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A.I.D. Project Number 492-0303

PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE REPUBLIC OF THE PHILIPPINES  
AND THE  
UNITED STATES OF AMERICA  
FOR  
BICOL INTEGRATED RURAL DEVELOPMENT PROJECT

Dated: March 10, 1978

TABLE OF CONTENTS

Project Grant Agreement

Article 1: The Agreement

Article 2: The Project

SECTION 2.1. Definition of Project

SECTION 2.2. Incremental Nature of Project

Article 3: Financing

SECTION 3.1. The Grant

SECTION 3.2. Grantee Resources for the Project

SECTION 3.3. Project Assistance Completion Date

Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement

SECTION 4.2. Notification

SECTION 4.3. Terminal Dates for Conditions Precedent

Article 5: Special Covenants

SECTION 5.1. Evaluation Program

SECTION 5.2. Securing Other External Donor Support

SECTION 5.3. Assignment of Personnel

SECTION 5.4. Management Performance

SECTION 5.5. Participation of Women in the Program

SECTION 5.6. Training Service Agreement

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs

SECTION 6.2. Local Currency Costs

Article 7: Disbursements

SECTION 7.1. Disbursement for Foreign Exchange Costs

SECTION 7.2. Disbursement for Local Currency Costs

SECTION 7.3. Other Forms of Disbursement

SECTION 7.4. Rate of Exchange

Article 8: Miscellaneous

SECTION 8.1. Communications

SECTION 8.2. Representatives

SECTION 8.3. Standard Provisions Annex

Project Grant Agreement

Dated March 10, 1978

Between

The Republic of the Philippines ("Grantee")

And

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

Article 1: The Agreement

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

Article 2: The Project

SECTION 2.1. Definition of the Project. The Project, which is further described in Annex 1, provides essential technical services, training and commodities to support planning, implementation, and evaluation of the expanded and accelerated Bicol River Basin Development Program ("Bicol Program"). The Project will provide selected technical assistance for the (1) identification, design, feasibility analysis and documentation of major development projects to secure external donor and Government of the Philippines financing, (2) promotion of accelerated private sector investment

in agribusiness and rural-based industry and (3) successful implementation, monitoring and evaluation of Bicol component projects, particularly those supported by A.I.D. loans and grants. The goals of Bicol Program component projects and private sector investment promotion, in conjunction with on-going Grantee sectoral programs, are to increase agricultural and non-agricultural productivity and employment, to improve socio-economic conditions, and to improve the quality of life of the poor majority in the Bicol.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed Seven Hundred Eighty Thousand United States ("U.S.") Dollars (\$780,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

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

(b) The resources provided by Grantee for the Project will be not less than the equivalent of U.S. \$1,750,000 including costs borne on an "in-kind" basis during the 1978 operational year.

SECTION 3.3. Project Assistance Completion Date.

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

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

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

Article 4: Conditions Precedent to Disbursement.

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

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

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.3., and of any additional representatives, together with a specimen signature of each person specified in such statement;

(b) A plan for the evaluation program referred to in Sec. 5.1;

(c) An implementation plan of the overall Bicol Program through 1982 (Five-Year Plan) indicating the scope of planning, implementation and evaluation. The plan should also detail how the Bicol River Basin Development Program Office ("BRBDPO") will coordinate and monitor the field implementation of external donor assisted projects or activities in support of the broader Bicol Program.

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

SECTION 4.3. Terminal Dates for Conditions Precedent.

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

Article 5: Special Covenants.

SECTION 5.1. Evaluation. The Parties agree to establish an evaluation program as an integral part of this technical assistance project and the overall Bicol River Basin Development Program. Except as the Parties otherwise agree in writing, the activity will include, at two-year intervals or more often during the implementation of the Project and at one or more points thereafter:

(a) an in-depth evaluation of progress toward attainment of the objectives of the Project and the broader Bicol Program;

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

(c) assessment of how such information may be used to help overcome such problems, in this or other projects including integrated area development projects or programs in other regions of the Philippines; and

(d) evaluation, to the degree feasible, of the overall development impact of the broader Bicol Program supported by this technical assistance project:

(1) on targetted beneficiaries;

(2) on the remainder of the population in the Bicol Program area; and

(3) on the GOP strategies, policies, and operational programs and development projects employing the integrated area development approach in the Philippines.

SECTION 5.2. Securing Other External Donor Support. The Grantee covenants and agrees that over the four-year period of the Project, but with particular emphasis on the first two years, the National Economic and Development Authority, and the Cabinet Coordinator for the Bicol River Basin Development Program shall continue appropriate actions to negotiate and secure major capital financing for the Bicol from other external donors and further, that such external donor and Government of the Philippines (GOP) resources will be provided on a priority basis to finance projects in the Bicol River Basin Development Program area that are determined to be feasible.

SECTION 5.3. Assignment of Personnel.

(a) The Grantee shall assign a qualified, full-time project manager and assistants as required, and part or full-time coordinators for each technical activity or sub-project undertaken or supported by the Project.

