

**UNCLASSIFIED**

**Annual Budget  
Submission**

**FY 1989**

**PHILIPPINES**

BEST AVAILABLE

May 1987



**Agency for International Development  
Washington, D.C. 20523**

**UNCLASSIFIED**

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THIS STRATEGY STATEMENT HAS BEEN PREPARED BY THE  
A.I.D. FIELD MISSION. IT IS PREPARED ANNUALLY AND  
USED FOR PLANNING PURPOSES IN THE FIELD AND IN  
WASHINGTON. IT DOES NOT REPRESENT OFFICIAL AGENCY  
POLICY:

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FY 1989 ANNUAL BUDGET SUBMISSION  
 TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT (\$000)  
 Country Philippines

	FY 1986 ACTUAL	FY 1987 EST.	---FY 1988--- CP	EST.	FY 1989 AAPL	-----PLANNING PERIOD----- 1990	1991	1992	1993
<b>AGRICULTURE, RURAL DEVELOPMENT &amp; NUTRITION</b>									
TOTAL	19304	5799	4300	3350	3000	1500	1500	1500	3000
GRANTS	19304	5799	4300	3350	3000	1500	1500	1500	3000
LOANS	0	0	0	0	0	0	0	0	0
<b>POPULATION PLANNING</b>									
TOTAL	713	3000	2000	2000	500	3000	3000	3000	0
GRANTS	713	3000	2000	2000	500	3000	3000	3000	0
LOANS	0	0	0	0	0	0	0	0	0
<b>HEALTH</b>									
TOTAL	12553	4901	3422	3422	2800	2500	2500	2500	3000
GRANTS	12553	4901	3422	3422	2800	2500	2500	2500	3000
LOANS	0	0	0	0	0	0	0	0	0
<b>EDUCATION &amp; HUMAN RESOURCES</b>									
TOTAL	3766	1300	300	300	3050	3000	3100	3161	3500
GRANTS	3766	1300	300	300	3050	3000	3100	3161	3500
LOANS	0	0	0	0	0	0	0	0	0
<b>SELECTED DEVELOPMENT ACTIVITIES</b>									
TOTAL	2313	1000	2978	3928	3650	3220	3306	3406	4230
GRANTS	2313	1000	2978	3928	3650	3220	3306	3406	4230
LOANS	0	0	0	0	0	0	0	0	0
<b>SUBTOTAL FUNCTIONAL ACCOUNTS</b>									
TOTAL	38649	16000	13000	13000	13000	13220	13406	13567	13730
GRANTS	38649	16000	13000	13000	13000	13220	13406	13567	13730
LOANS	0	0	0	0	0	0	0	0	0
<b>INTERNATIONAL DISASTER ASSISTANCE</b>									
TOTAL	3201	331	--	--	--	--	--	--	--
GRANTS	3201	331	--	--	--	--	--	--	--
LOANS	0	0	--	--	--	--	--	--	--
<b>TOTAL DA ACCOUNTS</b>									
TOTAL	41850	16331	13000	13000	13000	13220	13406	13567	13730
GRANTS	41850	16331	13000	13000	13000	13220	13406	13567	13730
LOANS	0	0	0	0	0	0	0	0	0
<b>ECONOMIC SUPPORT FUND</b>									
TOTAL	300000	250000	200000	200000	200000	200000	200000	200000	200000
GRANTS	300000	250000	200000	200000	200000	200000	200000	200000	200000
LOANS	0	0	0	0	0	0	0	0	0
<b>DA AND ESF TOTAL</b>									
TOTAL	341850	266331	213000	213000	213000	213220	213406	213567	213730
GRANTS	341850	266331	213000	213000	213000	213220	213406	213567	213730
LOANS	0	0	0	0	0	0	0	0	0
<b>PL 480</b>									
TITLE I/III	32300	0	0	30000	30000	30000	30000	30000	30000
TITLE II	8218	9146	10626	10626	12000	12000	120000	12000	12000

Country Philippines WP 0828P p. 4

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE IV - PROJECT BUDGET DATA

PROJECT NUMBER AND TITLE	OBLIG DATE	TOTAL COST	OBLIG THRU FY 86	FY 86 PIPE-LINE	ESTIMATED U.S. DOLLAR COST (\$000)		FY 89 AAPL	SPECIAL CODES	ITEM NO.
					FY 1987 OBLIG-ATTIONS	FY 1988 OBLIG-ATTIONS			
<u>AGRICULTURE, RURAL DEV. &amp; NUTRITION</u>									
4920286 Agriculture Research II									
L 79 81 10000		8022	8319	277	(297)	(20)	--	--	
SUBCAT: FMDS PACD: 12/31/85									
4920289 Bicol IAD III (Rinconada)									
G 79 80 1843		1843	1843	535	--	--	--	--	3461
SUBCAT: FMWD PACD: 6/30/87									
4920304 Rural Service Centers									
G 78 84 2987		2790	2790	12	--	12	--	--	
SUBCAT: FNIL PACD: 9/30/86									
4920310 Bicol IAD II (Buha)									
L 78 78 2900		2135	2241	136	(106)	30	--	--	
SUBCAT: FNEH PACD: 12/31/85									
4920322 Freshwater Fisheries Development									
G 79 82 1700		1665	1665	--	--	--	--	--	
SUBCAT: FNFD PACD: 8/1/84									
4920334 Small Farmer Systems II									
G 81 85 2814		2384	2384	1380	--	1380	--	--	???
SUBCAT: FNFA PACD: 3/31/87									

NOTE: Amounts in parentheses under FY 87 Obligations column appearing on all pages of this Table are proposed FY 87 deobligations (non-add).



Country Philippines

PROJECT NUMBER AND TITLE		ESTIMATED U.S. DOLLAR COST (\$000)										ITEM NO.
G	L	OBLIG DATE	INIT FIN AUTH	TOTAL COST PLAN	OBLIG THRU FY 86	FY 86 PIPE-LINE	FY 1987		FY 1988		FY 89 AACL	SPECIAL CODES
							OBLIG-ATIONS	EXPEND-ITURES	OBLIG-ATIONS	EXPEND-ITURES		
4920394 Rural Financial Services												
G	85	86	20000	20000	20000	20000	1900	--	--	8620	--	2807
4920395 Enterprise in Community Development												
G	86	91	3250	3250	250	250	400	1750	800	500	500	2809
4920397 Participant Training												
G	86	87	1000	1000	1000	1000	300	--	--	200	--	3462
4920402 Family Income & Expenditure Survey												
G	86	86	215	215	215	215	188	--	--	27	--	3202
4920419 PVO Co-Financing III												
G	89	93	--	7500	--	--	--	--	--	--	1000	--
492XXXX Private Development Corporation of the Philippines												
G	89	92	--	15000	--	--	--	--	--	--	1000	--
492XXXX Local Government Improvement												
G	89	93	--	3000	--	--	--	--	--	--	500	--
APPROPRIATION												
TOTAL		135612	156134	118204	90002	5799	13737	8383	3350	22767	3000	
GRANT		121328	145163	106830	89588	5799	13726	8383	3350	22767	3000	
LOAN		14284	10971	11374	414	--	11	--	--	--	--	

Country Philippines

PROJECT NUMBER AND TITLE	OBLIG DATE	OBLIG THRU	TOTAL COST	FY 86 PIPE LINE	ESTIMATED U.S. DOLLAR COST (\$000)		FY 89 AAPL	ITEM NO.	
					FY 1987 OBLIG-ATIONS	FY 1988 OBLIG-ATIONS			
G 81 88 28135	26502	22502	26502	6503	3000*	2094	1000	1000	1711
L 81 88 23202	10936	10936	10936	473	(473)	--	--	--	1712
4920341 Population Planning III									
					SUBCAT: PNPP	PACD: 12/31/87			
4920396 Population Sector Support									
G 88 92 --	21000	--	21000	--	--	--	1000	1000	500
					SUBCAT: PNPP	PACD: 1993			

APPROPRIATION

TOTAL	51337	58438	33438	6976	3000	2094	1000	2000	500
GRANT	28135	47502	22502	6503	3000	2094	1000	2000	500
LOAN	23202	10936	10936	473	--	--	--	--	--

HEALTH

4920309 Local Water Development									
L 76 77 20000	14970	14970	14970	6	--	6**	--	--	--
					SUBCAT: HEWS	PACD: 6/30/83			
4920312 Panay Unified Services for Health									
G 78 78 316	220	234	220	21	(14)	7	--	--	--
L 78 78 5400	2660	2674	2660	14	(14)	--	--	--	--
					SUBCAT: HEDH	PACD: 12/31/85			

\*FY 1987 FallOut. Additional budget to be requested and project PACD to be extended.  
 \*\*FY 1987 expenditures due to carryover funds stemming from contract dispute.

