

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PD-AAX-942
ISN 56625

February 8, 1988

MEMORANDUM

TO: See Distribution
FROM: USAID/Manila
SUBJECT: Philippine Program Week -- New Project Descriptions

The following project descriptions were prepared by USAID/Manila as a basis to conduct a dialogue with AID/W regarding possible new programs in the Philippines. The Mission is not proposing to fund all of these projects at this time. However, because some of the projects represent departures from the current CDSS strategy., e.g. programs in the education sector or new uses for DA, e.g. budget support, descriptions are designed to generate a discussion of pros and cons. These programs are designed nevertheless to address current program priorities in the Philippines as described in the Resource Planning Team Report.

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SUMMARY: NEW PROGRAMS/PROJECTS FY88/89

I. IMPACT CLUSTER

This set of projects can contribute to the goal of heightened rural impact and greater resource concentration in localities of strategic and political significance.

Rural Impact Program (\$50 Million)

This program will provide additional local currency resources to the Government of the Philippines' budget to continue and expand the delivery of basic services in the rural areas. This program will be designed to be a quick disbursing high impact-type activity by providing "block grants to high performing provincial and municipal governments". Sector support grants to the health, education and agriculture sectors will also be funded. These will provide local commodities in support of local activities such as small infrastructure projects, maintenance of schools, equipping of rural health clinics, etc.

Commodity Support for Basic Services (\$50 Million)

As a complement to the Rural Impact Program, this program will finance the importation of U.S. commodities required in support of Government of the Philippines' delivery of basic services. Health and hospital equipment, vaccines, textbooks, etc., are illustrative of the types of commodities envisioned for procurement under this program.

Rural Electrification Project (\$40 Million)

This project will finance the upgrading facilities and the improvement of management/operations of Rural Electric Cooperatives and the National Electrification Administration.

II. FINANCE AND PRIVATE SECTOR CLUSTER

This set of projects will relate directly to the goals of strengthening private response to the economic recovery, and to the need for improvement in the GOP's management of its financial resources.

Privatization Project (\$5 Million)

This project is designed to support the Government of the Philippines' privatization program by providing technical assistance in the valuation, marketing, and closing services associated with sale of publicly owned entities to be privatized.

Production Credit for Land Reform (\$50 Million)

This program will support the GOP's land reform effort by providing credit resources for farmer beneficiaries through the Land Bank. Resources will be provided to be responsive to credit needs, agrarian reform policy analysis and needed technical assistance required under the program.

Financial Management Improvement Project (\$9 Million)

This project will address the need to improve the ways data are processed and analyzed by Government of the Philippines' financial managers. In so doing, operational decision making may be made more rational and timely.

Credit Cooperative Development Project (\$3 Million: \$1 Million in DA and \$2 Million 108 pesos)

This project will provide technical assistance and resources to strengthen domestic capital formation through the Philippine credit cooperative system. This should lead to a greater generation of savings thus permitting credit cooperatives to expand markets and capital requirements.

III. BUDGET SUPPORT CLUSTER

Title I (\$30 Million)

This activity (which awaits AID/W and DCC action) will provide \$30 million in U.S. commodities which will produce an equivalent peso amount to be programmed against high priority lines in the GOP budget.

Budget Support Program III (\$75 Million)

This program is a continuation of previous budget support activities with the Government of the Philippines (GOP). This program will continue assistance to the GOP to ameliorate its budget problems through the financing of recurring costs in support of the GOP's delivery of basic services in education and health.

IV. TECHNOLOGY TRANSFER CLUSTER

This cluster of projects supports the transfer of U.S. technical skills and managerial know how in the key areas of agriculture, education and infrastructure.

Teacher Skill Improvement Project (\$10 Million)

This project will upgrade the professional skills of elementary and secondary school teachers. This will be accomplished by raising math, science and English competencies of teachers and improve communication and instructional skills.

University Linkage Project (\$5 Million)

This project will strengthen the capacity of the University of the Philippines to undertake socio-economic development. The basic approach will be to develop and support linkages between the University of the Philippines and one or more U.S. universities to undertake faculty development.

Agriculture Education Improvement (\$15 Million)

This project addresses the need to improve the quality and relevance of agricultural education. The principal focus of the project will be on education and outreach impact and include training of faculty members, faculty exchanges with U.S. universities and related commodities.

Support for Development and Policy Reform (\$5 Million)

This project will provide the necessary technical assistance and related commodities in support of AID-financed projects/programs and provide needed inputs to support Government of the Philippines' policy reform efforts.

NEW PROGRAMS

NEW PROGRAM NARRATIVE

A. PROGRAM NO. AND TITLE: (492-0XXX) Rural Impact Program

B. PROPOSED FUNDING: Grant
FY 1988 \$24 Million
LOP \$50 Million

C. APPROPRIATION ACCOUNT: ARDN, HEALTH and EHR

D. PURPOSE: A radical departure in AID programming which would use the budget support mode to facilitate the movement of GOP resources to high impact rural programs. The core of the concept is to combine the flexibility of USG budget support and the flexibility of GOP implementation procedures in a system with a balance of impact and accountability which is appropriate to the political urgency of impact programs in the Philippines.