(b) The Grantee shall assure that sufficient numbers of qualified government or other representative personnel from the Bicol Program Office, participating GOP line agencies, or local government entities are budgeted for and made available on a timely basis to counterpart foreign and Filipino consultants and specialists funded under the Project.

SECTION 5.4. Management Performance. The Grantee shall assure that adequate and timely action will continue to be taken to strengthen the management capabilities and actual performance

of the BRBDPO and line agency staff participating in the Bicol Program.

SECTION 5.5. Participation of Women in the Bicol Program.

The Grantee will ensure the full participation of women in the implementation of the Project and the broader Bicol Program including continuous efforts to identify qualified women in the public and private sectors to contribute towards achieving Bicol Program objectives, in accordance with Presidential Decree No. 633 and A.I.D. policy regarding the role of women in national development efforts.

SECTION 5.6. Training Service Agreement. The Grantee covenants and agrees that each participant who undertakes training financed under the Project shall execute an agreement with the Grantee to serve the sponsoring agency (either detailed to the Bicol River Basin Development Program Office or to work on Bicol Program projects within his or her parent agency) for three years for each year of training or part thereof received.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services) ("Foreign

Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services requirement for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of the Philippines ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Disbursement

SECTION 7.1. Disbursement for Foreign Exchange Costs.

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

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

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

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

SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained:

(1) by acquisition by A.I.D. with U.S. Dollars by purchase; or

(2) by A.I.D. (A) requesting the Grantee to make available the local currency for such costs, and (B) thereafter making available to the Grantee, through opening or amendment by A.I.D. of Special Letters of Credit in favor of the Grantee or its designee, an amount of U.S. Dollars equivalent to the amount of local currency made available by the Grantee, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.3, if funds provided under the Grant are introduced into the Republic of the Philippines by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such

arrangements as may be necessary so that such funds may be converted into currency of the Republic of the Philippines at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of the Philippines.

Article 8: Miscellaneous

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

To the Grantee:

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

Alternate address for cables: NEDAPHIL

To A.I.D.:

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

Alternate address for cables: USAID/AMEMB MANILA

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

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

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

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

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

UNITED STATES OF AMERICA

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

REPUBLIC OF THE PHILIPPINES

By: Manuel S. Alba  
Manuel S. Alba  
Acting Director-General  
National Economic and  
Development Authority

## Bicol Integrated Rural Development

I Bicol River Basin Development ProgramA. Goal

The goal of the Bicol River Basin Development Program ("Bicol Program") supported by this Bicol Integrated Rural Development Project ("Project") is to improve the socio-economic conditions and quality of life of the poor majority, which constitutes over 80% of the population, in the economically depressed Bicol Program area and Bicol Region. This will be measured over time, in terms of increased real incomes, more equitably distributed, and increased opportunities for people to participate in the development process. Increased equity is to be achieved through land reform, increased small-scale farmer productivity, increased farm and off-farm employment and increased social services especially to the rural areas. Increases in real income, relative to the average for the Philippines, are targeted in the Bicol Program five-year (1982), ten-year (1987) and twenty-five year plans. Plans and targets are being updated for the expanded Bicol Program area which now includes Camarines Sur, Albay, and Sorsogon provinces. Specific goals and objectives are also targeted for various Bicol Program component projects.

B. Institutional Arrangements

Presidential Decree No. 926, dated April 26, 1976, established the Bicol River Basin Development Program as a national program, designated the Secretary of Public Works, Transportation, and

Communication as its Cabinet Coordinator, and strengthened the decentralized Bicol River Basin Development Program Office. The BRBDP mandate under the decree is "(a) to integrate national and local government programs and projects within its jurisdiction; and (b) to decentralize the planning and implementation of rural development projects."

Special institutional arrangements have been established and are being strengthened to encourage various government agency and private sector participation in the program to ensure full integration of planning and implementation of projects and programs. The Bicol River Basin Development Program Office ("BRBDPO") is the coordination center. The BRBDP is being operationalized through (1) the Bicol River Basin Coordinating Committee (BRBCC) which is the regional policy body, (2) the Private Advisory Committee (PAC) which provides guidance and feedback from the private sector, (3) interagency planning groups and Project Management Offices (PMO's) for each major project being implemented, and (4) local level Area Development Teams (ADT's) to facilitate popular participation.

C. Bicol Program Operations

With the approved five-year plan and budget (1978-1982), the Bicol Program Office anticipates approval of annual operational plans and budgets (Attachment 1, Table 1). The Bicol Program budget includes resources (1) to operate the decentralized Program Office (with a core staff of approximately 100 personnel), (2) to identify and develop major projects to secure financing and (3) to monitor and

111

evaluate implementation. Actual implementation will normally be the responsibility of a lead, technical line agency. A.I.D. assistance supplements Bicol Program resources as described in this Annex.