Country Philippines

PROJECT NUMBER AND TITLE	ESTIMATED U.S. DOLLAR COST (\$000)										ITEM NO.			
	G OBLIG DATE	L INIT FIN	TOTAL COST AUTH	PLAN	OBLIG THRU FY 86	FY 86 PIPE-LINE	FY 1987 OBLIG-ATIONS	EXPEND-ITURES	MORTGAGE END OF FY 87	FY 1988 OBLIG-ATIONS		EXPEND-ITURES	FY 89 AAPL	SPECIAL CODES
4920333 Barangay Water II														MA
G 80 82 12113 12113			12113		12113	5659		5659						2227
4920341 Population Planning III														
G 81 88 1700 1700			1700		1700	1306		1306						2232
4920345 PVO Co-Financing I														
G 80 83 1500 1179			1500		1500	321	(321)							
4920367 PVO Co-Financing II														
G 84 88 4523 4523			4523		2522	2218	1126	1300	875	875	1350			1750
4920371 Primary Health Care Financing														CS
G 83 88 16466 16466			16466		15919	14410		5906	547	547	2650			1713
L 83 88 1034 1034			1034		1034	34		34						1714
4920401 Rural Water and Sanitation														MA
G 86 90 18750 18750			18750		9678	9678	3775	1356	5297		4372	1000		3018
4920406 Integrated MCH for Child Survival														CS
G 88 91 20000 20000			20000							2000	1000	1000		3203
4920419 PVO Co-Financing III														
G 89 93 4000 4000			4000									800		

Country Philippines

PROJECT NUMBER AND TITLE		ESTIMATED U.S. DOLLAR COST (\$000)										ITEM NO.		
G	L	OBLIG DATE	TOTAL COST AUTH	PLAN	OBLIG THRU FY 86	FY 86 PIPE LINE	FY 86 OBLIG-ATIONS	FY 1987 EXPEND-ITURES	MORTGAGE END OF FY 87	FY 1988 OBLIG-ATIONS	FY 1988 EXPEND-ITURES	FY 89 AAPL	SPECIAL CODES	ITEM NO.
<b>APPROPRIATION</b>														
		81802	97615	✓	62344	33667	4901	15574	6719	3422	9372	2800		
		55368	78951		43666	33613	4901	15534	6719	3422	9372	2800		
		26434	18664		18678	54	--	40	--	--	--	--		
<b>EDUCATION &amp; HUMAN RESOURCES</b>														
<b>4920340 Training &amp; Development Issues</b>														
	G	83	84	4082	4082	3742	--	866	--	--	2301	--		2230
	L	83	84	418	418	9	--	9	--	--	--	--		2231
<b>4920345 PVO Co-Financing I</b>														
	G	80	83	919	749	164	(164)	--	--	--	--	--		
<b>4920367 PVO Co-Financing II</b>														
	G	84	88	1766	1766	777	300	350	300	300	450	--		1751
<b>4920397 Participant Training</b>														
	G	86	87	4000	4000	3000	1000	580	--	--	450	--		3424
<b>4920405 Management Training</b>														
	G	86	86	200	200	200	--	160	--	--	40	--		3204
<b>4920419 PVO Co-Financing III</b>														
	G	89	93	--	1500	--	--	--	--	--	--	300		

Country Philippines

PROJECT NUMBER AND TITLE		ESTIMATED U.S. DOLLAR COST (\$000)										ITEM NO.					
G	L	OBLIG DATE	INIT FIN AUTH	TOTAL COST PLAN	OBLIG THRU FY 86	FY 86 PIPE-LINE	OBLIG-ATIONS	FY 1987	EXPEND-ITURES	MORTGAGE END OF FY 87	OBLIG-ATIONS	FY 1988	EXPEND-ITURES	FY 89 AAPL	SPECIAL CODES	ITEM NO.	
492XXX Training & Development Issues II																	
G		89	96	--	10000	--	--	--	--	--	--	--	--	1250			
492XXX In-Service Teacher Training																	
G		89	93	--	10000	--	--	--	--	--	--	--	--	1000			
492XXX Agricultural Education Improvement and Outreach Project																	
G		89	93	--	9000	--	--	--	--	--	--	--	--	500			
APPROPRIATION																	
TOTAL				11385	41715	9779	7892	1300	1300	1965	300	300	3241	3050			
GRANT				10967	41297	9361	7883	1300	1300	1956	300	300	3241	3050			
LOAN				418	418	418	9	9	9	9	9	9	9	9			

SELECTED DEVELOPMENT ACTIVITIES

4920294 Non-Conventional Energy Development																	
G		78	78	3298	3298	3298	1275			1275							
L		78	78	3852	3852	3852	94			94							
4920298 Real Property Tax Administration																	
L		78	81	10000	6591	6611	20*	(20)									

\*This pipeline was deobligated on 10/3/86.

Country Philippines

PROJECT NUMBER AND TITLE		ESTIMATED U.S. DOLLAR COST (\$000)										ITEM NO.		
G	L	OBLIG DATE	TOTAL COST AUTH	OBLIG THRU FY 86	FY 86 PIPE LINE	FY 1987 OBLIG-ATIONS	FY 1987 EXPEND-ITURES	MORTGAGE END OF FY 87	FY 1988 OBLIG-ATIONS	FY 1988 EXPEND-ITURES	FY 89 AAPL	SPECIAL CODES	ITEM NO.	
4920345 PVO Co-Financing I														
		G 80	83	750	341	537	220	(196)	24	--	--	--		
4920367 PVO Co-Financing II														
		G 84	88	1730	1730	1330	880	--	350	400	400	450	--	1752
4920377 Financial Resources Mobilization														
		G 87	89	--	5000	--	--	1000	--	4000	2000	500	500	2678
4920381 Technology Transfer for Energy Management														
		G 85	88	5000	5000	4900	4888	--	528	100	100	1546	--	2245
4920395 Enterprise in Community Development														
		G 86	91	1250	1250	250	250	--	100	1000	428	250	250	2812
4920403 Financial Management Improvement														
		G 87	89	--	5000	--	--	(1000)*	--	5000	1000	750	1000	3019
4920419 PVO Co-Financing III														
		G 89	93	--	2000	--	--	--	--	--	--	--	400	
492XXXX Industrial Guaranty Loan Fund														
		G 89	93	--	10000	--	--	--	--	--	--	--	1500	

\*Non-add. Shell.

Country Philippines

PROJECT NUMBER AND TITLE		ESTIMATED U.S. DOLLAR COST (\$000)										ITEM		
G L	OBLIG DATE	INIT FIM	AUTH	TOTAL COST PLAN	OBLIG THRU FY 86	FY 86 PIPE- LINE	OBLIG- ATIONS	FY 1987- EXPEND- ITURES	MORTGAGE END OF FY 87	OBLIG- ATIONS	FY 1988- EXPEND- ITURES	FY 89 AAPL	SPECIAL CODES	NO.
<b>APPROPRIATION</b>														
	TOTAL	25880		44062	20778	7627	1000	2371	10500	3928	3496	3650		
	GRANT	12028		33619	10315	7513	1000	2277	10500	3928	3496	3650		
	LOAN	13852		10443	10463	114	--	94	--	--	--	--		
<b>FUNCTIONAL ACCOUNT</b>														
	TOTAL	306016		397964	244543	146164	16000	35741	26902	13000	40876	13000		
	GRANT	227826		346532	192674	145100	16000	35587	26902	13000	40876	13000		
	LOAN	78190		51432	51869	1064	--	154	--	--	--	--		
<b>ECONOMIC SUPPORT FUND</b>														
<b>4920105 Local Costs Support</b>														
G	87	87	--	810	--	--	810	810	--	--	--	--		3454
XXXXXX New Armed Forces of the Philippines (NAFP) Civic Action Program (NOTE: May transfer to DOD)														
G	87	87	--	15000	--	--	15000	--	--	--	15000	--		
4920343 Project Design														
SUBCAT: SDPP PACD: 9/30/89														
G	80	89	18000	18000	9000	3141	3000	1500	6000	5000	7000	1000		2233
4920348 Clark Access Road & Feeder Roads														
SUBCAT: FNRR PACD: 12/31/87														
G	81	81	5000	4500	4500	1305	--	1305	--	--	--	--		2238
4920361 Municipal Development Fund														
SUBCAT: SDHU PACD: 12/31/88														
G	81	83	70000	36000	36000	11288	--	6840	--	--	4448	--		2241

Country Philippines

PROJECT NUMBER AND TITLE	OBLIG DATE	TOTAL COST	OBLIG THRU FY 86	FY 86 PIPE LINE	ESTIMATED U.S. DOLLAR COST (\$000)		FY 89 AAPL	SPECIAL CODES	ITEM NO.		
					FY 1987 EXPENDITURES	MORTGAGE END OF FY 87 OBLIGATIONS					
4920374 Regional Development Fund					SDRO	PACD: 12/31/88					
G 82 89 190000		190000	86925	14513	47000	14513	56075	15000	47000	41075	2243
4920407 Budget Support Program II					ESCT	PACD: 12/31/87					
G 87 87 150000		150000	--	--	150000	75000	--	--	75000	--	3206
4920420 Rural Infrastructure					ESZZ	PACD: 12/31/92					
G 87 89 --		90000	--	--	34190	26000	--	30000	8190	25810	
492XXX Budget Support Program III					ESZZ	PACD: 12/31/88					
G 88 88 --		85000	--	--	--	--	--	85000	85000	--	
492XXX Budget Support Program IV					ESZZ	PACD: 12/31/89					
G 89 89 --		80400	--	--	--	--	--	--	--	80400	
492XXX Textbook Production and Distribution											
G 89 93 --		20000	--	--	--	--	--	--	--	19715	
492XXX Local Government Improvement											
G 89 93 --		32000	--	--	--	--	--	--	--	32000	
XXXXXX PROJECTS UNDER DEVELOPMENT											
G 88 88 --		65000	--	--	--	--	--	65000	10810	--	2982

Country Philippines

PROJECT NUMBER AND TITLE	OBLIG DATE	TOTAL COST	OBLIG THRU FY 86	FY 86 PIPE-LINE	ESTIMATED U.S. DOLLAR COST (\$000)		FY 87 MORTGAGE END OF FY 87	FY 1988		FY 89 AAAPL	SPECIAL CODES	ITEM NO.
					PLAN	INIT FIN		EXPEND-ITURES	OBLIG-ATIONS			
G		433000	136425	30247	250000	125968	62075	200000	247448	200000		
L		433000	136425	30247	250000	125968	62075	200000	247448	200000		
		--	--	--	--	--	--	--	--	--		
APPROPRIATION												
TOTAL		786710	136425	30247	250000	125968	62075	200000	247448	200000		
GRANT		786710	136425	30247	250000	125968	62075	200000	247448	200000		
LOAN		--	--	--	--	--	--	--	--	--		
COUNTRY TOTAL												
TOTAL		739016	380968	176411	266000	161709	88977	213000	288324	213000		
GRANT		660826	329099	175347	266000	161555	88977	213000	288324	213000		
LOAN		78190	51869	1064	--	154	--	--	--	--		

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE IV ATTACHMENT 1  
FORESTRY

492 - Philippines

APPROPRIATION ACCOUNT PROJECT NO. TITLE	L/G	LIFE OF PROJECT	FY 87 ESTIMATE	FY 88 ESTIMATE	FY 89 AAPL
<b>Agriculture, Rural Dev. &amp; Nutrition</b>					
4920366 Rainfed Resources Development	G	5,164	--	--	--