E. PROGRAM DESCRIPTION

The Program involves two discrete but intimately related processes:

1. The first process is a traditional USG-host country resource transfer for budget support. AID will provide dollars which will produce pesos to fund agreed upon areas of the GOP's development budget, e.g. developmental spending by the GOP (payment of extension officer's salaries, payment of recurring education system costs).

2. The second process (which would be tied by formal agreement to the first) is that the GOP would agree to add peso budgetary resources for non-traditional high impact rural programs (e.g. block grants to local governments). The ability of the GOP to fund the impact programs would arise from the budget transfer in step one above, however, the actual program funding would be GOP not USG.

In this mode of financing full USG accountability and controls apply to the first process (we would apply the standard budget support controls to the agreed program (e.g., supplementing of extension officer's salaries, payment of recurring education system costs). The second process would be subject to GOP accounting and system controls, not USG controls. The general shape and character of the second step, would, however, be subject to bilateral agreement.

To put the concept in its simplest terms, AID would meet an important traditional budget cost to permit the GOP to add funds to non-traditional high impact programs. AID would directly control the former, but would only influence the latter. The reasons for this mode are twofold:

1. some areas are too politically sensitive for AID direct controls (e.g. selecting politically important areas for rural impact programs while excluding needy but politically less important regions).
2. local level government in the Philippines is not always equipped to comply with USG accountability standards. Where they can meet GOP standards, this permits AID to finance "safe" items and not subject the impact programs to burdensome controls.

This program will provide additional local currency resources to the Government of the Philippines' budget to continue and expand the delivery of basic services in the rural areas. This program will be designed to be a quick disbursing high impact-type activity by providing "block grants to high performing provincial and municipal governments". Sector support grants to the health, education and agriculture sectors will also be funded. These will

fund the local purchase of commodities, such as drugs, medical supplies, textbooks, etc. and the provision of small scale investments designed to improve small farmer productivity (e.g. grain dryers, post-harvest storage facilities, cooperatively owned processing facilities, etc.). Many GOP central and local government units lack local currency resources for programs which provide basic services to rural inhabitants. Given current economic and political conditions, the need to provide both sector assistance and local government finance on a decentralized basis at the "grass roots" level, in the provincial areas, is overwhelming. Rural productivity and development cannot be realized unless resources are provided directly to provincial and local governments to combat neglect and deterioration of delivery systems and facilities. While the National Government is supporting the move toward decentralization and local autonomy, its limited budget resources often are inadequate to support more than day-to-day public operations and minimum service levels. The program will make additional peso funding directly available to local government programs or to sector assistance program and will be designed as to not require a direct monitoring role for the Mission except for the receipt of expenditure reports, list of accomplishments, etc. The only link to our transfer of funds and the added budget resources will be the Condition Precedent which will specify the additionality of selected budget items.

NEW PROGRAM NARRATIVE

A. PROGRAM NO. AND TITLE: (492-OXXX), Commodity Support for Basic Services

B. PROPOSED FUNDING: Grant

FY 1988	\$10 million
LOP	\$50 million

C. APPROPRIATION ACCOUNT: ARDN, HEALTH, EHR AND SD

D. PURPOSE: To provide U.S. commodities in support of the delivery of basic services under Government of Philippines' (GOP) programs.

E. PROJECT DESCRIPTION: The ability of the GOP to improve, expand, or accelerate the delivery of basic services in a number of sectors is constrained due to severe resource constraints. Most GOP departments/agencies do not have access to a sufficient level of both local and foreign exchange financing to fund recurrent and capital costs required to maintain the quality or expand the coverage of selected basic services programs -- programs which directly impact on the quality of life of the majority of Filipinos. The proposed ESF financed Budget Support Program III is designed to assist the GOP address its recurrent cost problems. This proposed program is designed to provide the GOP foreign exchange resources for capital costs in the public sector and these resources will be additional to current budgeted levels. Health delivery systems, potable water and sanitation activities, primary and secondary education programs and census and demographic programs are but a few of the activities which could benefit from the financing of offshore procurement of equipment and commodities. This Program will be responsive to the immediate commodity and equipment requirements of national and local government units by providing dollar financing for the procurement of

identified needs such as selected vaccines, syringes and needles; generators, voltage regulators and compressors; cold chain equipment; small scale drilling equipment and pumps; vehicles, data processing equipment; hospital and health clinic equipment; laboratory equipment; library and teaching materials, etc. This Program will be designed to be quick disbursing and will have an immediate and high impact in the sectors identified.

It is envisioned that this Program will utilize the services of a Procurement Services Agent who will be responsible for the procurement of all commodities contemplated under the Project including providing such services as specification development, preparation of tendering documents, bidding, evaluation, awards, etc.