## II Nature of Project Technical Assistance

### A. Focus of Technical Assistance

This technical assistance project provides essential contract services, participant training, and commodities to support planning, implementation, and evaluation of the expanded and accelerated Bicol Program. The Project is consistent with and will help implement Presidential Decree 926 and help achieve the objectives of approved Bicol Program operational year plans beginning in 1978. More specifically, the Project will provide a mix of A.I.D. technical assistance resources<sup>1/</sup> focusing on:

- (1) identification, design, feasibility analysis and documentation of major Bicol development projects with the objective to secure financing from both external donors and Government of the Philippines sources;
- (2) activities to promote accelerated private sector investment in agribusiness and rural-based industry in the Bicol Region;

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<sup>1/</sup> This may be supplemented by other projects or programs supported by USAID/Philippines and AID/W; for example, Consulting Services sub-loans for feasibility studies if appropriate, Agrarian Reform Project, Cooperative Marketing, Tax Administration, etc.

15

- (3) line department implementation, and BRBDPO monitoring of Bicol component projects, particularly those assisted by A.I.D. loans and grants;
- (4) evaluation of the broader Bicol River Basin Development Program over time, and periodic evaluation of specific Bicol component projects, particularly those assisted by A.I.D. loans and grants;
- (5) activities to further strengthen (a) the technical and management capabilities of Bicol Program multi-agency staff, and (b) the Bicol Program organizational structure to increasingly involve beneficiaries in the development process;
- (6) selected other sector initiatives in support of the overall Bicol Program and Bicol regional development; e.g. social services projects focusing on the rural poor, applied research on rural savings mobilization, rural housing, sea farming, etc;
- (7) activities to help apply replicable Bicol Program methodology to other economically depressed areas of the Philippines, through the National Economic and Development Authority ("NEDA") and the Cabinet Coordinating Committee on Integrated Rural Development Projects ("CCC-IRDP").

B. Bicol Program Component Projects

1. Project Development

The Bicol Program, initiated in 1973, is a sub-regional integrated area development effort being undertaken as a test

case within the Government's rural development strategy under the Cabinet Coordinating Committee on Integrated Rural Development Projects. The program area has been further divided into sub-development areas for project planning and implementation purposes. Three initial Bicol Program component projects have been developed and funded to date and are being implemented by three separate line technical departments.

A continuing objective of the Bicol Program is to identify, develop and document additional feasible projects to secure financing from external donors and Government of the Philippines sources. Projects will be a mix of delineated Integrated Area Development Projects, coordinated sectoral projects such as rural roads and ports, upgrading educational institutions, and integrated social services projects. Selected project resources will be required to package these projects at an acceptable level for external donors. Five additional component projects are targeted for financing by the end of 1981. Several more major projects are scheduled to be in various stages of development by September 30, 1982, the proposed Project Assistance Completion Date (PACD). An estimated \$100 million in total external donor and Government of the Philippines resources is expected to be generated through the Bicol Program by the end of 1981.

To date, two international financial institutions (IFI's) and several bilateral donors have informally expressed interest in supporting the Bicol Program with capital assistance and/or technical assistance. The Bicol River Basin Development Program

17

Cabinet Coordinator ("Bicol Cabinet Coordinator") has invited external donors to consider support for the Bicol Program, and the National Economic and Development Authority ("NEDA") presented possible Bicol projects to potential donors at the IBRD Consultative Group meeting at Tokyo in December of 1977. Currently proposed component projects require a total of \$180 million, of which \$93.5 million is foreign exchange requirements.

Because up to one-half of the A.I.D. resources proposed under this Agreement may directly or indirectly involve the development of new projects which will require external donor and domestic source financing, an appropriate covenant is included under Section 6.2 of this Agreement to justify the granting of A.I.D. resources for project development purposes.

Based on expected project commitments from other external donors by the end of the second year of this project, an appropriate organizational arrangement is proposed for the Bicol Program (such as a Bicol consortium or Bicol multi-donor group) to facilitate coordination between various external donors and the Government of the Philippines.

## 2. Project Implementation

Background - Three separate Bicol Program component projects, supported by A.I.D. loans, are being implemented.<sup>1/</sup> These projects

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<sup>1/</sup> Libmanan-Cabusao Integrated Area Development I (1975-79)  
Bicol Secondary and Feeder Roads (1976-80)  
Bula-Minalabac Integrated Area Development Project II (1977-82)

were developed utilizing resources from the prior A.I.D. grant project<sup>1/</sup> and it was anticipated they would draw follow-on grant project resources for monitoring and evaluation. The Project is designed to support both on-going and proposed Bicol Program component project implementation, monitoring and evaluation. The rationale for supporting the several A.I.D. loan assistance projects with one grant project, as opposed to loan/grant combinations, is cost effectiveness and better coordination (e.g. a water management consultant may provide inputs for monitoring on-going projects and design inputs for a new project under the broad Bicol Program).

Successful implementation of the initial component projects (including physical construction, operations, maintenance, and beneficiary use), and documenting of actual benefits received by targeted beneficiaries are essential to justify further expansion of the Bicol Program. The evaluative feedback of implementation experience is important for the design of new projects. Achievement of the stated objectives of these projects will be a measure of the success of the integrated area development approach test case in the Bicol and the decentralized institutional structure unique to the Bicol Program.