FY 1989 ANNUAL BUDGET SUBMISSION  
 TABLE IV ATTACHMENT 2  
 INTEGRATED RESOURCE MANAGEMENT

492 - Philippines

APPROPRIATION ACCOUNT PROJECT NO. TITLE	L/G	LIFE OF PROJECT	FY 87 ESTIMATE	FY 88 ESTIMATE	FY 89 AAPL
Agriculture, Rural Dev. & Nutrition					
4920356 Farming Systems Dev. - E.V.	G	100	100	--	--

FY 1989 ANNUAL BUDGET SUBMISSION  
 TABLE IV ATTACHMENT 3  
 BIOLOGICAL DIVERSITY

492 - Philippines

APPROPRIATION ACCOUNT PROJECT NO. TITLE	L/G	LIFE OF PROJECT	FY 87 ESTIMATE	FY 88 ESTIMATE	FY 89 AAPL
<b>Agriculture, Rural Dev. &amp; Nutrition</b>					
4920366 Rainfed Resources Development	G	100	--	--	--

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE IV ATTACHMENT 4  
CHILD SURVIVAL

492 - Philippines

APPROPRIATION ACCOUNT PROJECT NO. TITLE	L/G	LIFE OF PROJECT	FY 87 ESTIMATE	FY 88 ESTIMATE	FY 89 AAPL
Health					
4920371 Primary Health Care Financing	G	5,500	547	--	--
Oral Rehydration Therapy		(4,000)	--	--	--
Field Epidemiology		(1,500)	(547)	--	--
4920406 Integrated MCH for Child Survival	G	35,000	--	2,000	1,000
Appropriation Total		40,500	547	2,000	1,000

AID PROGRAM IN FY 1989  
ANNUAL BUDGET SUBMISSION  
TABLE V - PROPOSED PROGRAM RANKING  
(\$000)

492 - Philippines

RANK	PROJECT	TITLE	NEW/ CONT	LOAN/ GRANT	PROGRAM APPROP	FUNDING (\$000)		CUM
						INCR		
1	0374	Regional Development Fund	0	G	ESF	41075		41075
2	XXXX	Agricultural Education Improvement and Outreach Project	N	G	EHR	500		41575
3	XXXX	Industrial Guaranty Loan Fund	N	G	SD	1500		43075
4	0420	Rural Infrastructure	0	G	ESF	25810		68885
5	PL2	PL 480 Title II - Philippines			P2	(12000)		68885
6	0403	Financial Management Improvement	0	G	SD	1000		69885
7	0419	PVO Co-Financing III	N	G	Various	2500		72385
8	XXXX	In-Service Teacher Training	N	G	EHR	1000		73385
9	XXXX	Local Government Improvement	N	G	ARDN/ESF	32500		105885
10	XXXX	Training & Development Issues II	N	G	EHR	1250		107135
11	0377	Financial Resources Mobilization	0	G	SD	500		107635
12	XXXX	Private Dev. Corp. of the Philippines	N	G	ARDN	1000		108635
13	0396	Population Sector Support	0	G	PN	500		109135
14	XXXX	Textbook Production & Distribution	N	G	ESF	19715		128850
15	0343	Project Design	0	G	ESF	1000		129850
16	0406	Integrated MCH for Child Survival	0	G	HE	1000		130850
17	0395	Enterprise in Community Development	0	G	ARDN/SD	750		131600
18	PL1	PL 480 Title I - Philippines			P1	(30000)		131600
19	XXXX	Budget Support Program IV	N	G	ESF	80400		212000
20	0401	Rural Water Supply & Sanitation	0	G	HE	1000		213000
TOTAL							213000	

FY 1989 ANNUAL BUDGET SUBMISSION  
 Table VI: Expenditures of Local Currency Generations  
 (All in the U.S. Dollar Equivalents, and in \$ Millions)

SOURCE/PURPOSE	1986 ACTUAL	1987 ESTIMATE	1988 PLANNED	1989 PROPOSED
I. ECONOMIC SUPPORT FUND				
A. Public Development Activities				
1. Rural Productivity Support Program	47.50			
2. Development Support Program	1.80	43.20		
B. Public Sector Recurrent Budget				
1. Budget Support Program				
I (Education, Health and Agriculture)	210.00	90.00		
II (Education and Health)		75.00	75.00	
III (Education, Health and Agriculture)			85.00	
IV (Education, Health and Agriculture)				80.40
SUB-TOTAL ESF	259.30	208.20	160.00	80.40
II. P. L. 480				
A. Public Development Activities				
1. Project Development Fund	0.10	0.13	0.10	
2. Agricultural Educational Outreach Project	0.30	0.40	0.10	
3. Bicol Integrated, Health, Nutrition and Population	0.04	0.03		
4. Philippine Institute for Development Studies		0.50		
5. MSSD-CRS Supported Programs		0.73	0.25	
6. Urban Poor Consultation Workshop	0.01			

<u>SOURCE/PURPOSE</u>	<u>1986 ACTUAL</u>	<u>1987 ESTIMATE</u>	<u>1988 PLANNED</u>	<u>1989 PROPOSED</u>
7. IFAD-WFF Assisted Project - Negros Occidental	0.02			
8. FNRI-NSTA Third Nutrition Survey		0.06	0.02	
9. Section 416 of U. S. Agriculture Act of 1949 Local Currency Generations (to finance the distribution, handling, and processing costs of food assistance programs and improving agricultural production and extension)		5.30	24.10	24.60
10. Unprogrammed FY 1985 and prior years PL 480 agreements available for programming CY 1988			41.35	0.45
B. Private Sector Programs				
1. Financial Resource Mobilization Project			3.00	
C. Public Sector Recurrent Budget (Agriculture, Health, Nutrition, Education)		24.00	27.50	30.00
Sub-Total - PL 480	0.47	31.15	96.42	55.05
TOTALS	<u>259.77</u>	<u>239.35</u>	<u>256.42</u>	<u>135.45</u>

## ANNEX G

### LOCAL CURRENCY USE PLAN

The FY 1988 CDSS Supplement reconfirmed the central strategic goal of the 1986-1990 CDSS for the USAID program: increased rural productivity. Raising rural productivity (including farmer profitability) remains relevant to the country's development problems and matches with the central goal of President Aquino's economic development program. The local currency uses outlined below reflect an attempt to improve the economic development climate of the country. Financial assistance resources have been adapted to support the new Aquino Administration's efforts to gain control over a large budget deficit that threatens to overwhelm development initiatives. In addition to direct budget support, the USAID is promoting relevant policy reform measures to reduce biases in agricultural markets, to provide a macroeconomic framework supportive of private sector led growth, such as trade liberalization, and to reduce government involvement in and regulation of the economy, such as privatization which will reduce the national budgetary burden of non-performing acquired assets and public corporations.

The Budget Support Program initiated in FY 1986 provided through an ESF grant local currency equivalent to \$300 million to support selected categories in the Philippine Government's budget for education, health and agriculture. These funds were attributed to the costs of providing basic services and included no capital outlays. The bulk of local currency generations under the \$150 million FY 1987 ESF Budget Support II grant will be used for elementary education support and health programs related to the extension of health services in the provinces, malaria eradication and schistosomiasis control. Budget Support Programs (III and IV) are also planned for FYs 1988 and 1989 at \$85 million and \$80 million respectively. It is expected that these local currency generations will be used for continued support to education, health and agriculture.

Local currency is also being generated under Section 416 of the U.S. Agricultural Act of 1949 as an offset to the decline in the Philippine's sugar quota. This two-year program provided \$21.2 million in FY 1986 and \$32.8 million in FY 1987. These proceeds are being used to finance the distribution, handling, and processing costs of food assistance programs to needy people provided under the USAID's PL 480 Title II program and to assist efforts directed at improving agricultural production and extension.

In FY 1987, proceeds from a \$30 million PL 480 Title II Section 202/206 agreement will support GOP programs and activities in agricultural extension and credit, irrigation, cooperative development, nutrition and rural health.

The final category of generations supporting economic development and stabilization strategies is the PL 480 Title I program under which about \$32 million was provided in FY 1986 and \$30 million is being proposed for both FYs 1988 and 1989. The FY 1986 proceeds were used to support the costs of personnel services, maintenance and other operating expenses associated with

activities and programs carried out by the National Food Authority, the National Irrigation Administration and the Ministry of Natural Resources. The USAID expects to negotiate sales proceeds agreements for the new programs that will reinforce development strategies in the education, health and agricultural sectors. With respect to the latter, the USAID plans to initiate a new Development Assistance project in FY 1987, the Financial Resources Mobilization Project (492-0377), which will establish a "turn around" company, the Philippine Agribusiness and Industrial Investment Company (PAIICO), to mobilize private capital for investment in financially distressed government or privately held firms. Initial capitalization of PAIICO is being proposed through local currency generated under a PL 480, Title I Section 108 Agreement. In addition, the USAID will be exploring opportunities for expanding assistance to cooperative development initiatives in the Philippines through Title I local currency proceeds.