F. TARGET GROUPS: As the proposed Program is expected to support basic services provided by the GOP, the immediate impact is expected to be on beneficiaries in all income groups.

NEW PROJECTS

NEW PROJECT NARRATIVE

- A. PROJECT NO. AND TITLE: (492-0377) Privatization Project
- B. PROJECT FUNDING: Grant
- FY 1988 \$3.925 Million
LOP \$5.0 million
- C. APPROPRIATE ACCOUNT: SD - \$3.0 million
ARDN - \$2.0 million
- D. PURPOSE: To reduce the burden of Philippine Government acquired assets and public corporations on the national budget.
- E. PROJECT DESCRIPTION: This project is not new, but one of the two components which constituted the Financial Resources Mobilization Project, scheduled for an FY 1987 start. That project was reviewed, approved and authorized in AID/W.

The GOP faces the task of divesting itself of a large number of public enterprises resulting from the proliferation of public corporations in the 1970s and the acquisition of private companies who defaulted on loans financed through government financial institutions and/or guarantees. Included are more than 350 acquired assets of government financial institutions, approximately 260 sequestered companies and more than 100 public corporations. Fifteen large chartered corporations make up about half of total public corporation assets; 76 smaller corporations and 149 wholly owned subsidiaries make up the remainder.

The public corporations have increased the GOP deficit significantly and have been a substantial drain on GOP budget resources. During 1980-1986 the combined deficit of the 15 largest nonfinancial public corporations alone

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averaged 3.1 percent of GNP. GOP assistance to public corporations in 1986 amounted to approximately \$1.5 billion, or 28 percent of total budgetary expenditures. Primarily by reducing lending, GOP support for public corporations in 1987 was reduced to \$835 million, but still 14 percent of budgetary expenditures.

This project will support the government in the implementation of its ongoing privatization program. The Aquino administration has created a Committee on Privatization, a cabinet level committee tasked with identifying for the President entities to be privatized and approving their sale. The committee's chairman is the Secretary of Finance; hence the Department of Finance will be the lead implementing entity of the project. Subordinate to the Committee on Privatization, an Asset Privatization Trust (APT) was created to serve as the disposal unit, primarily for the acquired assets of government financial institutions. Most public corporations will be privatized by disposal units within their parent GOP Departments. The project will support the privatization efforts of the APT and the other disposal units by providing technical assistance in valuation; marketing, including prospectus development, information dissemination, identification of prospective investors, offering of securities, bid development or negotiation with prospective investors; presentation of formal opinions on the "fairness" of the terms of the sale; and closing services. Data management assistance and equipment, and limited operational support will be provided to the Department of Finance, APT, and other GOP asset disposal units. Related policy studies will also be undertaken.

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F. TARGET GROUP: The recipients of project assistance would be the Department of Finance, APT and an estimated eight GOP asset disposal units to be established to privatize the public corporations.

G. BACKGROUND - RELATION TO THE FINANCIAL RESOURCES MOBILIZATION PROJECT:

As mentioned above, this privatization activity was included as one of the major elements, along with capital market development, of the Financial Resources Mobilization Project, scheduled for FY 1987 start. The negotiation of the Project Agreement for Financial Resources Mobilization was not successfully concluded because the GOP made a last minute decision to reject the previously agreed to basic approach of the capital market development component. The privatization component was not at issue. The discussion at that time focused on the level of expatriate technical assistance, and the timing of commodity purchases in the capital market development component. The GOP has expressed the desire to proceed with the privatization component this fiscal year.

CONCEPT PAPER FOR PROGRAM WEEK
PROGRAMMING \$50 MILLION IN U.S. ASSISTANCE FOR LAND REFORM

I. PURPOSE

This concept paper explores four alternative AID responses to the \$50 million earmark for agrarian reform. The Mission is proceeding to do preliminary work on developing the approach we find most promising (a credit program with the Land Bank). The purpose of this document is to review and secure ANE Bureau approval for project development. We anticipate presenting a PID-like cable for ANE comment and approval before proceeding to final PP negotiation. This document does not seek PID approval, but a clear signal regarding the line of PID development. The ANE Bureau is requested to provide this guidance by the end of Program Week.

II. BACKGROUND

Congress has earmarked \$50 million in non-bases ESF to be used to assist in financing the Philippine land reform program if two conditions can be met by August 1988:

- The Philippines must have an efficient land reform program and the Government must request U.S. assistance.
- The majority of the resources for the land reform must be coming from the GOP or from other donors.

In mid-February 1988 it seems quite likely that the Congressional conditions will be met. While new land reform legislation remains stalled in the legislature, the government is moving ahead under existing legislation augmented by executive guidance from the office of the President. The legal framework now in place is sufficient to permit the government to deal with:

- Rice and corn lands (GOP "Program A").
- Idle, sequestered, foreclosed and voluntarily offered lands (GOP "Program B").
- Public lands (GOP (Program D)).