Implementation - The Project will provide selected technical assistance to the participating line agencies and to the Bicol Program Office for on-going implementation and initial operations/maintenance of Bicol Program component projects, particularly those

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<sup>1/</sup> Bicol River Basin Development (1974-1977)

supported by A.I.D. loans and grants. The Project will also facilitate coordination with other A.I.D. supported sectoral programs which are active in the Bicol. Technical assistance and monitoring is essential to help achieve the stated objectives of on-going component projects; for example, joint BRBDPO/USAID spot review of actual construction to assure it meets engineering specifications to allow reimbursement, and improving water management by small-scale farmers. Special attention will also be given to possible secondary problems concerning unanticipated environmental conditions, maintenance of major irrigation systems and rural roads, effective farmers' organizations, adequate agricultural and fishery extension, assured marketing, etc. in both component project areas in the wider Bicol Program area. A.I.D. project inputs for this purpose include the technical services of both Filipino and U.S. consultants and institutional contracts, selected participant training and support commodities. (see Table 2, Annex 1)<sup>1/</sup>

C. Private Sector Investment Promotion

The Bicol Program strategy is largely based on the development hypothesis that complementary public sector infrastructure projects and expanded social services programs in the Bicol, in conjunction with appropriate governmental incentives and promotional activities, will further stimulate private sector investment in agribusiness and rural-based industry. This, in part, is expected to stimulate increased agricultural production.

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<sup>1/</sup> Hiring qualified, senior Filipino consultants when available, together with U.S.-source consultants was recommended in the 1977 Bicol Evaluation by NEDA and USAID and was initiated in FY 1977 under the prior grant project.

Bicol Program comprehensive planning estimates indicate the private sector investment level should be three times the public sector investment level to achieve long range development targets and a significant degree of self-sustaining regional growth. Within the guidelines of the national strategy, the Project will provide resources to assist the Regional NEDA Office/BRBDPO develop a regional agribusiness and rural-based industry strategy and action program designed to stimulate a significant increase in private sector investment in the Bicol. This includes investment promotion and incentives activities, and the preparation of commodity or enterprise specific pre-feasibility studies to be provided to interested investors. Where appropriate, project resources may be used to assist potential groups of investors carry out feasibility studies particularly larger, primary industries that would have multiple impacts on the area. Resources may be provided under the Project to assist Regional NEDA/BRBDPO establish or reconfirm baseline levels of small business and rural-based industry (1) investment, (2) gross sales, (3) employment, and (4) other indicators. As new data are generated, revised short, mid and long range private sector investment targets will be established for the Bicol Program area and Bicol Region.

D. Evaluation

Progress assessments during the construction phase and impact evaluation (on beneficiaries) of completed Bicol Program component projects (particularly those supported by A.I.D. loans and grants), will be supported by the Project. Appropriate activities, including

a major multipurpose survey and special studies and analysis will be supported by the Project to provide reliable information to assess the impacts of the broader Bicol Program and changes in development indicators. Indicators have been selected to measure agricultural production and productivity, levels and distribution of income, time allocation and employment status, demographic changes, health and nutritional status, perceived and actual standard of living, and the contribution of women in development.

Survey and special study findings will also be an input to Bicol Program planning and to component project design and monitoring. Adequate baseline data are important to understand the combined synergistic effects of the Bicol Program with various other Government projects and programs (such as national roads and rural electrification), and with positive and negative processes of growth outside the control of regional development efforts.

Under this Agreement, an implementation letter will spell out the contribution for the analysis of the first Bicol Multipurpose Survey initiated under the prior grant project. Subject to the availability of funds in FY 1980 for this purpose, it is proposed that the Bicol Multipurpose Survey be re-run beginning October 1980.

An in-depth biennial evaluation of this technical assistance project and the progress of the overall Bicol Program is proposed for mid 1979 and again in mid 1981 by a joint GOP/U.S. team. An appropriate scope and design will be developed based on Section 5.1 of this Agreement and the BRBDPO implementation plan under Section 4.1.

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To review the various approaches and methodologies applied to date under the NEDA and the CCC-IRDP at the national level particularly with four (or more) major on-going integrated sub-regional projects supported by different external donors,<sup>1/</sup> it is proposed that A.I.D. provide a recognized expert(s) to join a GOP/multidonor team to do an appropriate assessment (proposed in 1978 or early 1979) with the possibility of a follow-on conference on integrated rural development implementation experience to date. This assessment should encourage a fruitful interchange of ideas and approaches between major integrated projects and programs and should help apply replicable Bicol methodology to other sub-regions and vice-versa.