## FY 1989 ANNUAL BUDGET SUBMISSION

TABLE VIII - FY '87  
PHILIPPINES

EXPENSE CATEGORY	FUNCTION	DOLLARS	TRUST	TOTAL	UNITS
	CODE		FUNDS		
<b>U.S. DIRECT HIRE</b>	<b>U100</b>	<b>3,255.9</b>	<b>123.8</b>	<b>3,379.7</b>	
* U.S. Full Time Basic Pay	101	2,195.1	0.0	2,195.1	38.0
* U.S. Part Time Basic Pay	102	15.3	0.0	15.3	0.7
Differential Pay	103	218.5	0.0	218.5	0.0
Other AID/W Funded Code 11	104	0.0	0.0	0.0	0.0
Other Mission Funded Code 11	105	0.0	0.0	0.0	0.0
* Educational Allowance	106	14.4	123.8	138.2	35.0
Retirement	107	153.0	0.0	153.0	0.0
Cost of Living Allowance	108	0.0	0.0	0.0	0.0
Other AID/W Funded Code 12	109	26.0	0.0	26.0	0.0
Other Mission Funded Code 12	110	30.6	0.0	30.6	0.0
* Post Assignment Travel	111	31.0	0.0	31.0	8.0
* Post Assignment Freight	112	107.4	0.0	107.4	8.0
* Home Leave Travel	113	124.7	0.0	124.7	16.0
* Home Leave Freight	114	139.0	0.0	139.0	16.0
* Educational Travel	115	19.8	0.0	19.8	12.0
* R&R Travel	116	168.5	0.0	168.5	39.0
* Other Code 215 travel	117	22.6	0.0	22.6	21.0
<b>FOREIGN NATIONAL DIRECT HIRE</b>	<b>U200</b>	<b>0.0</b>	<b>328.1</b>	<b>328.1</b>	
* FN Basic Pay	201	0.0	243.8	243.8	53.0
* Overtime/Holiday Pay	202	0.0	22.2	22.2	8.9
All Other Code 11 -FN	203	0.0	1.6	1.6	0.0
All Other Code 12 -FN	204	0.0	60.5	60.5	0.0
Benefits - Former FN Pers.	205	0.0	0.0	0.0	0.0
<b>CONTRACT PERSONNEL</b>	<b>U300</b>	<b>278.5</b>	<b>668.0</b>	<b>946.5</b>	
* PASA Technicians	301	0.0	0.0	0.0	0.0
* U.S. PSC Salaries/Benefits	302	266.1	0.0	266.1	5.6
All Other U.S. PSC Costs	303	0.0	12.6	12.6	0.0
* FN PSC Salaries/Benefits	304	12.4	526.3	538.7	139.5
All Other FN PSC Costs	305	0.0	129.1	129.1	0.0
* Manpower Contracts	306	0.0	0.0	0.0	0.0
<b>HOUSING</b>	<b>U400</b>	<b>104.4</b>	<b>628.1</b>	<b>732.5</b>	
* Residential Rent	401	8.3	326.0	334.3	46.0
Residential Utilities	402	4.8	189.1	193.9	0.0
Maintenance & renovation	403	1.7	65.2	66.9	0.0
* Quarters Allowance	404	0.0	0.0	0.0	0.0
Residential Furniture/Equip	405	74.5	37.1	111.6	0.0
Trans/Freight - Code 311	406	12.7	0.0	12.7	0.0
* Security Guard services	407	0.2	10.7	10.9	2.0
Official Residence Allowance	408	0.0	0.0	0.0	0.0
Representation Allowance	409	2.2	0.0	2.2	0.0

EXPENSE CATEGORY	FUNCTION CODE	DOLLARS	TRUST FUNDS	TOTAL	UNITS
OFFICE OPERATIONS	U500	913.6	815.0	1,728.6	
Office Rent	501	6.2	217.0	223.2	0.0
Office Utilities	502	1.9	65.1	67.0	0.0
Building Maintenance/Renovation	503	1.2	52.8	54.0	0.0
Office Furniture/Equipment	504	52.2	11.7	63.9	0.0
Vehicles	505	0.0	0.0	0.0	0.0
Other Equipment	506	51.2	0.0	51.2	0.0
Transportation/Freight	507	31.0	0.0	31.0	0.0
Furn/Equip/Veh Repair/Maint	508	85.9	56.7	142.6	0.0
Communications	509	0.7	69.1	69.8	0.0
* Security Guard Services	510	0.9	26.5	27.4	2.0
Printing	511	0.3	28.9	29.2	0.0
* Site Visits-Mission	513	40.7	78.5	119.2	397.0
* Site Visits-AID/W	514	83.6	3.3	86.9	27.0
* Information Meetings	515	10.5	0.3	10.8	6.0
* Training Attendance	516	136.7	0.0	136.7	24.0
* Conference Attendance	517	54.8	1.3	56.1	29.0
* Other Operational Travel	518	54.8	18.4	73.2	104.0
Supplies & Materials	519	190.2	149.1	339.3	0.0
FAAS	520	52.5	0.0	52.5	0.0
Contract Consulting Services	521	0.0	0.0	0.0	0.0
Contract Mgt./Prof. Services	522	25.0	0.0	25.0	0.0
Special Studies/Analyses	523	0.0	0.0	0.0	0.0
All Other Code 25	524	33.3	36.3	69.6	0.0

TOTAL OPERATING EXPENSE BUDGET 4,552.4 2,563.0 7,115.4

Reconciliation 2,650.4 2,563.0 5,213.4

Operating Budget Requirements

636 (c) Requirements U601

TOTAL ALLOWANCE REQUIREMENTS U000 1,902.0 0.0 1,902.0

OTHER INFORMATION

Dollar Requirements for Local Currency Purchases 1,630.0 0.0 1,630.0

Exchange rate Used (Average rate for FY 86/87) US \$1: Pesos 20.0

Estimated Inflation rate 5% 7%

\* Unit data must be provided

FY 1989 ANNUAL BUDGET SUBMISSION

TABLE VIII - FY '88  
PHILIPPINES

EXPENSE CATEGORY	FUNCTION CODE	DOLLARS	TRUST FUNDS	TOTAL	UNITS
<b>U.S. DIRECT HIRE</b>	<b>U100</b>	<b>3,213.7</b>	<b>114.4</b>	<b>3,328.1</b>	
* U.S. Full Time Basic Pay	101	2,250.7	0.0	2,250.7	38.0
* U.S. Part Time Basic Pay	102	15.8	0.0	15.8	0.7
Differential Pay	103	225.1	0.0	225.1	0.0
Other AID/M Funded Code 11	104	0.0	0.0	0.0	0.0
Other Mission Funded Code 11	105	0.0	0.0	0.0	0.0
* Educational Allowance	106	10.4	114.4	124.8	32.0
Retirement	107	157.6	0.0	157.6	0.0
Cost of Living Allowance	108	0.0	0.0	0.0	0.0
Other AID/M Funded Code 12	109	27.3	0.0	27.3	0.0
Other Mission Funded Code 12	110	29.2	0.0	29.2	0.0
* Post Assignment Travel	111	20.0	0.0	20.0	4.0
* Post Assignment Freight	112	55.3	0.0	55.3	4.0
* Home Leave Travel	113	107.4	0.0	107.4	17.0
* Home Leave Freight	114	105.9	0.0	105.9	17.0
* Educational Travel	115	23.6	0.0	23.6	16.0
* R&R Travel	116	167.8	0.0	167.8	37.0
* Other Code 215 travel	117	17.6	0.0	17.6	16.0
<b>FOREIGN NATIONAL DIRECT HIRE</b>	<b>U200</b>	<b>0.0</b>	<b>351.1</b>	<b>351.1</b>	
* FN Basic Pay	201	0.0	260.9	260.9	53.0
* Overtime/Holiday Pay	202	0.0	23.8	23.8	8.9
All Other Code 11 -FN	203	0.0	1.7	1.7	0.0
All Other Code 12 -FN	204	0.0	64.7	64.7	0.0
Benefits - Former FN Pers.	205	0.0	0.0	0.0	0.0
<b>CONTRACT PERSONNEL</b>	<b>U300</b>	<b>368.3</b>	<b>705.2</b>	<b>1,073.5</b>	
* PASA Technicians	301	0.0	0.0	0.0	0.0
* U.S. PSC Salaries/Benefits	302	351.4	0.0	351.4	6.5
All Other U.S. PSC Costs	303	0.0	13.5	13.5	0.0
* FN PSC Salaries/Benefits	304	16.9	563.1	580.0	140.0
All Other FN PSC Costs	305	0.0	128.6	128.6	0.0
* Manpower Contracts	306	0.0	0.0	0.0	0.0
<b>HOUSING</b>	<b>U400</b>	<b>111.7</b>	<b>623.6</b>	<b>734.7</b>	
* Residential Rent	401	8.7	313.6	322.3	42.0
Residential Utilities	402	5.1	202.3	207.4	0.0
Maintenance & renovation	403	1.7	69.8	71.5	0.0
* Quarters Allowance	404	0.0	0.0	0.0	0.0
Residential Furniture/Equip	405	78.2	25.7	103.9	0.0
Trans/Freight - Code 311	406	15.6	0.0	15.6	0.0
* Security Guard services	407	0.2	11.4	11.6	2.0
Official Residence Allowance	408	0.0	0.0	0.0	0.0
Representation Allowance	409	2.2	0.0	2.2	0.0

EXPENSE CATEGORY	FUNCTION CODE	DOLLARS	TRUST FUNDS	TOTAL	UNITS
OFFICE OPERATIONS	U500	1,090.6	897.4	1,988.0	
Office Rent	501	7.1	251.8	258.9	0.0
Office Utilities	502	2.1	75.5	77.6	0.0
Building Maintenance/Renovation	503	1.3	56.5	57.8	0.0
Office Furniture/Equipment	504	11.4	12.5	23.9	0.0
Vehicles	505	132.9	0.0	132.9	0.0
Other Equipment	506	89.1	0.0	89.1	0.0
Transportation/Freight	507	26.0	0.0	26.0	0.0
Furn/Equip/Veh Repair/Maint	508	90.2	60.7	150.9	0.0
Communications	509	0.8	73.9	74.7	0.0
* Security Guard Services	510	1.0	28.4	29.4	2.0
Printing	511	0.3	30.9	31.2	0.0
* Site Visits-Mission	513	44.8	84.0	128.8	394.0
* Site Visits-AID/W	514	92.0	3.5	95.5	27.0
* Information Meetings	515	11.6	0.3	11.9	6.0
* Training-Attendance	516	150.8	0.0	150.8	24.0
* Conference Attendance	517	60.3	1.4	61.7	29.0
* Other Operational Travel	518	60.3	19.7	80.0	104.0
Supplies & Materials	519	199.9	159.5	359.4	0.0
FAAS	520	57.8	0.0	57.8	0.0
Contract Consulting Services	521	0.0	0.0	0.0	0.0
Contract Mgt./Prof. Services	522	0.0	0.0	0.0	0.0
Special Studies/Analyses	523	0.0	0.0	0.0	0.0
All Other Code-25	524	50.9	38.8	89.7	0.0
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>4,784.3</b>	<b>2,691.1</b>	<b>7,475.4</b>	
Reconciliation		2,734.3	2,691.1	5,425.4	
Operating Budget Requirements					
636 (c) Requirements	U601				
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	<b>U000</b>	<b>2,050.0</b>	<b>0.0</b>	<b>2,050.0</b>	