Legislation will be needed for the implementation of what the GOP terms "Program C": The redistribution of sugar and coconut estates and the involuntary distribution of other non-rice-or-corn lands in private hands. The USAID and the GOP are agreed that it makes sense to develop approaches to utilizing the \$50 million earmark for activities currently being implemented by the GOP or planned for implementation outside the context of new land reform legislation. The intended scope of programs A, B and D is considerable.

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TOTAL HECTARES OF FARMLAND IN A, B AND D: 4.2 million hectares

TOTAL PLANNED FARMER BENEFICIARIES OF A, B AND D: 2 million farmers

USAID will seek to use the \$50 million in a manner which serves several important objectives:

- Assists the Government of President Aquino to get agrarian reform off to a fast and smooth start.
- Delivers the bulk of the \$50 million within 18 months from the date a bilaterally agreed program becomes effective.
- Assures that USG funds are utilized in a sound and accountable manner.
- Limits direct USG involvement in the detailed implementation of a program which must be seen to be President Aquino's program, not a foreign donor program, if it is to achieve its political objectives.
- Fosters private ownership, private sector initiative and free market conditions in agriculture, with government interventions limited to those areas where they are consistent with free enterprise and sound market-based policies. Collective agriculture and parastatal enterprises will not be financed with USG funds.

III. ASSISTANCE MODES

There are several basic modes of assistance which the USG could select. Each has characteristics which bear upon the desirability of the mode from a U.S. and from a Philippine perspective.

Traditional Project Assistance Mode: The GOP has identified a wide range of bureaucratic overheads, equipment needs and analytic needs which could be bundled into a conventional AID project consisting of technical assistance (both U.S. and Philippine experts), commodities, training and activity financing. This mode requires the most detailed AID design work, offers a very high degree of USG control and oversight and is normally relatively slow-disbursing - especially in the first 18 months. Under this rubric we could fund the costs of setting up Barangay Agrarian Reform Councils (BARCS), improving the land titling system, upgrading the records management system of the agrarian reform bureaucracy and training land reform cadre. This could also be the vehicle for assistance to the farm extension services which will support agrarian reform. We anticipate that the GOP would find many of the requisite procurement and financial requirements of USAID cumbersome and onerous in the context of their desire for a fast start.

Commodity Program Mode: Given the wide range of imported equipment and commodities which will be used in agrarian reform work, we could organize a Commodity Import Program (Agrarian Reform CIP) designed to focus on high value American-made equipment. The Department of Agrarian Reform has identified a need for about 1,000 vehicles (if bought with a three-year maintenance contract, this is about \$20 million). There is a total computer requirement of perhaps \$5 million for the full range of agencies in the program (Agriculture, Natural Resources, Land Bank, and Agrarian Reform) to handle the information aspects of the system. Land reclamation and development could probably justify procuring \$10 million in American earthmoving equipment to be owned by the Public Works and Highway Department, but dedicated to agrarian reform. Without getting into low value bulk commodities (which the GOP does not like to buy from the U.S. because of AID shipping rules), there is a potential for at least a \$25 million CIP activity. At present the Mission is proposing to pick this up under the commodity program proposed separately to service agrarian reform, health, education and agriculture. Alternatively, it could be done directly from the Congressional earmark. The major advantages of this approach would be:

- Major attraction for U.S. suppliers
- Could be quite fast-disbursing
- High U.S. identity for the program.

The liabilities would be several:

- Commodities will not make poor managers effective, so we could be criticized for not getting at the guts of the program.
- Congressional sentiments might not be satisfied in terms of showing a direct U.S. involvement in agrarian reform, although other Congressional sentiments would be pleased at the trade impact.
- USAID will face real accountability problems in terms of commodity end use. Cars in particular are notoriously subject to abuse in the Philippines.

Our preference is to handle the agrarian reform commodities in the context of a wider social sector CIP activity, but it is a viable candidate for the earmarked funds.

Agrarian Reform Sector Support: In this mode of assistance, the USAID could look at the ingredients of one or more of the GOP programs - say Program B for the sake of discussion. We could agree, for example, that we would assist the GOP to finance all the line items under Program B except those relating to actual land purchase. We would provide \$50 million to the Treasury on the condition that they allocate the resultant 1 billion Pesos to the

mutually agreed budget lines in Program B over one or two Philippine fiscal years. This mode of assistance is attractive to the GOP because:

- The dollars are disbursed up front.
- GOP, not AID, rules apply to contracting, procurement and controls.
- The pace of implementing Program B is limited only by GOP capacity in the first year or two.

The sector approach has some real benefits for the USG:

- We, too, gain from immediate financial disbursement in that our support is tangible and highly visible to the GOP leadership.
- The transfer of our resources to the GOP budget, where they are commingled with GOP funds, reduces the areas of possible USG/GOP conflict over procedures.

On the other hand, there are some downside aspects from the USG perspective:

- While our support is highly visible to the GOP leadership, we would get little or no visibility at the farmer level.
- The budget support mode limits our ability qualitatively to influence the program - we are buying their program, not shaping it.
- We associate ourselves with the whole of the program including those aspects we may not find congenial (unfair expropriation, improper payments, collective farming experiments, etc.).

