

PD-AAW-270
52077

CONFORMED COPY

A.I.D. Loan No. 492-T-068C
492-T-068B
492-T-068A
492-T-068

A.I.D Project No. 492-0366

Loan and Grant Agreements

FM/LMD (if Loan)

FM/PAFD

FM/CAD

GC/ANE

ANE/Desk

ANE/IR Officer

ANE/PD Officer & File

PPC/CDIE/DI ✓

AMENDMENT NO. 9

TO THE
PROJECT LOAN AND GRANT AGREEMENT
BETWEEN THE
REPUBLIC OF THE PHILIPPINES
AND THE
UNITED STATES OF AMERICA
FOR THE
RAINFED RESOURCES DEVELOPMENT PROJECT

Dated: May 20, 1987

- 1 -
RAINFED RESOURCES DEVELOPMENT PROJECT
AMENDMENT NO. 9 TO
PROJECT AGREEMENT NO. 492-0366

THIS AMENDMENT NO. 9, entered into as of the 20th day of May, 1987, between the REPUBLIC OF THE PHILIPPINES (the "Cooperating Country") and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

WITNESSETH THAT:

WHEREAS, the Cooperating Country and A.I.D. (the "Parties") entered into Project Agreement No. 492-0366 (as amended, the "Agreement") on September 29, 1982, whereby A.I.D. agreed to provide an initial increment of \$8,985,000.00, consisting of a Loan amount of \$8,300,000.00 and a Grant amount of \$685,000.00, for the Rainfed Resources Development Project (the "Project"); and

WHEREAS, through previous amendments to the Agreement, the amount of Grant funds was increased to \$22,999,600.00 and the amount of Loan funds was reduced to 252,400.00; and

WHEREAS, the Parties desire to make certain changes in the Agreement;

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

1. Amendment to Article 3 (Financing).

Section 3.3(a) of the Agreement is amended by deleting the Project Assistance Completion Date of September 30, 1989 and inserting in lieu thereof the date September 30, 1991.

2. Amendment to Annex I (Description of the Project).

Annex I to the Agreement, as previously amended, is further amended (i) by adding Supplement B (Description of Cycle II Agriculture Component) in the form set forth in Attachment A hereto and (ii) by substituting the Summary Financial Plan set forth in Attachment B hereto for the Summary Financial Plan set forth in Attachment A to Amendment No. 8 to the Agreement.

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

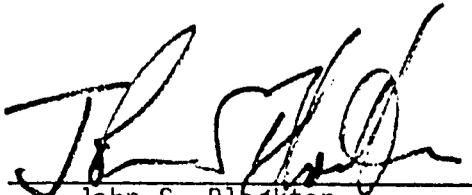
IN WITNESS WHEREOF, the Parties to said Agreement, each acting through its duly authorized representative, have caused this Amendment No. 9 to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

UNITED STATES OF AMERICA

By: 

Solita Collas-Mensod

By: 

John S. Blackton

Title: Director-General
National Economic and
Development Authority

Title: Acting Director
Agency for International
Development

RAINFED RESOURCES DEVELOPMENT PROJECT (492-0366)

ANNEX I

SUPPLEMENT B

DESCRIPTION OF CYCLE II AGRICULTURE COMPONENT

I. INTRODUCTION

Cycle II of the Rainfed Resources Development Project - Agriculture (RRDP) is designed to make rainfed farming profitable for limited resource farmers. It will accomplish this by helping relatively large numbers of strategically located farmers experiment with numerous improved technologies and by removing constraints to the dissemination of these technologies to other farmers. Selected farmers will be given inputs for demonstration trials in their own fields and be given training so they can succeed with technologies that have already been proven profitable in technology verification trials.

Cycle I of this Project identified profitable and sustainable technologies, and developed strategies for their dissemination. Cycle I also showed that technologies that are profitable will be adopted by other farmers if constraints to their adoption can be removed.