OTHER INFORMATION

Dollar Requirements for Local Currency Purchases	1,644.0	0.0	1,644.0
Exchange rate Used (Average rate for FY 86/87)			US \$1: Pesos 20.0
Estimated inflation rate	5%	7%	

\* Unit data must be provided

## FY 1989 ANNUAL BUDGET SUBMISSION

TABLE VIII - FY 89  
PHILIPPINES

EXPENSE CATEGORY	FUNCTION CODE	DOLLARS	TRUST FUNDS	TOTAL	UNITS
<b>U.S. DIRECT HIRE</b>	<b>0100</b>	<b>3,509.7</b>	<b>101.6</b>	<b>3,611.3</b>	
* U.S. Full Time Basic Pay	101	2,318.2	0.0	2,318.2	38.0
* U.S. Part Time Basic Pay	102	16.2	0.0	16.2	0.1
Differential Pay	103	231.8	0.0	231.8	0.0
Other AID/W Funded Code 11	104	0.0	0.0	0.0	0.0
Other Mission Funded Code 11	105	0.0	0.0	0.0	0.0
* Educational Allowance	106	11.0	101.6	112.6	25.0
Retirement	107	162.3	0.0	162.3	0.0
Cost of Living Allowance	108	0.0	0.0	0.0	0.0
Other AID/W Funded Code 12	109	28.2	0.0	28.2	0.0
Other Mission Funded Code 12	110	36.2	0.0	36.2	0.0
* Post-Assignment Travel	111	57.6	0.0	57.6	11.0
* Post Assignment Freight	112	159.8	0.0	159.8	11.0
* Home Leave Travel	113	126.0	0.0	126.0	20.0
* Home Leave Freight	114	196.7	0.0	196.7	20.0
* Educational Travel	115	27.6	0.0	27.6	20.0
* R&R Travel	116	119.1	0.0	119.1	25.0
* Other Code 215 travel	117	18.5	0.0	18.5	15.0
<b>FOREIGN NATIONAL DIRECT HIRE</b>	<b>0200</b>	<b>0.0</b>	<b>375.6</b>	<b>375.6</b>	
* FN Basic Pay	201	0.0	279.1	279.1	53.0
* Overtime/Holiday Pay	202	0.0	25.5	25.5	9.9
All Other Code 11 -FN	203	0.0	1.8	1.8	0.0
All Other Code 12 -FN	204	0.0	69.2	69.2	0.0
Benefits - Former FN Pers.	205	0.0	0.0	0.0	0.0
<b>CONTRACT PERSONNEL</b>	<b>0300</b>	<b>405.1</b>	<b>754.7</b>	<b>1,159.8</b>	
* PASA Technicians	301	0.0	0.0	0.0	0.0
* U.S. PSC Salaries/Benefits	302	386.5	0.0	386.5	6.5
All Other U.S. PSC Costs	303	0.0	14.5	14.5	0.0
* FN PSC Salaries/Benefits	304	16.6	602.6	621.2	140.0
All Other FN PSC Costs	305	0.0	137.6	137.6	0.0
* Manpower Contracts	306	0.0	0.0	0.0	0.0
<b>HOUSING</b>	<b>0400</b>	<b>117.1</b>	<b>661.2</b>	<b>778.3</b>	
* Residential Rent	401	9.1	335.7	344.8	42.0
Residential Utilities	402	5.3	216.5	221.8	0.0
Maintenance & renovation	403	1.8	74.6	76.4	0.0
* Quarters Allowance	404	0.0	0.0	0.0	0.0
Residential Furniture/Equip	405	82.1	22.1	104.2	0.0
Trans/Freight - Code 311	406	16.4	0.0	16.4	0.0
* Security Guard services	407	0.2	12.3	12.5	2.0
Official Residence Allowance	408	0.0	0.0	0.0	0.0
Representation Allowance	409	2.2	0.0	2.2	0.0

EXPENSE CATEGORY	FUNCTION CODE	DOLLARS	TRUST FUNDS	TOTAL	UNITS
OFFICE OPERATIONS	U500	1,140.3	990.0	2,130.3	
Office Rent	501	8.2	292.1	300.3	0.0
Office Utilities	502	2.5	87.6	90.1	0.0
Building Maintenance/Renovation	503	1.3	60.5	61.8	0.0
Office Furniture/Equipment	504	28.4	13.4	41.8	0.0
Vehicles	505	126.8	0.0	126.8	0.0
Other Equipment	506	31.3	0.0	31.3	0.0
Transportation/Freight	507	56.0	0.0	56.0	0.0
Furn/Equip/Veh Repair/Maint	508	94.7	64.9	159.6	0.0
Communications	509	0.9	79.1	80.0	0.0
* Security Guard Services	510	1.0	30.4	31.4	2.0
Printing	511	0.4	33.1	33.5	0.0
* Site Visits-Mission	513	49.3	90.0	139.3	394.0
* Site Visits-AID/W	514	101.2	3.8	105.0	27.0
* Information Meetings	515	12.8	0.3	13.1	6.0
* Training Attendance	516	165.9	0.0	165.9	24.0
* Conference Attendance	517	66.3	1.5	67.8	29.0
* Other Operational Travel	518	66.3	21.1	87.4	104.0
Supplies & Materials	519	209.9	170.7	380.6	0.0
FAAS	520	63.6	0.0	63.6	0.0
Contract Consulting Sevices	521	0.0	0.0	0.0	0.0
Contract Mgt./Prof. Services	522	0.0	0.0	0.0	0.0
Special Studies/Analyses	523	0.0	0.0	0.0	0.0
All Other Code 25	524	53.5	41.5	95.0	0.0
<b>TOTAL OPERATING EXPENSE BUDGET</b>		<b>5,172.2</b>	<b>2,883.1</b>	<b>8,055.3</b>	
Reconciliation		2,820.8	2,883.1	5,703.9	
Operating Budget Requirements					
636 (c) Requirements	U601				
<b>TOTAL ALLOWANCE REQUIREMENTS</b>	<b>U000</b>	<b>2,351.4</b>	<b>0.0</b>	<b>2,351.4</b>	

OTHER INFORMATION

Dollar Requirements for Local Currency Purchases	1,946.6	0.0	1,946.6
Exchange rate Used (Average rate for FY 86/87)			US \$1: Pesos 20.0
Estimated Inflation rate	5%	7%	

\* Unit data must be provided

TABLE VIII (a)  
OPERATING EXPENSES NARRATIVE

1. Justification for funding increases:

The Mission's overall budget allowance requirements increased by 8% between FYs '87 and '88 and by 15% between FYs '88 and '89. Increases by function codes are summarized and discussed below:

<u>Expense Category</u>	<u>Function Code</u>	<u>FY '87</u>	<u>FY '88</u>	<u>FY '89</u>	<u>% Increase</u>	
					<u>'87/88</u>	<u>'88/89</u>
US Direct Hire	U100	3,379.7	3,328.2	3,611.3	-	9%
FN Direct Hire	U200	328.1	351.1	375.6	7%	7%
Contract Personnel	U300	946.5	1,073.5	1,159.8	13%	8%
Housing	U400	732.5	734.7	778.3	-	6%
Office Operations	U500	1,728.6	1,988.0	2,130.3	15%	7%
Total \$ & P Requests		<u>7,115.4</u>	<u>7,475.5</u>	<u>8,055.3</u>		
Less Reconciliation		<u>5,213.4</u>	<u>5,425.5</u>	<u>5,702.9</u>		
Total \$ Allowance Requirements	U000	<u>1,902.0</u>	<u>2,050.0</u>	<u>2,352.4</u>	<u>8%</u>	<u>15%</u>

FY '89 vs. FY '88

U100 - The 9% increase resulted from:

- a) a 3% budget provision for step increases and their effect on basic and differential pay and retirement.
- b) a 10% increase in educational allowances because International School Manila increased its tuition fees .
- c) including an average inflation rate of 5% for dollar funded costs and 7% for peso funded costs.
- d) a 50% increase in the number of units for post assignment and home leave.

U200 - The 7% increase is due to including a provision for inflation in the budget.

U300 - The 8% increase is due to including a 10% inflation provision for dollar funded U.S. PSC and FN PSC Salaries and Benefits, and a 7% inflation provision for peso funded FN PSC Salaries and Benefits and for all other FN and US PSC Costs.

U400 - The 6% net increase is due to including a provision for inflation.

FY '88 vs. FY '87

- U200 - The 7% increase is due to including a provision for inflation.
- U300 - The 13% increase resulted from including a 10% and 7% inflation provision for dollar funded US and FN PSC Salaries and Benefits and peso funded FN PSC Costs, respectively, and from including an increase in the number of US PSC person-years.
- U500 - The 15% increase results from the following
- a) including provision for a 10% increase in office rent.
  - b) providing for a 16% increase in office utilities based on an anticipated increase in power rates and inflation.
  - c) no vehicles were acquired in FY'87.
  - d) providing for an anticipated 10% increase in the cost of dollar funded operational travel.
  - e) a 53% increase in the All Other Code 25 category resulted from an \$18,000 allocation for Woodrow Wilson Graduate Workstudy interns as opposed to \$2,000 budgeted for this category in FY'87.
  - f) providing for an average inflation rate of 7% for peso costs in functional categories U508 through U519 and U524.

2. Management Improvements:

The Mission is continuously implementing cost-saving schemes such as the following:

- a) In FY '87, a FN PSC was hired in lieu of a US PSC. This action will generate an average annual savings of \$30,000.00.
- b) The Mission plans to reduce its average unoccupied USDH houses by four (4) units starting in FY '88. This action will save at least \$12,000 in FY '88 and \$14,000 in FY '89.