Wholesale Project Mode: A fourth approach to USG assistance for the agrarian reform is one which uses the formal project structure, with its financial controls and safeguards, but which seeks to finance some large and relatively straightforward piece of the program in which the full complexity of project assistance is avoided. The most evident example is credit. The Land Bank of the Philippines will be providing both production credit and medium-term loans to land reform beneficiaries. The president of the Land Bank estimates that he could draw down the peso equivalent of \$50 million in 12 to 18 months if the program were launched in January, 1989 (about one year from now). In this mode of assistance, the funds would retain their USG character, but sufficient advance negotiation on procedures relating to the loans (including specific legal waivers from the USG regarding the source and origin of items financed with the loans) could permit relatively smooth implementation with less potential for friction than the conventional project mode.

SELECTING AMONG THE MODES

If the interests of the USG are best served by substantial qualitative and financial involvement in the Philippine land reform, then there is no question that the traditional technical assistance project mode should be the centerpiece of our \$50 million program. Financial accountability and program quality control can be maximized in this mode and we can be reasonably confident that our funds will be used well - if not necessarily rapidly. The GOP's short-term political interests are probably best served by the sector support mode in which we add \$50 million worth of pesos to the GOP "pot" for some or all of the agrarian reform budget over a year or two. The funds will be disbursed up front, regardless of how fast the actual program implementation takes place and U.S. "meddling" is all but obviated. The wholesale project mode (e.g., \$50 million for Land Bank credit funds) offers more accountability from the USG perspective and puts the funds in a proven institution (the Land Bank) as opposed to an organization without much of a track record (the Department of Agrarian Reform). The dollars could either be disbursed up front, or tranced to flow with the pace of actual lending to land reform beneficiaries.

It is, of course, possible to select from two or indeed all four modes, but USAID would argue that the bulk of the \$50 million should be allocated to one major initiative. On balance, it is the judgment of USAID that the sector support mode or the wholesale project mode (credit) better fit the mix of GOP and USG objectives than does the traditional project model. We also believe that the other bilateral donors will find the gap left for traditional project financing attractive and will probably pick up most of the items (extension, training, government vehicles and equipment) in this area. We do see a case for fencing off a small piece of the \$50 million to support the policy and analytical work necessary to support the agrarian reform. We would suggest that (perhaps) \$2 million (this is the figure suggested to us by the GOP) be assigned to policy costs and the balance of (about) \$48 million be used for either a sector support program or a credit program as outlined above. Our second choice would be \$28 million for credit, \$20 million for commodities and \$2 million for policy studies. With a decision on the choice of assistance modes by February 1, 1988, USAID could complete the design and negotiation of either a sector program or a credit program within the Congressionally mandated time frame. A small policy project (if seen as a useful adjunct) could also be designed by summer 1988. The GOP can be counted upon to be resistant, however, to the expatriate expertise which we would see as central to a meaningful policy project. Negotiation of the final project agreement could be protracted.

Attachment

GOP outline of the Agrarian Reform Program as presented by Secretaries Juico, Monsod, Ferrer and staff to USAID on January 7, 1988. Includes statistical detail on programs A, B, C and D as well as estimated costs for major program elements.

NEW PROJECT NARRATIVE

- A. PROJECT NO. AND TITLE: (492-0XXX), Credit Cooperatives Development Project
- B. PROPOSED FUNDING: Grant
- | | |
|---------|-------------|
| FY 1988 | \$1 million |
| LOP | \$3 million |
- C. APPROPRIATION ACCOUNT: ARDN (earmark)
PL 480 Title I Section 108
- D. PURPOSE: To strengthen domestic capital formation through the Philippine credit cooperative system.
- E. PROJECT DESCRIPTION: This project will help establish a self-sustaining cooperative financial system to provide savings, credit and related services to low-income Filipinos. The structural weaknesses of the current credit cooperative system in the Philippines have limited its efficiency. This project is designed to address problems of the credit cooperatives related to market penetration and fragmentation, financial management practices, resource generation and self-sufficiency. The project will provide the Philippine Federation of Credit Cooperatives (PFCCI) technical assistance, training, commodities and capital to strengthen and revitalize existing cooperatives and improve the capitalization of the Federation's Central Finance Facility (CFF).
- F. TARGET GROUPS: The Project will provide benefits for the 221 credit cooperatives currently affiliated with PFCCI, with membership of 70,000 households, and for any additional cooperatives that become members during the course of the project. Benefits will also be provided to the rural areas whose economies are strengthened by the infusion of capital from an improved credit cooperative system.