A. Project Component Plan

A separate "Project Component Plan" will provide additional background information and details relating to project implementation, detailed lists of the specific items to be funded by USAID, illustrative activity budgets, explanations of unique features of the projects, economic impact, description of special projects, an implementation schedule, and a commodity list. The Project Component Plan will be approved by a Joint-Project Implementation Letter (JPIL) between the Department of Agriculture (DA) and USAID represented by the Office of Rural and Agricultural Development (ORAD).

B. Activities

Cycle II Agriculture has three activities: Bicol, Panay and Special Projects.

C. Overall Description

1. Goal:

To make farming profitable and sustain productivity in selected rainfed areas.

2. Purpose:

Promote the adoption/application of alternative farm management options to increase incomes.

3. Outputs:

- a. At least 19,000 direct farmer beneficiaries provided training and inputs for demonstration trials of technologies that have already been proven profitable.
- b. System for the production, by farmers at the village-level, of planting materials and other required inputs.
- c. Dissemination of technologies for increasing the value to agricultural products by simple processing such as production of cooking oil from coconuts.
- d. Marketing information system providing current prices and forecasts to direct beneficiaries of the project for the commodities being promoted by the project.
- e. Enhanced technology verification system at the provincial level with improved capabilities for assessing the profitability and sustainability of technologies, and for identifying different strategies for different groups of farmers.
- f. Cost effective and simple management system for reaching rainfed areas outside of the areas covered by major foreign-assisted projects or national level programs.

4. Strategy:

- Increase the utilization of private sector PVO's in training farmers and producing materials for increasing farmers' awareness of the options open to them.
- Refine the role of DA extension workers in project areas in introducing new technology and increase the role of farmers in demonstrating to other farmers profitable technologies.
- Expand initial sites to other villages and provinces in an incremental way, building upon the experience gained.

II. ACTIVITY DESCRIPTIONS

A. Bicol Rainfed Agricultural Development PAGSAKA (Pag-uma'sa Kauswagan -- Farming for Prosperity)

1. Purpose

- a. Disseminate proven profitable rainfed agricultural technologies.
- b. Maintain and enhance the on-farm technology testing system at the provincial level.

2. Outputs

- a. Production program for at least 11,520 targeted farmer beneficiaries in 192 barangays in six provinces.
- b. Development of rigorous methodologies for evaluation of trials in farmers' fields as part of the technology verification system.

3. Implementation Strategies

a. Dissemination

To the extent possible, development strategies will be developed at the municipal level and implementation will begin with selected barangays in Albay province. Existing DA personnel will be organized into small teams, with each team covering several barangays during the first year and then expanding to additional barangays in the second year.

The teams will implement a simplified and modified farming systems approach. The teams will work with farmers to assess their problems and then allow the farmers to initially choose from technologies that have already proved promising in the work done in Cycle I. Illustrative technologies include: (1) introduction of high yielding varieties (HYV) of upland rice, Ri 5 and Ri 7, with very limited chemical inputs; (2) planting root crops under coconuts, such as taro (gabi) and sweet potato (kamote); (3) planting high value crops under coconuts, such as black pepper, coffee, cacao; and (4) for rainfed bunded rice, adding a second or, in some cases, a third crop including crops to enhance soil fertility.

Assistance to farmers will include providing inputs necessary for small-scale trials and direct farmer training. In most cases these will be given but the project may also experiment with selling and loaning low-cost inputs to farmers for trials. Farmers will be given the opportunity to see what other farmers have done with the new technology and to learn from them the new technology.