- c) The reduction in the number of USDH housing units will result in reduced costs for residential utilities, maintenance, and renovation. It is expected that the savings on these items will be \$10,000 and \$12,000 for FYs '88 and '89, respectively.
- d) The practice of scheduling TDY/consultation and training in Washington in conjunction with home leave is being strongly implemented. Savings on plane fare costs alone are estimated to be \$30,000 per annum.

### 3. Trust Fund

For budget purposes, trust fund support for operations covers the same peso portion of the OE budget as in previous years. USAID/Manila does not plan to pay any FAAS charges with trust funds. The Mission has been successful in negotiating 5% trust fund level increases in each of calendar years 1987 and 1988. Although releases of funds earlier this year were delayed, we anticipate the release of funds to normalize towards the end of this year and in succeeding years.

JRD/ENP/FAA/TPY:ebp  
WPO774C p4

TABLE VIII (b)

Information on U.S. PSC Costs

<u>Job Title/Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Housing Assistant	\$ 8,141 (6/1/87 - 5/31/88)	\$ 8,955 (6/1/88 - 5/31/89)	\$ 9,851 (6/1/89 - 5/31/90)
General Services Specialist	\$34,869 (3/1/86 - 9/30/87)	\$61,710 (10/1/87 - 9/30/88)	\$67,881 (10/1/88 - 9/30/89)
Civil Engineer *	\$27,090 (7/1/87 - 12/31/87)	\$65,340 (1/1/88 - 12/31/88)	\$71,874 (1/1/89 - 12/31/89)
Regional Program Coordinator	\$102,000 (9/11/87 - 8/31/88)	\$112,000 (9/1/88 - 8/31/89)	\$123,200 (9/1/89 - 8/31/90)
Civil Engineer*	\$77,000 (8/27/87 - 8/26/88)	\$84,700 (8/27/88 - 8/26/89)	\$93,170 (8/7/89 - 8/26/89)
Summer Hire (6)	\$ 3,000 (6/1/87 - 8/15/87)	\$ 3,300 (6/1/88 - 8/15/88)	\$ 3,630 (6/1/89 - 8/15/89)
Rural Elec. Consultant	\$14,000 (9/1/87 - 8/31/88)	\$15,400 (9/1/88 - 8/31/89)	\$16,940 (9/1/89 - 8/31/90)
<b>TOTAL</b>	<u>\$266,100</u>	<u>\$351,405</u>	<u>\$386,546</u>

\*Assigned for ESF monitoring activities.

Organization USAID/Philippines

TABLE VIII (c)  
Manpower Contract Detail

<u>DESCRIPTION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
None			

Organization: USAID/Philippines

TABLE VIII (d)  
All Other Code 25 Detail

<u>Description</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Warehousing Operations	32.7	35.0	37.4
All Other Items (transport and courier services, provision for medical treatment and workstudy interns)	<u>36.9</u>	<u>54.7</u>	<u>57.6</u>
	69.6	89.7	95.0

Organization USAID/Philippines

TABLE VIII (e)  
OBLIGATIONS FOR ACQUISITION, OPERATION  
AND USE OF INFORMATION TECHNOLOGY SYSTEMS  
(\$000)

	<u>FY'87</u>	<u>FY'88</u>	<u>FY'89</u>
<u>1. Capital Investment:</u>			
A. Purchase of Hardware			
Wang Laptop (2)	6.5		
Printer (1)	2.3		
PCs with printer (6)	27.0	31.5	
Workstation (4)		10.4	10.9
Daisy Wheel printer (1)		3.2	3.3
288 MB (1)		12.3	
2 MB memory upgrade			11.5
Data safe storage cabinet (1)		5.3	
Tempest		15.0	
B. Purchase of software			
Software packages		9.3	5.6
C. Site Facility			
Improvement of Computer Area		2.1	
SUBTOTAL Section 1	<u>35.8</u>	<u>89.1</u>	<u>31.3</u>
<u>2. Personnel:</u>			
A. Compensation, Benefits and Travel	26.8	28.7	30.7
B. Workyears	1.0	1.0	1.0
<u>3. Equipment Rental, Space and Other Operating Costs:</u>			
A. Lease of Equipment	-	-	-
B. Space	3.5	4.0	4.6
C. Supplies and Other Material	6.0	6.4	6.9
D. Non-Commercial Training	-	-	-
SUBTOTAL Section 3	<u>9.5</u>	<u>10.4</u>	<u>11.5</u>

Organization USAID/Philippines

TABLE VIII (e)  
(Continued)

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
4. <u>Commercial Services:</u>			
A. Computer Time			
B. Leased Telecommunications Services	5.0	5.3	5.5
C. Operations and Maintenance			
(1) Operations	-	-	-
(2) Maintenance	-	-	-
Other than WANG equipment	10.1	-	-
WANG equipment (Local maintenance)	2.0	2.1	2.2
WANG Equipment (A.I.D./W maintenance)	85.0	89.3	93.7
D. <u>Systems Analysis and Programming:</u>			
E. <u>Systems Design and Engineering</u>			
F. <u>Studies and Other</u>			
SUBTOTAL Section 4	<u>102.0</u>	<u>96.7</u>	<u>101.4</u>
5. TOTAL DOLLARS	<u>174.2</u>	<u>224.9</u>	<u>174.9</u>
TOTAL WORKYEARS (From item 2A)	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
6. <u>MISSION ALLOWANCE LEVELS:</u>			
A. Existing systems	<u>138.4</u>	<u>135.8</u>	<u>143.6</u>
B. New or expanded systems	<u>35.8</u>	<u>89.1</u>	<u>31.3</u>

Organization USAID/Philippines

TABLE VIII (f) - 1  
Report on Motor Vehicle Operations  
(\$)

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
A. <u>Number of Vehicles:</u>			
1. <u>Purchased Vehicles:</u>			
(a) Number of vehicles on-hand at start of year	46	39	39
(b) Plus Number of vehicles to be purchased during the year	0	8	7
(c) Less Number of vehicles to be disposed of during the year	<u>7</u>	<u>8</u>	<u>7</u>
(d) Number of vehicles on hand of year	<u>39</u>	<u>39</u>	<u>39</u>
2. <u>Leased Vehicles:</u>			
Average number of leased vehicles in using during the year			
B. <u>Estimated Obligations:</u>			
1. Vehicle Purchase	-	132.9	126.8
2. Special modifications (such as armor plating)	-	-	-
3. Transportation of purchased vehicles	-	39.9	38.0
4. Vehicle Leases	-	-	-
5. Vehicle Maintenance/Repairs	0.6	0.6	0.6
6. Salaries/Benefits of Drivers/Dispatchers	-	-	-
7. Supplies/Materials/Gas/Oil	0.9	0.9	1.0
8. Rental of Warehouse/Garage space	-	-	-
9. Other Miscellaneous Costs	-	-	-
10. Total Obligations	<u>1.5</u>	<u>174.3</u>	<u>166.4</u>

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
C. <u>Estimated Disbursement:</u>			
1. Vehicle Purchases	188.7	-	132.9
2. Special modifications (such as armor plating)	-	-	-
3. Transportation of purchased vehicles	56.6	-	39.9
4. Vehicle leases	-	-	-
5. Vehicle Maintenance/Repairs	0.6	0.6	0.6
6. Salaries/Benefits of Drivers/Dispatchers	-	-	-
7. Supplies/Materials/Gas/Oil	0.9	0.9	1.0
8. Rental of Warehouse/Garage space	-	-	-
9. Other Miscellaneous Costs	-	-	-
10. Total Disbursements	<u>246.8</u>	<u>1.5</u>	<u>174.4</u>
D. Vehicles included in (A) above owned by A.I.D. but operated/maintained by JAO/Embassy motor pool:			
1) On hand at start of year	-	-	-
2. To be purchased during the year	-	-	-
3. To be disposed of during the year	-	-	-

Organization USAID/Philippines

TABLE VIII (f) - 2  
Report on Motor Vehicle Operations  
(Trust Funds)

<u>ITEM AND EXPLANATION</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
<b>A. <u>Numbers of Vehicles:</u></b>			
1. <u>Purchased Vehicles</u>			
(a) Number of vehicles on-hand at start of year	-	-	-
(b) Plus Number of vehicles to be purchased during the year	-	-	-
(c) Less Number of vehicles to be dispose of during the year	-	-	-
(d) Number of vehicles on hand end of year	-	-	-
2. <u>Leased Vehicles:</u>			
Average number of leased vehicles in use during year	-	-	-
<b>B. <u>Estimated Obligations:</u></b>			
1. Vehicle Purchases	-	-	-
2. Special modifications (such as armor plating)	-	-	-
3. Transportation of purchased vehicles	-	-	-
4. Vehicle Leases	-	-	-
5. Vehicle Maintenance/Repairs	52.2	55.9	59.8
6. Salaries/Benefits of Drivers/Dispatchers	80.7	86.3	92.4
7. Supplies/Materials/Gas/Oil	80.0	85.6	91.6
8. Rental of Warehouse/Garage space	-	-	-
9. Other Miscellaneous Costs	-	-	-
10. Total Obligations	<u>212.9</u>	<u>227.8</u>	<u>243.8</u>
<b>C. Vehicles included in (A) above owned by A.I.D. but operated/maintained by JAO/Embassy Motor Pool:</b>			
(1) On-hand at start of year	-	-	-
(2) To be purchased during the year	-	-	-
(3) to be disposed of during the year	-	-	-

Country/Office PHILIPPINES

FY 1989 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS  
(Dollars in Millions, Tonnage in Thousands)

	ACTUAL		ESTIMATED		PROJECTED	
	FY 1987		FY 1988		FY 1989	
	\$	MT	\$	MT	\$	MT
<u>COMMODITIES</u>						
<u>Title I</u>						
Wheat	-	-	10	93	10	91
Corn	-	-	10	120	10	118
Soybean Meal	-	-	<u>10</u>	<u>52</u>	<u>10</u>	<u>52</u>
<u>Total Title I</u>			<u>30</u>	<u>265</u>	<u>30</u>	<u>261</u>
<u>Other</u>						
Agricultural Act of 1949 Section 416						
Sugar Quota Compensation						
Program Wheat	32.8*	241				
Title II						
Section 202/206						
Wheat	<u>30.0*</u>	<u>220</u>				
<u>Total Other</u>	<u>62.8</u>	<u>461</u>				

COMMENT:

\*includes estimated ocean freight

For a discussion of USAID food aid strategy, refer to Chapter VIII of the FY 88 CDSS Supplement.