PROJECT DESIGN STATUS

- A. PROJECT NO. AND TITLE: (492-OXXX), Agriculture Education Improvement
- B. PROPOSED FUNDING: Grant (DA)
- | | |
|---------|--------------|
| FY 1988 | \$3 million |
| LOP | \$15 million |
- C. APPROPRIATION ACCOUNT: ARDN
- D. PURPOSE: To improve the quality and relevance of agricultural education and training at the tertiary level in order to contribute to improved productivity, income and quality of life for rural families.
- E. PROJECT DESCRIPTION: The project will build on earlier AID-funded efforts to develop a network of agricultural colleges and universities, including those assisted under the Agriculture Education Outreach Project and Agricultural Research Projects I and II. The principal focus will be on education and outreach impact. Suggested areas for project assistance for a selected number of institutions will include: (1) Upgrading educational and research capacities; (2) strengthening links among institutions at various levels; (3) establishing/improving farmer and community outreach programs; and (4) developing centers of excellence in key functional areas for regional and economic recovery. The project will also provide institutional strengthening assistance to the University of the Philippines at Los Banos (UPLB), the apex institution of the agricultural education network, based on a recently undertaken institutional self-study. Inputs for UPLB will possibly include training for faculty members, faculty exchanges with U. S. universities, library materials, and equipment.

F. TARGET GROUPS: The most direct beneficiaries of this project will be the students and faculty at the agricultural colleges and the farm families in surrounding areas assisted by the outreach activities. The students will learn practical livelihood skills and the farm families should benefit from the easier access to technology provided by the universities and colleges.

NEW PROJECT NARRATIVE

- A. PROJECT NO. AND TITLE: (492-0XXX), Support for Development and Policy Reform
- B. PROPOSED FUNDING: Grant
- | | |
|---------|---------------------|
| FY 1988 | \$5.0 million |
| LOP | \$2.5 million (ESF) |
| | \$2.5 million (DA) |
- C. APPROPRIATION ACCOUNT: ARDN and ESF
- D. PURPOSE: To finance the cost of technical assistance and associated commodities for 1) the identification, analysis, development, implementation, monitoring and evaluation of AID finance projects and programs; and 2) the support of GOP policy reform efforts, in priority development areas of particular interest to A.I.D.
- E. PROJECT DESCRIPTION: This project will finance the technical expertise and ancillary services needed to undertake studies and analyses on which to base program strategies and project designs; develop, design, and implement A.I.D.-financed projects; and finance the technical assistance requirements of DA- and ESF-funded projects. More specifically, this project provides a mechanism for financing (1) special analyses related to development of Mission sector and country program strategies; (2) feasibility studies; (3) project development and design activities; (4) preliminary and detailed engineering design services; (5) technical assistance requirements related to the administration, implementation and monitoring of projects; (6) assessments of the environmental and social impact of proposed and on-going activities; (7) analyses and research related to specific problems affecting development efforts; and (8) such commodity procurement as may be necessary to effectively carry out such services.

The Project will also support activities to build the capabilities of public and private Philippine institutions to conduct and disseminate policy analyses. The analyses to be conducted will cover the formulation, implementation, monitoring and evaluation of economic reforms. Major inputs will consist of technical assistance, training, research and studies, associated services and commodities.

The activities will primarily involve financing of short-term consultants. However, in selected cases, the project may finance consultants for assignments of up to two years or more.

For the purpose described above, USAID will utilize the services of various U.S. or Philippine firms/institutions through contractual arrangements or the services of personnel from other U.S. government agencies through Participating Agency Service Agreements.

F. TARGET GROUPS: The Project will support and improve the quality of all USAID activities; thus the ultimate beneficiaries will be the target groups associated with each individual activity. GOP policymakers, public and private research institutions, project management units and analytical offices will be the direct beneficiaries of this project. However, improved project design and implementation, along with better economic policies, will benefit the society as a whole.

NEW PROJECT NARRATIVE

- A. PROJECT NO. AND TITLE: (492-OXXX), Teacher Skill Improvement Project
- B. PROPOSED FUNDING: Grant
- | | |
|---------|--------------|
| FY 1989 | \$1 million |
| LOP | \$10 million |
- C. APPROPRIATION ACCOUNT: EHR
- D. PURPOSE: To upgrade the professional skills of elementary and secondary school teachers in the country.
- E. PROJECT DESCRIPTION: The project will provide assistance to improve and undertake in-service training for elementary and secondary school teachers to raise competencies in selected content areas--especially, math, science and English--and to improve teachers' communication and instructional skills. While the average teacher to student ratio of 1:30 for elementary and secondary public schools indicates that the quantity of teachers may be acceptable, the quality of teaching needs to be improved. It is expected that the in-service training may be conducted through the ATENEO university system, a private university with four campuses located throughout the Philippines.

The project will finance the following type of activities: (1) Technical assistance and training for teacher trainers at various teacher training institutions throughout the country; (2) selected qualitative analyses of current teacher skills and faculty composition versus requirement; (3) studies to establish criteria for the selection of trainees; (4) design of in-service training programs for teachers; (5) cost of training and related materials for

conducting in-service teacher training programs; and (6) assessments of teacher training programs.