E. Strengthening BRBDPO Institutional Development

Participant Training - The Project is designed to contribute to strengthening the technical and management capability of the multi-agency Bicol Program staff through BRBDPO in-house training; on-the-job training provided by U.S. and Filipino consultants, and institutional contract studies; and also through a moderate A.I.D.-sponsored participant training program, primarily at third-country institutions and project sites. For the latter, of thirty-seven participants proposed over the life of the Project, 29 are proposed for third-country and 8 for training in the U.S.; by academic classification, 30 are non-degree and 7 are degree training, with four of the latter in the U.S. Proposed training will be summarized each year in updated attachments to Annex 1,

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<sup>1/</sup> Bicol Program, Mindoro Project, Cagayan Project, Samar Project, and possibly others.

and will be detailed in Project Implementation Orders or Implementation Letters for each training program.

Commodities - The expanded and accelerated Bicol Program has put increased demands on and has elicited a higher level of performance from BRBDPO staff, and participating line agency staff at the regional and field levels. The Project also requires specific output from local government units at the provincial, municipality, and barangay levels. The Bicol Program is providing the means, through impact projects and major integrated area development projects, to implement priority activities identified by the line agencies and local governments. The increased demands of coordinated planning, implementation and monitoring by the BRBDPO, individual agencies and area development teams, require additional service vehicles, office and laboratory equipment, survey and field testing equipment, and other essential supplies and commodities that are difficult to procure through government channels or are not available in the Philippines. To help meet these needs, a moderate level of selected commodities are proposed for procurement under the Project. Proposed commodities, by type, will be summarized each year in updated attachments to Annex 1, and will be detailed in Project Implementation Orders or Implementation Letters for procurement.

### III Project Management and Support

This technical assistance project will be managed by a qualified, full time BRBDPO Project Manager (part time in 1978 and full time beginning January 1979). One or more special assistants will be

24

provided as required. The BRBDPO will continue to provide part time or full time coordinators for each technical activity or sub-project undertaken or supported by the Project, as part of the overall Bicol Program organizational structure.

A small USAID (Bicol) core team will assist in the management and implementation of the Project. U.S. direct-hire USAID team members are concurrently assigned as USAID Project Officers of one or more Bicol Program component projects assisted by A.I.D. loans or grants, as part of the USAID/Philippines organizational structure.

The BRBDPO will provide the USAID core team and project-funded consultants with space and office facilities at the new Bicol Program Office complex in Pili, Camarines Sur, or at other field locations as mutually agreed. Vehicle operation and maintenance support will also be provided by the BRBDPO. A sufficient number of qualified support staff (drivers, clerical, and other staff) will be provided by the BRBDPO to support USAID and project-funded personnel.

#### IV Financial Plan

##### A. Life-of-Project Costs

Estimated life-of-project costs are shown in Attachment 1, Table 1. Initial year obligations or commitments are detailed in Tables 2-5. The financial plan and supporting tables will be updated each fiscal year based on availability of GOP and A.I.D. funds and mutual agreement to proceed at that time. The financial plan is subject to change by the representatives named in Section

25

8.2 without formal amendment of the Grant Agreement, provided that such changes do not exceed the amount agreed upon in Section 3.1 of the Agreement as amended.

B. Disbursement for Dollar Costs

Funds for dollar cost contract services, commodities and participants will follow the procedures outlined in Section 7.1.

C. Disbursement for Local Currency Costs

1. Advance of Funds. For disbursement under Section 7.2., an advance of A.I.D. funds directly to the BRBDPO for peso contracts can be made on a quarterly basis covering the estimated accrued expenditures for the following quarter of the program. The advance request together with BRBDPO's estimate of accrued expenditures should be filed 30 days before the pertinent quarter so that the advance can be processed prior to the beginning of the quarter. Each quarterly advance will be liquidated through a no-pay voucher and accompanying certified financial report; any unliquidated balance remaining at the end of the quarter will be offset against the advance requested for the succeeding quarter. A voucher, on Standard U S. Form 1034, liquidating each quarterly advance should be filed with the USAID/Philippines Controller, through the Office of the Assistant Director for Regional Development, by the 20th of the month preceding the close of the calendar quarter. The advance procedure shall be subject to periodic review and possible

24

revision by USAID and the BRBDPO. The initial release of project funds shall be contingent on (1) USAID and Grantee approval of applicable implementation documentation and (2) USAID approval of draft BRBDPO contracts. Unexpended balances of A.I.D. funds at the end of each Operational Year may, at USAID discretion, be carried forward for extension of on-going project activities.

Financial reporting, voucher preparation and submission details shall be the subject of a Project Implementation Letter (PIL) to be issued under this Agreement.

D. Transfer within Funding Categories

Within available balances, A.I.D. funds obligated in Table 1 may be transferred as follows:

1. Transfers affecting Section 2.1, Definition of Project, will require the signature of NEDA and USAID representatives designated in Section 8.2 of this Agreement.
2. Transfers from one cost category to another from that approved in Annex 1 (contract services U.S. sources, contract services Philippines/regional sources, participants, commodities), by up to 15% with corresponding decreases in other categories, may be made by the written request of the Bicol Program Director with the concurrence of the Bicol Cabinet Coordinator and the USAID Director or their designees.

Transfer of more than 15% from any category will require an amendment of Annex 1.