FY 1989 ANNUAL BUDGET SUBMISSION

TABLE XII

COUNTRY/OFFICE PHILIPPINES

PL 480 TITLE I/III

SUPPLY AND DISTRIBUTION  
(000 Metric Ton)

<u>STOCK SITUATION</u>	<u>FY 1988</u>	<u>ESTIMATED FY 1989</u>
	<u>MY 1987/88</u>	<u>MY 1988/89</u>
<hr/>		
Commodity - <u>Wheat</u>		
Beginning Stocks	185	176
Production	0	0
Imports	1,000	1,000
Concessional	600	600
Non-Concessional	400	400
Consumption	1,009	1,050
Ending Stocks	176	126
<hr/>		
Commodity - <u>Corn</u>		
Beginning Stocks	216	136
Production	4,279	4,600
Imports	0	0
Concessional	0	0
Non-Concessional	0	0
Consumption	4,359	4,577
Ending Stocks	136	159
<hr/>		
Commodity - <u>Soybean Meal</u>	<u>CY 1988</u>	<u>CY 1989</u>
Beginning Stocks	6	9
Production	7	8
Imports	20	15
Concessional	0	0
Non-Concessional	20	15
Consumption	24	25
Ending Stocks	9	7

- Comment:
1. Wheat and Corn numbers are on a July-June Mktg. Year Basis (1987/88 data extracted from RP7005; 88/89 estimates are very tentative).
  2. Soybean numbers are on a Calendar Year Basis (1988 data extracted from RP7025; 1989 estimates are very tentative).
  3. No Corn imports projected due to existing ban and continuing efforts to promote self-sufficiency which includes keeping domestic market prices high. However, developing drought may necessitate lifting of corn import ban.
  4. For Soybeans, we continue to assume Phil. Asia will not resume operations. This means bulk of imports will continue to be in form of soybean meal.

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE XIII  
PL 480 TITLE II

I. Country Philippines

Sponsor's Name Catholic Relief Services (CRS)

A. Maternal and Child Health. . . . . Total Recipients 800.0

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
<u>800.0</u>	<u>Corn Soy Milk(CSM)</u>	<u>17,472</u>	<u>4,595</u>
<u>800.0</u>	<u>Non Fat Dry Milk(NFDM)</u>	<u>17,472</u>	<u>1,922</u>
<u>Total MCH</u>		<u>34,944</u>	<u>6,517</u>

B. School Feeding . . . . . Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
_____	_____	_____	_____
_____	_____	_____	_____
<u>Total School Feeding</u>		_____	_____

C. Other Child Feeding. . . . . Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
_____	_____	_____	_____
_____	_____	_____	_____
<u>Total Other Child Feeding</u>		_____	_____

D. Food for Work . . . . . Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
_____	_____	_____	_____
_____	_____	_____	_____
<u>Total Food for Work</u>		_____	_____

E. Other (Specify) Day Care Centers . . . Total Recipients 500.0

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
<u>500.0</u>	<u>Corn Soy Milk (CSM)</u>	<u>8,160</u>	<u>2,146</u>
<u>500.0</u>	<u>Non Fat Dry Milk(NFDM)</u>	<u>3,000</u>	<u>330</u>
<u>Total Other</u>		<u>11,160</u>	<u>2,476</u>

II. Sponsor's Name Catholic Relief Services(CRS)

FY 1989 ANNUAL BUDGET SUBMISSION  
TABLE XIII  
PL 480 TITLE II

I. Country Philippines

Sponsor's Name CARE

A. Maternal and Child Health. . . . . Total Recipients 275.0

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
<u>275.0</u>	<u>Non Fat Dry Milk(NFDM)</u>	<u>6,006</u>	<u>661</u>
<u>Total MCB</u>		<u>6,006</u>	<u>661</u>

B. School Feeding . . . . . Total Recipients 1,329.5

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
<u>1,000.0</u>	<u>All Purpose Flour (APF)</u>	<u>9,735</u>	<u>1,743</u>
<u>329.5</u>	<u>Bulgur Wheat (BW)</u>	<u>3,208</u>	<u>603</u>
<u>Total School Feeding</u>		<u>12,943</u>	<u>2,346</u>

C. Other Child Feeding. . . . . Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
_____	_____	_____	_____
<u>Total Other Child Feeding</u>		_____	_____

D. Food for Work . . . . . Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
_____	_____	_____	_____
<u>Total Food for Work</u>		_____	_____

E. Other (Specify) . . . . . Total Recipients \_\_\_\_\_

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	DOLLARS
_____	_____	_____	_____
<u>Total Other</u>		_____	_____

II. Sponsor's Name CARE

## PRIVATIZATION PLAN

### A. The Problem

The movement of the Philippines from a generally private sector oriented economy towards a mixed economy with a growing and inefficient public corporate sector gained impetus as long as fifteen years ago. During the 1970s neither the donors nor the international financial community gave due attention to the trend towards ever greater public sector domination of industry and large scale service sector businesses such as airlines and banking. However, the subsequent emergence of "crony-capitalism"--private monopolies leveraged with public funds--caught the attention and interest of the world financial community and signalled how much structural change had taken place in the business sector of the Philippines. As the complex architecture of crony capitalism was gradually revealed during the waning years of the Marcos administration, the full extent of the government's ownership and involvement in industry and business became increasingly clear.

The government owned the only airline, banks, steel mills, cement corporations, mining corporations, shipping lines, oil corporations, refineries, urban bus companies and trucking firms. On top of this mass of chartered public business, the government's domination of financial and capital markets, and the liberal use of sovereign guarantees to shore up private credits, had given the Philippine government enormous exposure to the nominally private businesses operated by the cronies. When the weaknesses in the financial structure of the Philippines were dramatically exposed during the crisis of confidence which followed the assassination of Benigno Aquino in 1983, the reality of this massive government exposure to private firms became clear. Over the next three years an increasing number of crony and other

firms failed to meet their debt obligations. Many owners walked away from their companies with little regret--having made their profits in the mobilization and procurement phases of projects, leveraged with public funds. others skillfully stripped their assets undetected by the inexperienced, and often unconcerned, public sector bankers who held their paper.

As the defaults to the government banks cascaded, with single company defaults triggering the collapse of holding companies and corporate shells to which many of the government loans had been extended, the size of the public sector portfolio grew apace. Today, the public sector, chartered and acquired, eats a quarter of the national budget. President Aquino and her economic cabinet officers have given high priority to divestiture and privatization. This priority has been underscored by the donors. The IBRD has required divestiture and restructuring plans for public financial corporations and for non-financial (industrial and service) companies as a condition for program loans. USAID has tied food aid to privatization conditions in the agricultural and food processing area. These efforts have been relatively well-received by the economic technocrats of the GOP who share the donor's sense of urgency in staunching the budgetary bleeding into the public corporate accounts and in restoring leadership to the private sector in most industrial and corporate activity.

Before examining the specifics of privatization in the Philippines it is useful to consider the overall financial magnitudes of the issue. The GOP's budget deficit for 1986 was an estimated \$1.4 billion, or around 4.7 percent of GNP, caused in large part by government expenditures in the form of subsidies, net lending and equity contributions to chartered public corporations, and debt servicing for the three largest government financial

institutions. In 1986, GOP equity contributions and net lending to public enterprises amounted to 27.7 billion pesos, or 26 percent of total budgetary expenditures. Outlays to the government financial institutions absorbed 58 percent of this assistance. To reduce this burden and to reverse the statist policies of the previous administration, the present administration must divest itself of three classes of assets:

1. Chartered Public Corporations (Non-Financial) - The previous Administration pursued interventionist policies which led to the establishment of inefficient and heavily subsidized parastatals, most in direct competition with the private sector. The formation of public sector companies expanded rapidly in the 1970s and early 1980s, quadrupling from 65 in 1970 to 264 in 1986. A core of 14 very large chartered corporations constitute about half of total public corporation assets, and 74 smaller corporations and 174 wholly owned subsidiaries make up the remainder. These entities range from the Philippine National Oil Company (PNOC) and Philippine Airlines to a variety of corporate subsidiaries in transport, trade and manufacturing. In terms of gross value added (GVA), this sector grew faster than the economy between 1975 and 1984, growing by 24.6 percent per annum compared to 14.1 percent for Gross Domestic Product (GDP). However, the contribution of this sector to total employment has been very insignificant. In 1984, employment in public enterprises accounted for less than one percent of total employment.

2. Chartered Public Corporations (Financial) - Policies of the previous government perpetuated an over-reliance in the economy on bank borrowing to finance medium-to-long-term capital requirements. The volatility of the Philippine economy over the past five years caused many companies to default on their loans to the government financial institutions, which then acquired

assets through the conversion of loans to equity. In most instances the financial obligation to the banks exceeds the value of the assets. To avoid decapitalizing the government financial institutions the government has had to provide them with massive financial support from the budget. There is an urgent need for the government to relieve itself of this financial burden, and to eventually divest itself of financial institutions such as the Development Bank of the Philippines (DBP), Philippine National Bank (PNB), the Land Bank (LB), the Philippine Export and Foreign Loan Guarantee Corp. (PEFLGC), and numerous insurance and special purpose financial firms because of their drain on the budget.

Both DBP and PNB have undergone financial restructuring as part of the conditionality attached by the IBRD to its Economic Recovery Program Loan (see Section C.1). On an obligation basis, net lending to DBP is expected to decrease from 7.6 billion pesos (\$371 M) in 1986 to a projected 5.7 billion pesos (\$278 M) in 1987. Net lending and equity investments for PNB are projected to drop from 11.0 billion pesos (\$537 M) in 1986 to 2.8 billion pesos (\$137 M) in 1987.

