agreement between the Cooperating Country and the United States. The Project is directed at improving social and economic conditions within the impact area of U.S. military facilities, including the reverted baselands. This will be accomplished in two ways: squatter settlement upgrading and resettlement; and support for high priority, growth-related provincial capital improvements. The Project consists of U.S. dollar support for foreign exchange requirements of technical advisory services, training, and commodities, as needed, as well as annual dollar transfers in exchange for the support of the Cooperating Country for squatter assistance and provincial capital improvements by appropriating and using for agreed local currency costs an amount of pesos equivalent to the annual dollar transfers.

The Project Agreement(s) which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be 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 and Origin of Goods and Services

Goods and services, except for ocean shipping, under the Project shall have their source and origin in the United States or the Cooperating Country except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be only on flag vessels of the United States

b. Conditions Precedent to Disbursement for Capital Development Component

Prior to any disbursement of funds by A.I.D. for the capital improvement component of this Project, except for technical assistance with respect thereto, or to the issuance of any documentation pursuant to which such disbursement shall be made for such component, the Cooperating Country shall, except as A.I.D. may otherwise agree in writing, furnish the following in form and substance satisfactory to A.I.D.:

(1) An amendment to the existing Financial Services Agreement among the Bureau of the Treasury, the Ministry of Human Settlements, and the National Bank of the Cooperating Country to include such component of the Project under its provisions;

(2) Evidence that manuals developed for implementation of the Municipal Development Fund have been adapted, as necessary, and accepted for implementation of such component of the Project; and

(3) Evidence that acceptable, documented working arrangements have been developed between the Ministry of Human Settlements and the principal ministries, entities, and/or other organizations which will coordinate implementation of this component.

c. Conditions Precedent to Disbursement for Squatter Assistance

Prior to disbursement of funds other than for technical assistance by A.I.D. for the squatter assistance component of this Project, or to the issuance of documentation pursuant to which such disbursement shall be made, the Cooperating Country shall furnish the following in form and substance satisfactory to A.I.D.:

(1) An amendment to the existing Financial Services Agreement among the Bureau of the Treasury, the Ministry of Human Settlements, and the National Bank of the Cooperating Country to include such component of the Project under its provisions; and

(2) Evidence that manuals developed for implementation of the Municipal Development Fund have been adapted, as necessary, and accepted for implementation of such component of the Project.

d. Additional Conditions Precedent to Each Squatter Assistance Subproject

Prior to the disbursement of funds, other than for technical assistance, for each squatter assistance subproject or to the issuance of documentation pursuant to which such disbursement shall be made, the Cooperating Country shall furnish to A.I.D. the following with respect to such subproject, in form and substance satisfactory to A.I.D.:

(1) Detailed plans and cost estimates for the particular squatter settlement upgrading or resettlement subproject;

(2) Evidence that land tenure rights have been established providing beneficiaries of the particular subproject with adequate security on their land; and

(3) Evidence that acceptable, documented working arrangements have been developed between the Ministry of Human Settlements and the principal ministries, entities, and/or other organizations which will coordinate implementation of this subproject.

Signature

M. Peter McPherson
Administrator

26 AUG 1982

Date

Clearance:

Date

Initial

Eugene S. Staples, A/AA/ASIA ESS

John R. Bolton, AA/PPC JRB

Chandler L. van Orman, GC CLVO

5/19/82
5/20/82
20 Aug