3. Line items in backup tables to Table 1 cost categories which represent specific procurement actions may be increased up to 15% by the party authorized to procure the commodity or service per approved Project Implementation Letters or Project Implementation Orders drawing from contingency line items. Budgeted funds not required for stated line item contracts, as determined by the Bicol Program Director and USAID Project Officer or their designees in periodic financial reports, automatically revert to the contingency sub-category for reprogramming. Increases of more than 15% for budgeted line items and reprogramming of funds for non-budgeted or new line items may be made by the joint written request of the Bicol Program Director and the USAID Project Officer or their designees, with the concurrence of the Bicol Program Coordinator and USAID Director or their designees; or effected in applicable implementation documentation.

E. Contract Technical Services

1. The preferred contracting procedure for technical services from both U.S. and Philippines/regional sources under the Project shall be BRBDPO executed and administered contracts. Contracts shall be subject to A.I.D. Handbook 11 or subsequent provisions. If a contract is to be executed by the

13

BRBDPO, a Project Implementation Letter (PIL) shall be used to earmark the funds. If A.I.D. Washington or the USAID/Philippines Mission is requested to contract for services, on behalf of the BREDDPO, a Project Implementation Order/Technical Services (PIO/T) shall be used. When the BRBDPO is the authorized agent, a draft contract, including the scope of work shall be provided to USAID for review and comment. After the contract has been executed, a copy shall be transmitted to USAID by cover letter for approval. The A.I.D. approval block shall be on the cover or transmittal letter and shall in no case be on the BRBDPO contract. BRBDPO contracts are subject to the approval of the Bicol Cabinet Coordinator per Presidential Decree 926.

PROJECT FINANCIAL PLAN  
SOURCE AND APPLICATION OF FUNDS (\$000)  
(Project No. 492-0303)

TABLE 1

As of	1978	Incremental Funding by Fiscal Year					
		Project Inputs	Initial Obligation <sup>2/</sup> 1978	Future Years Anticipated <sup>1/</sup>			Total
				1979	1980	1981	
<u>AID<sup>3/</sup></u>							
	Technical Services	580	480	410	240	1710	
	Dollar funded	(380)	(350)	(230)	(120)	(1080)	
	Local currency funded	(200)	(130)	(180)	(120)	( 630)	
	Participant Training	50	60	40	-	150	
	Commodities	<u>150</u>	<u>140</u>	<u>70</u>	<u>-</u>	<u>360</u>	
	<u>Total AID</u>	<u>780</u>	<u>680</u>	<u>520</u>	<u>240</u>	<u>2220</u>	
<u>GOP/BREDP (\$1.00 = ₱7.5)<sup>4/</sup></u>							
	Program Office Operations	427 <sup>5/</sup>	453	493	520	1893 <sup>6/</sup>	
	Project Development and Monitoring	1038 <sup>5/</sup>	1066	800	800	3704	
	Consultant/Specialist Support	48	48	32	20	148	
	Participant Training Transportation (Trust Fund A)	6	12	5	-	23	
	Other Participating Line Departments & Agencies <sup>7/</sup>	<u>408</u>	<u>300</u>	<u>200</u>	<u>200</u>	<u>1108</u>	
	<u>Total GOP</u>	<u>1927</u>	<u>1879</u>	<u>1530</u>	<u>1540</u>	<u>6876</u>	
TOTAL AID/GOP		<u>2707</u>	<u>2559</u>	<u>2050</u>	<u>1780</u>	<u>9096</u>	

1/ Subject to availability of funds and mutual agreement to proceed at that time

2/ Cumulative obligation/commitment as per date of basic Grant Agreement

3/ See Tables 2 & 3 for more detailed description (to be updated each fiscal year)

4/ See Tables 4 & 5 for more detailed description (to be updated each fiscal year)

5/ Approved under General Appropriations Act or Presidential Decree No. 1250 per Budget Commission

6/ Computed by increasing 1978 level by 7% inflation factor

7/ Actual releases will be dependent on outcome of feasibility studies and implementation schedules.

A.I.D. Input Summary FY 1978  
Bicol Integrated Rural Development  
(Project No. 492-0303)