Results of the introduction of these technologies on a large scale will be monitored and results will be used both to improve the technology and to identify areas for additional work by researchers and outreach workers.

b. Planting Materials Production

A majority of the inputs for trials will be planting materials that will in most cases be produced at the village level by farmers with the assistance of the DA, thereby institutionalizing the availability of low cost planting materials at the village level.

c. Enterprise Development

As one way of increasing the income of farmers and their families, selected family members will be given training and provided with inputs to experiment with technologies that can process agricultural products before they are marketed. For example, Cycle I identified simple technologies for processing peanuts and coconut products that can significantly increase farm family incomes.

d. Marketing

The project will help ensure profits by promoting only technologies for which markets exist and by giving farmers current information on market conditions. Contracts will be used to assess both local and world markets for high value crops such as black pepper and cacao.

e. Technology Verification

There is a critical need to improve the collection and analyses of data from trials in farmers' fields. This will involve increased attention to disaggregating data and developing appropriate strategies for different groups. This will also involve increased attention to the issues of risk associated with too much or too little rainfall.

B. Panay Rainfed Agricultural Development

1. Purpose

Make farming profitable by disseminating improved agricultural practices and information on rural enterprises.

2. Outputs

To develop local leadership and community groups as a mechanism for directly reaching at least 6,400 farmers with proven technologies for increasing profits and at least 400 families with pilot enterprises for adding value to agricultural products.

3. Implementation Strategy

The strategy will be to use DA personnel to organize core community groups of farmers to engage in trials, where such organizations do not already exist. These groups will work with the project staff to identify promising management options based on the work done by the World Bank funded KABSACA project and results of trials by the DA in Regions V, VI and VIII. Farmers will be provided inputs, especially planting materials for trials, and training and technical assistance in implementing their trials. Following verification in farmers' fields during the first round, the most promising technologies will be offered to farmer cooperators in adjacent barangays.

The project will identify technologies for increasing farm family incomes by simple processing of agricultural products. As in Bicol, family members will be given training and inputs in processing technologies such as sinamay weaving, fish processing and preparation of "delicacy" food items. To ensure markets for project-supported activities, market studies will be conducted and market centers established to get information to farm families in the project area. To encourage and eventually institutionalize local production of planting materials, inputs for trials will be sourced from local producers, especially small farmers.

C. RRDP ASSISTED SPECIAL PROJECTS

1. Purpose

To develop cost-effective and simple management systems for reaching rainfed areas outside of the areas covered by major foreign-assisted projects or national level Government of the Philippines' programs.

2. Implementation Strategies

As part of the planning process for Cycle II, the DA went to the regional staff and local farmers and requested suggestions and proposals for local development activities relevant to the goals and objectives of the Project.

Consistent with the objective of developing a system that will not be dependent upon outside assistance, some of the activities will be fully funded by the DA using GOP counterpart funds.

Since priority over the next five months will be given to getting Bicol and Panay implementation underway, implementation of most of the RRDP-assisted Special Projects will be scheduled to begin in the latter part of 1987. The first half of 1987 will be used to put management systems into place, arrange inputs and, conduct trainings. Two close-out activities from Cycle I are included as Special Projects for Cycle II: (1) Fish Stock Assessment and (2) DA-IRRI Extension Program for Small Farm Equipment. Both of these projects will finish in 1987.

3. Approval of Future Special Projects

The budget for Special Projects includes \$177,781 of USAID funding for future activities. USAID will review and approve proposed Special Projects through issuance of a Project Implementation Letter (PIL) addressed to the DA.

III. ORGANIZATIONAL STRUCTURE

- A. Project Management - Policy and supervision for the Agriculture Component will be provided by an Assistant Secretary or Undersecretary of DA. Project management will be provided by the Project Management Office (PMO) headed by a project manager.
- B. Project Site and Regional Level - The Agriculture Component will use existing DA personnel supplemented by contractual employees in disciplines where there are no DA personnel. Contractual employees are GOP paid. Personnel will be organized into teams that fit into the regular DA system.
- C. Linkage with Regional and Local Government - Oversight and policy guidance for site level activities will be provided through the existing DA Regional Coordinating Committees, which include representation of local governments and the private sector.