With World Bank and possibly Asian Development Bank financial assistance, the Government of the Philippines (GOP) is planning to undertake an education and training sector assessment in April of this year. This sector assessment would serve as a basis for developing a medium-term strategy to improve the efficiency and effectiveness of the system. The improvement of teacher quality at all levels through in-service training is expected to be one area identified for priority attention.

Beginning in late 1988 or early 1989, the Asian Development Bank will finance a project to improve secondary education. This project will complement these and other donors efforts to improve secondary education in the country.

F. TARGET GROUPS: The direct beneficiaries of the project will be the elementary and secondary school teachers nationwide receiving training. The ultimate beneficiaries, however, will be elementary and secondary school students who will receive instruction from more competent and, therefore, effective teachers.

NEW PROJECT NARRATIVE

- A. PROJECT NO. AND TITLE: (492-OXXX), University Linkage Project
- B. PROPOSED FUNDING: Grant
- | | |
|---------|-------------|
| FY 1989 | \$1 million |
| LOP | \$5 million |
- C. APPROPRIATION ACCOUNT: EHR
- D. PURPOSE: To strengthen the capacity of the University of the Philippines (UP) to prepare high-level technicians and managers needed for socioeconomic development.
- E. PROJECT DESCRIPTION: The UP multi-campus system has more than 30,000 students and about 3,000 faculty members. The university was founded in 1908 and with U.S. Government, private foundation and various donor assistance, had become by the early 1960s a quality institution on parity with average U.S. universities in terms of educational achievement. UP continues to play a key role in providing the country with scientists, public and private sector leaders and highly trained faculty members for other colleges and universities. Yet, the university has not been able to sustain the quality of its offerings because of significant reductions in educational expenditures during the 1970s and early 1980s, the departure of faculty for more lucrative positions elsewhere and the retirement of aging faculty.

The university has recently come under a new administration whose priority is to initiate a renewal program. The administration views faculty development through improved training and other incentives as critical to retain faculty and improve overall university performance. These objectives support the

Philippine Medium-Term Development Plan, 1987-1992 priority of improving the quality of instruction at the tertiary level in order to train effectively the nation's leaders, technicians and research specialists. This focus is also consistent with Government of the Philippine policy to rationalize the public higher education system and create excellence in selected areas at various institutions and avoid functional duplication.

The project will support UP efforts to strengthen its graduate teaching, research and outreach capacities in selected fields. The basic approach will be to develop and support linkages between UP and one or more U. S. universities to undertake faculty development efforts. The project will provide funding for these activities: (1) Junior faculty upgrading, including academic degree or post-degree refresher training; (2) faculty exchanges; (3) joint U.S. and Philippine research endeavors; (4) professional seminars on selected topics; (5) library and instructional material upgrading; (6) selected instructional and laboratory equipment; and (7) policy studies to improve university efficiency and effectiveness. Recognizing the potential for braindrain, the project will encourage the development of joint degrees with graduate studies to be conducted in both countries and research to be carried out in the Philippines.

The project supports U.S. economic and political interests by strengthening ties between selected U.S. and Philippine institutions and developing the capacity in country to provide the high-level human resources to support

technological and economic development. The project also complements USAID efforts in other projects to upgrade junior faculty of higher educational institutions in the country.

E. TARGET GROUPS: The direct beneficiaries of this project will be the faculty members whose teaching and research skills will be upgraded. Secondary beneficiaries will be the students receiving training from more effective instructors. The general public will benefit from having highly skilled leaders and technicians to undertake development tasks.

NEW PROJECT NARRATIVE

A. PROJECT NO. AND TITLE: (492-0396), Population Sector Support

B. PROPOSED FUNDING: Grant

FY 1988

\$5 million

LOP

\$30 million (ESF)

C. APPROPRIATION ACCOUNT: PN

D. PURPOSE: To increase the prevalence of voluntary use of safe, legal methods of family planning.

E. PROJECT DESCRIPTION: The current population of 59.0 million is estimated to be increasing at the rate of about 2.6 percent per year, and this presents serious developmental implications: the 1983 per capital GNP will probably not be regained until the year 2000; to stay even with population growth, food production must increase 40% by the year 2000; schools must absorb 300,000 additional children each year; the economy must create jobs for around 750,000 workers each year. In fact, it is likely that the Philippines will have inadequate human and physical (including financial) capital to create meaningful long-term gains in food, nutrition, employment, health and education unless the population growth rate is significantly reduced.

Regardless of any future success in reducing fertility, this challenge will remain serious until at least the year 2020, because a larger, next generation of mothers and workers has already been born. Half of all Filipinos are age 17 or younger.

The new population sector support project covering 1989-1993 will have three components: a Department of Health (DOH) component; a component supporting

Non-Government (NGO) family planning activities; and a component supporting POPCOM. Broadly speaking, we see the following roles: the DOH will focus principally on expanding/improving the delivery of clinical services for child spacing and expansion of quality voluntary sterilization services from provincial to district hospitals; the NGOs will principally focus on motivational programs to encourage responsible parenthood (delayed marriage, delayed first birth, increased childspacing, breastfeeding, etc., as appropriate), expansion of private sector contraception, natural family planning and sterilization programs; POPCOM will principally focus on policy formulation, program monitoring and evaluation - including the 1990 census analyses, prevalence surveys, and the management information system - as well as population and development and support of local government through devolution of outreach.