TABLE 2

		\$000
I.	<u>Technical Services</u> <sup>1/</sup>	580
A.	<u>U.S. Sources</u> (dollar funded)	
	1. Water Resources	232.0
	2. Rural Investment Promotion	60.0
	3. Multi-donor IRDP Assessment	21.0
	4. Project Design/Analysis	35.0
	5. Socio-economic Survey Analyst	7.0
	6. Water Supply/Sanitation	6.0
	7. Schistosomiasis Control	14.0
	8. Contingency	<u>5.0</u>
	Subtotal	380.0
B.	<u>Philippines/Regional Sources</u> (normally peso funded)	
	1. Contract Specialist	19.2
	2. Rural Industry Specialist	18.7
	3. Water Resources/Civil Engineers (3)	48.0
	4. Soils Engineer	9.6
	5. Regional Development Economist	12.0
	6. Socio-economic Survey/Analysis	80.0
	7. Ag College Project Repackage	1.6
	8. Evaluation/Management Specialist	4.8
	9. Bicol Applied Research	-
	10. Contingency	<u>6.1</u>
	Subtotal	200.0
II.	<u>Participant Training</u>	50
	1. Water Resources Development (AIT Diploma) (2)	10.4
	2. Environmental Engineering (AIT Diploma) (1)	5.2
	3. Water Resources Development (AIT M.S.) (2)	8.0
	4. Agribusiness/Rural Industry (U.S./M.S.) (1)	13.2
	5. Regional Planning/Rural Industry (U.S./M.S.) (1)	13.2
	6. Contingency	-
III.	<u>Commodities</u>	150
	1. Excess Commodities (vehicles, office furniture and equipment)	9.0
	2. New Vehicles (pick-up trucks, 20 each)	130.0
	3. Technical Books	1.0
	4. Water System Testing/Measurement Equipment	10.0
	5. Contingency	-
TOTAL A.I.D. Input		780

<sup>1/</sup> Technical Services are further detailed in Table 3.

Contract Technical Services<sup>1/</sup>  
Fiscal Year 1978

TABLE 3

I. U.S. Sources (PSC, firms, and institutions)<sup>2/</sup>

<u>Consultants or Specialists</u>	<u>(Periods or Person) Trips</u>	<u>Est. Arr.</u>	<u>Mo.</u>	<u>Est. \$/mo.</u>	<u>Est. Cost<sup>3/</sup> \$000<sup>3/</sup></u>	<u>Grantee In-country Support<sup>4/</sup></u>
<b>A. <u>Water Resources</u></b>						
1. Irrigation Engineer/ Water Management	(1)	7/78	24	5,000	120	(19.2)
2. Irrigation Organizations/ Water Management	(1)	1/79	8	5,000	40	(14.4)
3. Water Resources Engineering (2) (Project design, documentation, and construction evaluation/review)		7/78	3	7,000	21	-
		1/79	3	7,000	21	-
4. Ground Water Geologist/ Hydrologist	(1)	1/79	6	5,000	30	( 4.8)
5. Water Resources Economist (loan project review/ documentation)			-			
6. Watershed Protection/Management			-			
7. Fishery (design, lake production)			-			
8. Environmentalist/Ecologist			-			
9. Water Law/Allocation (through NWRC)			-			
Subtotal			44		232	(38.4)
<b>B. <u>Other Consultants/Specialists</u></b>						
1. Rural Investment Promotion	(1)	7/78	12	5,000	60	( 9.6)
2. Multi-donor IRDP Assessment	(1)	open	3	7,000	21	-
3. Project Design/Analysis	(2)	5/78	5	7,000	35	-
4. Socio-economic Survey Analyst	(1)	9/78	1	7,000	7	-
5. Rural Water Supply/ Sanitation	(1)	10/78	1	6,000	6	-
6. Schistosomiasis Control (Sorsogon Province IAD)	(1)	1/79	2	7,000	14	-
Subtotal			24		143	( 9.6)
<b>C. <u>Contingency</u></b>						
					5	-
<b>TOTAL U.S. SOURCES</b>			<b>68</b>		<b>380</b>	<b>(48.0)<sup>4/</sup></b>

<sup>1/</sup> Grantee executed and administered contracts unless USAID requested to procure services; e.g. other U.S. Government sources. Contracts subject to USAID Contract Officer approval.

<sup>2/</sup> U.S. Sources include personal services contracts, U.S. firms particularly those currently listed and operating within the Philippines, and qualified U.S. institutions.

<sup>3/</sup> Estimated U.S. consultant costs for up to 180 days continuous services include dollar-funded per diem, local travel and other costs normally incurred. Support costs of U.S. consultants for continuous services 181 days or longer will be paid by the Grantee from BRBDPO funds earmarked for that purpose.

<sup>4/</sup> Actual cost subject to negotiation with contractors; estimates based on current USAID rates of \$23/day in Bicol and \$30/day in Manila plus local travel and other costs; current BRBDPO rate ₱200/day (\$26.67) plus qualified reimbursable costs.

32

Contract Technical Services

TABLE 3 (cont.)