3. Acquired Assets - Government financial institutions acquired hundreds of assets in the form of private companies that defaulted on their loans. The case for divesting these assets has been evident to the domestic and international financial community for many years. The previous IMF Stand-by Agreement with the GOP sought to force a measure of financial discipline on DBP and PNB. The key economic team members in the new Administration's cabinet know that privatization is imperative and have arrived at a mechanism to undertake this task, as discussed in paragraph B below.

B. GOP Approach to Privatization - After several ad hoc attempts to privatize individual entities, the Aquino administration issued Proclamations 50 and

50-A in December 1986, formally launching a program for the expeditious disposition and privatization of certain government corporations and/or assets thereof. Proclamation No. 50 created the Committee on Privatization (COP) and the Asset Privatization Trust (APT) and 50-A, issued shortly thereafter, refined the requirements of the original Proclamation (to the satisfaction of the IBRD). The COP is a Cabinet-level committee tasked with identifying for the President those non-performing assets and government corporations to be privatized, determining which assets will be transferred to the APT, establishing guidelines for privatization, and approving the sale and disposition of assets. The APT was created to serve as the disposal unit in the process, with five full-time trustees from the private sector. The APT will focus primarily on the acquired assets of PNB and DBP, and the government-owned corporations or parastatals. Operating guidelines for the APT have been finalized and issued. These guidelines address: the transfer of non-performing assets to the Trust; priorities for asset disposal; policies on conservation, rehabilitation, restructuring, mergers and other reorganizations; the choice of markets for disposition; valuation; sales methods; sale to previous owners; and operations and administration. The guidelines for the disposal of government corporations have not yet been issued.

### C. Other Donor Plans

1. The World Bank (IBRD) - The IBRD has been a vital force in promoting privatization in the Philippines. It conditioned its \$310 million economic recovery loan on reforms in the government financial institutions, including the establishment of a mechanism for the privatization of acquired assets and the restructuring of the DBP and PNB. In addition, the IBRD has developed a

\$150 million Public Corporate Sector Rationalization loan, to privatize selected non-financial government corporations and increase the operating efficiency of the remaining public corporations. The IBRD is requiring Philippine government agreement on the structure and implementation of the rationalization effort as a precondition to both the public corporate sector loan and the second tranche of the economic recovery loan. The GOP is now finalizing comprehensive guidelines on the privatization and disposition of 125 public sector corporations as it hopes to begin negotiating for the \$150 million loan in April.

2. International Finance Corporation (IFC) has committed \$12.5 million to the First Philippine Capital Fund for the purpose of converting part of the Philippines' foreign debt into equity investments. This "Fund" will likely be a contributor to the privatization process through the purchase of investment in the acquired and distressed assets of the GFIs. The IFC might also provide general technical assistance to the APT as required by the GOP. In the GOP execution of specific privatization deals, IFC may provide specialized technical assistance to potential buyers.

3. Asian Development Bank (ADB) - The ADB has no plans for significant near-term involvement in privatization, but is providing grant technical assistance for privatization-related studies. However, the ADB has made a \$500,000 equity infusion to Planters Development Bank and is negotiating opening a \$10 million window for direct lending to private corporations without requiring a government guarantee.

D. The Mission Approach to Privatization - The Mission envisions its major contribution to the privatization process to be assisting the GOP develop its privatization strategy and implementation framework. The Mission's approach

adheres to the principle that the process of privatization generally and divestiture specifically is a market process which must be implemented by private sector entities qualified to do so, i.e. private investment/merchant banks, accounting and consulting engineering firms, lawyers, etc. This approach sets us apart from the multilateral development banks (MDBs) who have indicated a willingness to provide financial and technical resources to review, classify and selectively rehabilitate assets before their disposal or leverage the sale itself.

E. Specific Actions - The initial thrust of the Mission's privatization plan has been to act as a catalyst to focus the GOP's policy makers on the need to divest the government of non-performing and public corporate assets in an expeditious but orderly manner. The Mission has identified short and long term targets of opportunity for assisting the privatization process in the Philippines, as presented below.

1. Short-Term

a. Accomplishments to Date

1) Studies - Initially, the Mission funded several studies on the public corporate sector in the Philippines which were used by the IBRD in its appraisals for the economic recovery and public corporate sector loans. Subsequently, the Mission used the PRE Bureau contract with the Center for Privatization for a key study performed by the First Boston Corporation entitled "Recommendations on the Privatization Program for the Republic of the Philippines". This study provided significant input to the GOP's decision not to undertake a massive physical and financial rehabilitation of assets prior to their sale because costs incurred would probably not be recovered. The study furthermore stressed the importance of centralization, simplicity, flexibility and speed for the GOP to succeed in privatization.

2) Privatization Conference - An international conference called "Philippine Opportunities for Entrepreneurs and Investors (PHOENIX) focusing on the divestiture of government corporations was held in December, 1986. The Conference was hosted by the Presidential Commission on Government Reorganization (PCGR) and involved key GOP officials in a presentation of investment policies and opportunities. This conference represented the launching of the GOP's privatization program and the first in a series of marketing activities to generate interest in the assets being privatized by the GOP. The Mission deemed this an excellent opportunity for AID to be publicly associated with GOP privatization efforts and received the assistance of the PRE Bureau to financially support this conference. AA/PRE Neal Peden attended the conference and was featured as a speaker, and PRE recruited and financed several individuals skilled in asset evaluation techniques who led and participated in a panel discussion on this topic.

3) National Food Authority (NFA) - Since the Mission's development thrust is agriculture and rural development, special emphasis is being given by the Mission to the privatization of government agribusiness and agri-marketing firms such as the National Food Authority (NFA) and the commodity marketing firms such as the Philippine Cotton (PCC), Dairy (PDC) and Tobacco (PTC) Corporations. The former Minister of Agriculture formally requested advisory services to establish a framework for the divestiture of NFA. A review of the NFA non-grain business operations was made, their commercial viability assessed, net worth and fair prices ranges were established and an action plan for divestment developed and recommended. The study's recommendations have been well received by the new Secretary of Agriculture.

b. Planned Advisory Services

The Secretary of Agriculture has requested that the Mission fund assessments similar to the NFA study for the Philippine Cotton (PCC) and Dairy (PDC) Corporations. The Mission plans to respond favorably to this request in FY 1987.

2. Long-Term

a. The Financial Resources Mobilization Project (492-0377)

The purpose of this planned FY 1987 project is to create the environment necessary to mobilize private term financial resources for investment in productive private enterprises. The Project's approach will be to: 1) assist the government to divest itself of state-owned corporations and acquired assets; 2) facilitate the creation of a privately owned mechanism to channel investment to firms slated for privatization or distressed private firms; and 3) improve the capacity of the capital markets to mobilize equity investment.

Specifically, with regard to privatization, the newly-created Asset Privatization Trust and other governmental disposal units will require assistance in evaluation, finance packaging, identification of foreign investors and marketing. The project will provide technical assistance in the form of investment banking, legal, accounting, marketing, and technical service for the following activities: a) evaluation; b) financial packaging; c) presentation of formal opinions on the "fairness" of the terms of the sale; d) preparation of prospectus; e) identification of potential direct and portfolio investors, particularly direct foreign investors for the larger entities to be privatized; f) assistance in negotiations with prospective investors; and g) issuing shares of state owned companies in the public securities exchanges.

In addition to the need for an effective government privatization unit, there is also the problem of finding purchasers for ailing businesses. Currently, there is no entity in the Philippines adequately equipped to "turn around" troubled businesses, and provide valuation, purchaser proposal preparation, and management services on behalf of investors. The Mission has received a proposal for such a "turn-around company", which could serve as a mechanism to channel investment into firms slated for privatization or distressed privately-held firms. It is expected that project funds will provide technical services and seed capital needed to establish such a company.

While privatization addresses the short-term problem of non-performing or inefficiently performing enterprises that consume an inordinate portion of the government budget, there is plainly need as well for a longer term solution which would create an environment in which the mobilization of private, term financial resources for investment into productive enterprises is encouraged. Effective capital markets would be an essential feature in such an environment. The project therefore will also provide technical assistance to develop recommendations for specific interventions to address the policy, legal, regulatory and organizational constraints to capital market development, and to develop action plans for their implementation.

b. The Accelerated Agricultural Production (AAP) Project

The Mission plans to assist the GOP to undertake privatization activities related to agriculture through the Market Development Component of the AAP project, signed in August 1986. Follow-on privatization activities for NFA, PCC and PDC further to those described above may be financed, once the project's Conditions Precedent have been met. In addition, the Mission plans to furnish assistance in setting-up an asset disposal unit for the Department of Agriculture.

c. Venture Capital

In the area of venture capital, PRE has agreed to work with the Mission in identifying an appropriate USAID intervention. We realize that the U.S. approach to venture capital cannot be applied here at this time because of structural economic weaknesses, i.e. a weak capital market. Therefore, we will be identifying innovative approaches to venture capital development and usage that will probably be tied to a transfer of technology. We will also use our work on venture capital to strengthen the capital markets.

3. Resource Allocation

a. Advisory Services: Assessment of Philippine Cotton and Philippine Dairy Corporations

The PRE Bureau has agreed to fund these activities, which would take place during FY 1987.

b. The Financial Resources Mobilization Project

The Financial Resources Mobilization Project Paper has not been completed yet. The PID proposes a funding level of \$2.6 Million for the project's privatization component. While the project is scheduled for a fourth quarter FY 1987 initial obligation, project activities are not expected to get underway until the second or third quarter of FY 1988 to allow for the meeting of Conditions Precedent to Disbursement. The project-supported privatization activities would be undertaken over a five year timeframe, FY 1988-1992.

c. The Accelerated Agricultural Production (AAP) Project

\$700,000 has been budgeted to support privatization under AAP. Project activities are not yet underway because the GOP is still in the process of meeting Conditions Precedent to Disbursement. The PACD is December 31, 1991; however, the privatization activities the project will support are likely to be completed in FY 1988 or 1989.

d. Venture Capital

Resource allocation for this possible future activity has not yet been determined. This area may be addressed in a FY 1988 or 1989 project.