F. TARGET GROUPS: Primary beneficiaries will be married couples of reproductive ages (6.63 million in 1986 and a projected 8.047 million in 1993). Benefits will be lower fertility and improved maternal and child health. In a July 1987 Philippines Information Agency Survey, family planning received the highest ranking in terms of GOP programs considered helpful.

EXISTING PROJECTS

PROJECT NARRATIVE

- A. PROJECT NO. AND TITLE: (492-0374) Regional Development Fund
- B. PROPOSED FUNDING: Grant
- | | |
|---------|---------------|
| FY 1988 | \$49 Million |
| LOP | \$190 Million |
- C. APPROPRIATION ACCOUNT: ESF
- D. PURPOSE: To contribute to socio-economic development through the support of high priority small-to-medium-scale growth related infrastructure projects.
- E. PROJECT DESCRIPTION: This is the sixth amendment to the Regional Development Fund (RDF) Project and will conform to the purpose of the original and subsequent amendments to the project - to assist the Government of the Philippines (GOP) improve the socio-economic conditions in the Philippines. It will support a major thrust of the GOP's Medium-Term Development Plan which is to provide more employment opportunities through the implementation of rural-based, small-and medium-sized, short gestation infrastructure projects. The original project focussed on areas around the U.S. military facilities; the subsequent RDF Project amendments broadened the impact to areas throughout the country. This amendment will continue small-to medium-scale infrastructure development efforts on a nation-wide basis, including areas around the U.S. military facilities by providing improved access to basic services, job opportunities and basic education at the provincial and chartered city government level. The project will continue to fund high impact, short gestation, quick dispersing projects such as primary/secondary schools, public markets, roads, health facilities and other rural infrastructure, as well as provide technical assistance, training and

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commodities, as required. Subject to mutual agreement, it will also be available to finance reconstruction projects of the type mentioned above in areas affected by severe typhoons and other natural calamities that occur on a regular basis in the Philippines.

The GOP implementing entity for the ESF Program - the ESF Secretariat - recently executed a contract for in-house engineering services with a U.S./Filipino joint venture that will strengthen its technical capacity. With these firms in-place, we expect the implementation pace and engineering quality of all projects in the ESF project portfolio, including the RDF Project, to improve dramatically over recent performance levels.

F. TARGET GROUPS: Given the nation-wide thrust of the project, beneficiaries will include a broad spectrum of Philippine society, mostly lower-income groups including those in U.S. military facility impact areas.

RURAL WATER SUPPLY & SANITATION PROJECT (492-0401)

Use of Section 104 Funding

Original FY 88 Request (per ABS) \$5.4 million Current Request \$0.0

The Mission's ABS Request for FY 1988 funding originally included a \$5.4 million request for Section 104 (Health) money for the Rural Water Supply and Sanitation (RWSS) Project (492-0401). These funds were originally requested based on a preliminary assessment of the RWSS project's implementation pace and Mission-wide requirements for Section 104 funds and the ANE Bureau's instructions for the Mission not to develop new starts for FY 88. Since that time, it has become clear that the RWSS Project will have no need for additional funds, due to the project's slow implementation progress.

The 104 Account funds will be applied towards other health sector needs, which are:

- The planned new Child Survival Project (492-0403); and
- The planned Commodity Support for Basic Services Project included as a new project narrative includes a health component.

The proposed Child Survival Project (492-0403) is planned as an FY 88 new start, to consolidate and expand the child survival activities begun under the Primary Health Care Financing (PHCF) Project (492-0397). It is expected that the new project will disburse funds quickly, because of the significant amount of commodity procurement and large technical assistance buy-ins which will be funded immediately upon project approval.

PVO CO-FINANCING II (492-0367)

Fully Fund Project

In FY 1988, the USAID plans to fully fund PVO Co-Financing II Project to its current authorized level of \$16 million with the following DA increments totalling \$3.019 million:

(\$000)

ARDN	:	1,034
HEALTH	:	500
EHR	:	300
SD	:	1,185

The above configuration shifts \$374,000 from the Health account to SD. In addition, we also plan to reob \$1 million in ARDN to PVO Co-Fi II from Accelerated Agricultural Production (492-0385) deobs to fund a PVO to support the Davao Regional Task Force, a subactivity aimed at expanding PVO activities in Mindanao. This will require the submission of a Congressional Notification and a Mission-amended Project Authorization to realign the Health and SD accounts and to increase the LOP level to \$17 million.

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PHILIPPINE PROGRAM WEEK -- NEW PROJECT

PD-AAX-942

DESCRIPTIONS

1 OF 1 (24X)

PHILIPPINES

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ACTION PLAN