IV. IMPLEMENTATION PLAN

A. Implementation Schedule

The Agriculture Component of RRD Cycle II will be undertaken over a period of four years, through December 1990. Activities in Bicol will continue from Cycle I, and contracts for technical assistance, including training have been used to initiate activities that will directly support Cycle II activities. USAID has budgeted funds by year for the life of Cycle II. Actual releases for Year Two and beyond will depend upon concurrence by USAID in the standard GOP work and financial plans and on the level of counterpart funding to be made available by the Government of the Philippines. These documents must be submitted to and approved by USAID before project funds for the period covered will be made available. Submission of standard work and financial plans for future years will also be used to update and modify the Implementation Schedule.

B. Technical Assistance

USAID will fund a combination of local and expatriate technical assistance for the project. The DA will identify and make available full time counterparts for all consultants.

C. Training Plan

The DA will submit to USAID by May 15, 1987 a training plan for the project. All training under the project is to be covered by PIO/P's prepared by the PMO in consultation with USAID.

D. Procurement Plan

All commodity procurement (Equipment) for this project will be the responsibility of the RRDP-Project Management Office (PMO) of the Department of Agriculture (DA). AID financed offshore and local procurement will be accomplished in accordance with AID regulations and good commercial practice. Local procurement including imported shelf items will be in accordance with the policy and procedures set forth in AID Handbook No. 18, Chapter 18. The authorized source/origin of commodities for this project is the host country and Geographic Code 000. Payment to suppliers of offshore commodities will be provided for by commercial letters of credit or AID direct letters of commitment, whichever is most feasible and advantageous. All AID financed offshore commodities for the project will be shipped on a CIF Port of Manila basis. Suppliers will be required to obtain all-risk marine insurance at 120 percent C&F value of commodity and similar coverage for inland freight. Responsibility for port clearance, payment of import duties (if any) and inland transportation in the Republic of the Philippines rests with DA. Receiving reports on commodities will be furnished to USAID by DA. The DA will assure that all AID-financed commodities are properly marked. The suppliers of offshore commodities will be required to mark them prior to shipment. The DA will assure that all items are properly inventoried and added to the official property records of the implementing agencies.

E. AID Funding

The GOP will, from the beginning, fund a major share (approximately 50 percent) of project administrative and project management costs. The GOP will fully fund personnel costs associated with the project and other costs including per diem, communication, administrative costs, utilities, representation and contingencies. The GOP will minimize the number of new GOP-funded contractual employees, and is committed to including all contractual employees within the plantilla for regular employees by the end of 1987. The project is designed to reduce USAID contributions for recurring costs beginning in 1989 so that by the end of Cycle II the GOP will be fully funding recurring costs.

V. EVALUATION PLAN

In addition to the built-in monitoring and annual evaluation as part of the implementation process, there will be two major evaluations conducted jointly by the DA and USAID with the assistance of local and expatriate consultants.

A. Process Evaluation

Scheduled for the first quarter of CY 1988. This evaluation will be used to make adjustments in the overall project design based on the first year of implementation. Special issues that will be addressed will include the roles of the regional structure and local governments, funds flow and accountability, and schedules for expansion.

B. Project Impact Evaluation

Scheduled for the third quarter of CY 1989. This evaluation will assess the impact of the project and implementation relative to the design. This evaluation will involve DA personnel from other regions and will evaluate the possible expansion of project activities to other regions.

C. Non-Federal Audits

In addition to audit coverage by USAID's Office of the Regional Inspector General and the GOP's Commission on Audit, funds have been provided for a non-federal audit review preceding the planned process and impact evaluations. These audit reviews will be by an independent CPA firm and will cover the financial and compliance aspects of the project.

VI. BUDGETS FOR AGRICULTURE COMPONENT CYCLE II

Tables 1 and 2 below provide summaries of the budget for the Agricultural Component of RRDP for Cycle II based on the authorized level of funding for the project. These tables include \$500,000 in authorized but unobligated funds. Table 3 is a summary budget for the Agriculture Component of Cycle II of funds presently obligated.