II. <u>Philippines/Regional Sources</u> (peso funded PSC, firms or institutions) <sup>1/</sup>					
A. <u>Senior Filipino Consultants/ Specialists</u>	Proposed	Mo.	₱/mo. <sup>5/</sup>	Est. Cost <sup>2/</sup>	
	Starting Date			(₱000) <sup>2/</sup>	(\$000)
1. Contract Specialist/Financial Analyst	5/78	24	(6,000)	( 144)	19.2
2. Rural Industry <sup>3/</sup>	6/78	20	(7,000)	( 140)	18.7
3. Irrigation Engineer/Water Management (Libmanan IAD I) <sup>3/</sup>	8/78	24	(6,000)	( 144)	19.2
4. Irrigation Engineer/Construction (Bula IAD II)	5/78	18	(6,000)	( 108)	14.4
5. Civil Engineer (Bicol Roads) <sup>3/</sup>	8/78	18	(6,000)	( 108)	14.4
6. Soils Engineer	5/78	12	(6,000)	( 72)	9.6
7. Regional Development Economist (NEDA/trade & money flow studies)	6/78	18	(5,000)	( 90)	12.0
8. C.S. Ag College Project Repackage <sup>4/</sup>	5/78	2	(6,000)	( 12)	1.6
9. Evaluation/Management	5/78	12	(3,000)	( 36)	4.8
10. Rural/Urban Spatial Planner	5/78	-	-	-	( 4.8) <sup>6/</sup>
11. Fishery/Sea Farming (Ramonada/Sorsogon)		-	-	-	-
Subtotal A		148		( 854)	113.9
B. Socio-economic Survey/Analysis Institutional and/or PSC)		-	-	( 600)	80.0
C. Contingency				( 46)	6.1
Total Philippines/Regional Sources		<u>136</u>		<u>(1500)</u>	<u>200.0</u>
III. Grand Total Contract Technical Services					<u>580.0</u>

- <sup>1/</sup> Grantee executed and administered contracts, subject to USAID Contract Officer approval and A.I.D. Handbook 11 provisions. Regional sources are primarily regional institutions within Philippines.
- <sup>2/</sup> ₱7.5 = \$1.00 (Peso amount rounded).
- <sup>3/</sup> Estimated contract amendment date if on-board consultant performance satisfactory.
- <sup>4/</sup> As possible Polytechnical Institute under IBRD fifth loan.
- <sup>5/</sup> Cost of individual consultants are expected to vary based on prior work experience and salary history, and reasonable overhead rate if a firm. Figures are best estimate for highly qualified people willing to work in the Bicol.
- <sup>6/</sup> Requirement pending non-availability of funds under A.I.D./W Urban Functions in Rural Development Project No. 931-11-899-210 (FY 76)

15/1

Bicol River Basin Development Program  
BRBDP Peso Budget (Appropriations) 1/  
January 1 - December 31, 1978

TABLE 4

OPERATIONS

- Personnel	P 2,071,815	
- Operations & Maintenance	983,185	
- Capital Outlay	145,000	
TOTAL OPERATIONS		<u>P 3,200,000</u> (\$ 426,667)

PROJECT DEVELOPMENT/MONITORING

ON-GOING PROJECTS/ACTIVITIES

Feasibility Studies

- Rinconada IAD study support	P 240,000
- Naga-Calabanga IAD	632,000
- Integrated Health, Nutrition & Population	400,000
- Agribusiness Development	700,000
- Municipal Waterworks (pre-feasibility level)	80,000

Data Collection/Special Studies

- Research & Evaluation	600,000
- Bicol Multipurpose Survey	100,000
- Libmanan-Cabusao Evaluation	250,000

Institutional Development

- Area Development Program (Area Dev. Teams)	<u>500,000</u>
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SUBTOTAL, ON-GOING PROJECTS P 3,502,000

NEW PROJECTS/ACTIVITIES

Feasibility Studies

- Quinali IAD study support	P 199,000
- Rural Housing	120,000
- Municipal Ports	500,000
- Partido IAD (pre-feasibility level)	158,000

Data Collection/Special Studies

- Sorsogon socio-economic studies (Municipal Profiles)	350,000
- Farming Systems Development	153,000
- Detailed Engineering Design (multi-project)	2,550,000

Action Project

- Development Communication	<u>250,000</u>
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SUBTOTAL, NEW PROJECTS P 4,280,000

TOTAL PROJECT DEVELOPMENT/MONITORING

P 7,782,000  
(\$ 1,038,000)

TOTAL OPERATIONS & PROJECT DEVELOPMENT/MONITORING

P 10,982,000

(P7.5 = \$1.00)

(\$ 1,464,667)

34

Other Participating Agencies  
Bicol Program Contributions 1978

TABLE 5

I. Participating Line Departments/Agencies <sup>1/</sup>	
<u>Department of Local Government &amp; Community Development (DLGCD)</u>	
- Area Development Program (per PD 1250)	₱ 254,000
<u>Department of Natural Resources (DNR), Bureau of Fisheries and Aquatic Resources</u>	
- Fishery studies (per PD 1250)	286,000
<u>National Irrigation Administration</u>	
- Rinconada Irrigation System Surveys	727,121
- Naga-Calabanga IAD Study/Design (includes additional test wells)	837,112
- Bula IAD II Ground Water Exploration	102,000
<u>Department of Public Highways</u>	
- Bicol Roads Evaluation (on-going)	<u>850,000</u>
TOTAL	<u>₱3,056,233</u> (₱ 407,498)
II. Provincial Governments/Municipalities <sup>2/</sup>	₱ 330,000

<sup>1/</sup> Funds normally channeled through BRBDPO accounts but may be in kind.

<sup>2/</sup> Contributions in-kind and from local tax resources for area development teams and such activities as preparation of socio-economic profiles; Camarines Sur, Albay and Sorsogon provinces and municipalities.

35