TABLE 1. SUMMARY BUDGET FOR RRDp-AGRICULTURE CYCLE II
(in U.S. Dollars)

	<u>Bicol</u>	<u>Panay</u>	<u>Special Projects Proj. Mgt/Eval</u>	<u>Total</u>	<u>Percent</u>
Technical Assistance	915,053	81,012	534,411	1,530,476	17%
Training	1,267,660	728,473	174,404	2,170,537	25%
Operating Expenses/ Production Inputs	1,197,727	675,830	290,670	2,164,227	25%
Equipment/Supplies	137,980	153,388	137,451	428,819	5%
Total AID	3,518,420	1,638,703	1,136,936	6,294,059	
GOP	1,288,954	437,802	692,234	2,418,990	28%
PROJECT TOTAL	<u>4,807,374</u>	<u>2,076,505</u>	<u>1,829,170</u>	<u>8,713,049</u>	<u>100%</u>

TABLE 2. SUMMARY BUDGET FOR RRDp-AGRICULTURE CYCLE II BY YEAR
(in U.S. Dollars)

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>Total</u>
Bicol	315,091	854,312	1,015,864	1,333,153	3,518,420
Panay	177,304	313,783	400,514	747,102	1,638,703
Special Projects/ Project Mgt	365,381	336,309	309,186	126,060	1,136,936
TOTAL AID	<u>857,776</u>	<u>1,504,404</u>	<u>1,725,564</u>	<u>2,206,315</u>	<u>6,294,059</u>

TABLE 3. SUMMARY BUDGET FOR RRD-AGRICULTURE CYCLE II
OBLIGATED FUNDS
(in U.S. Dollars)

	<u>Bicol</u>	<u>Panay</u>	<u>Special Projects Proj. Mgt/Eval</u>	<u>Total</u>	<u>Percent</u>
Technical Assistance	915,053	81,012	255,934	1,251,999	15%
Training	1,267,660	728,473	120,165	2,116,298	26%
Operating Expenses/ Production Inputs	1,197,727	675,830	138,386	2,011,943	24%
Equipment/Supplies	137,980	153,388	122,451	413,819	5%
Total AID	3,518,420	1,638,703	636,936	5,794,059	
GOP	1,288,954	437,802	692,234	2,418,990	30%
PROJECT TOTAL	<u>4,807,374</u>	<u>2,076,505</u>	<u>1,329,170</u>	<u>8,213,049</u>	<u>100%</u>

RAINFED RESOURCES DEVELOPMENT PROJECT (492-0366)
Summary Financial Table
(In U.S. Dollars)

<u>Project Element</u>	<u>Loan</u>	<u>A I D Grant</u>	<u>Total</u>	<u>GOP</u>	<u>TOTAL</u>
Technical Assistance	10,478.04	3,633,658.71*	3,644,136.75	770,000	4,414,136.7
Training	409.27	1,029,120.73*	1,029,530.00	345,000	1,374,530.0
Commodities	215.71	1,382,792.29*	1,383,008.00	170,000	1,553,008.0
Construction	33,939.69	2,021,871.31*	2,055,811.00	1,000,000	3,055,811.0
Operating Expenses	207,357.29	1,344,039.04	1,551,396.33	4,396,010	5,947,406.3
Cycle II Agriculture		6,294,058.96**	6,294,058.96	2,418,990	8,713,048.9
Evaluation & Redesign*	-	8,294,058.96**	8,294,058.96	-	8,294,058.9
TOTAL	<u>252,400.00</u>	<u>23,999,600.00</u>	<u>24,252,000.00</u>	<u>9,100,000</u>	<u>33,352,000.00</u>

* Includes earmarked funds that were not expended for Cycle I activities and that will be de-earmarked and divided between Cycle II Agriculture and Cycle II Natural Resources.

** includes \$500,000 in authorized but unobligated funds.