

PROJ 0074

PRO AG
USAID/P

AGREEMENT BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID) AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND THE NATIONAL ECONOMIC COUNCIL (NEC) AN AGENCY OF THE GOVERNMENT OF THE PHILIPPINES

FILE

Under the terms of the Economic and Technical Cooperation Agreement signed April 27, 1951, and the Standard Provisions Foreign Currency Standard Provisions annexes attached, It is agreed to carry out a project in accordance with the terms set forth herein.

1. PROJECT NO. 492-0339 2. ORIGINAL 3. REVISION NO. 3

4. PROJECT TITLE: **Samahang Nayan Support** AGREEMENT NO. 79-02

5. ANNEX A PROJECT DESCRIPTION AND EXPLANATION

6. APPROPRIATION 7. ALLOTMENT

8. AID FINANCING	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
a. PERSONNEL COSTS EUSA Contin				
b. PARTICIPANTS				
c. COMMODITIES				
d. OTHER COSTS AID FUND Contin				
e. TOTAL (Col 1)				
f. US FUNDS (Col 1)				
9. COP FINANCING \$1.00 per Day				
g. COUNTERPART Ind Fund				
Special L 480 Title I	4,719,000			4,719,000
Other				
TOTAL (Col 1)				
b. OTHER				

10. REFERENCES AND REMARKS
The purpose of this Project Agreement amendment is to allow Samahang Nayons to borrow up to P35,000 for an approved project or combination of projects, but no longer a maximum of P15,000 per individual project. It also reflects increased funding from the GOP and the BCOD realignment with M...

CLEARANCES

11. DATE OF ORIGINAL AGREEMENT: Mar 30, 1979 12. DATE OF THIS REVISION: November 16, 1981 13. EST FINAL COMPLETION DATE: December 31, 1982

14. APPROVED BY: B. C. Villavicencio, Sr., External Assistance Staff, NEDA 15. AGENCY FOR INTERNATIONAL DEVELOPMENT: Mary C. Kilgus, Acting Director

16. APPROVED BY: [Signature] 17. PROJECT MANAGER: [Signature]

LIST OF REVISIONS

1. Page 3, paragraph 3, strike "three-year period (FY 79, 80, and 81)" and insert "four-year period (FY 79, 80, 81 and 82)".
2. Page 4, item 6.d. is added to read "Final loan repayment shall be in accordance with the loaning policies and procedures".
3. Page 5, item 7, line 11, delete "MLGCD" and insert "MA".
4. Page 5, item 7, ^{1st paragraph,} /last sentence, the result of the particular activity ... delete ₱15,000 and insert after "approximately" ₱30,000.
5. Page 6, item 7.b. line 9, strike ₱15,000 and insert ₱30,000.
6. Page 6, item 7.c. line 5, strike ₱15,000 and insert ₱30,000.
7. Page 8, item 8, line 2, strike "MLGCD" and insert "GOP".
8. Page 9, item 8, line 2, strike "MLGCD" and insert "GOP".
9. Page 9, item 8.A., strike "MLGCD Counterpart" and insert "GOP Counterpart⁵". Add column for 1982 to read as follows:

	1979	1980	1981	1982
I	-	-	-	₱ 424,000
II	-	-	-	151,000
III	-	-	-	10,000
IV	-	-	-	5,000
V	-	-	-	20,000
VI	-	-	-	<u>234,000</u>
				₱ 844,000

Total Contribution: ₱2,723,130

10. Page 9, item B under PL 480 Fund Requirement - to read as follows:

Requirement per SN	Year I	Year II	Year III	Year IV	Total
I. Light Farm Equipment and/or multi-purpose office bodega ₱30,000	(18) 540,000	(50) 1,500,000	(50) 1,500,000	(25) 750,000	(143) ₱4,290,000
Office Equipment ₱3,000	(18) 54,000	(50) 150,000	(50) 150,000	(25) 75,000	429,000
II. Jeep (Book Value) ^{7/}	-	-	-	-	-
TOTAL:	₱594,000	₱1,650,000	₱1,650,000	₱825,000	₱4,719,000

11. Page 9, footnote^{5/}, see page 6, item c, change to ^{5/} Funds for 1979 and 1980 were budgeted under the MLGCD; 1981 to 1982 under the Ministry of Agriculture

Footnote^{6/}; see page 6, item b, change to See page 6, items b & c.

12. Page 12, item 9.d., line 3, strike "three-year" and insert "four-year";
13. Page 12, item 10, line 2, strike "MLGCD Counterpart" and insert "GOP Counterpart".
14. Page 14, item 13.B., line 6, add 82, to read CY 79, 80, 81 and 82.
15. Attached is the original ProAg which incorporates Revisions 1, 2 and 3.

1. Country : Philippines
2. Project Title : Samahang Nayon Support Project
(Includes Revisions 1, 2 and 3)
3. Beneficiaries :

Since the inception of the current cooperatives movement in 1973, one million small farmers have joined their barangay association (Samahang Nayon) started under the direction of the Ministry of Local Government and Community Development (MLGCD) and the Ministry of Agrarian Reform (MAR). The Samahang Nayon, a pre-cooperative was originally conceived as an integral part of the support program to land reform beneficiaries. The program focuses on three basic elements of cooperative formation: learning, savings, and discipline. Learning involves an eight-week pre-membership education program and a sixty-five-week course administered by the MLGCD covering the gamut of small farmer problems. Upon completion of this course and payment of the membership fees, the participant becomes a full-fledged member of his Samahang Nayon.

As of June 30, 1978, Samahang Nayon members have accumulated over ₱86 million in cooperative savings. These savings have been accumulated in three ways: firstly, by retention by the production lending institutions of five (now three) percent of a member's loan or a contribution of ₱5.00 per month to the Barrio Savings Fund (BSF); secondly, the member gives one cavan of palay (approximately 50 kilograms of rough rice) for each hectare he tills each harvest for the Barrio Guarantee Fund (BGF); and, thirdly, through the annual dues and general membership fees of ₱10 per year. Up to 30% of the proceeds of the BGF are to be used for investment of shares in provincewide or multimunicipality Area Marketing Cooperatives (AMC's) or Cooperative Rural Banks (CRB's). Discipline of the members comes through compliance with these contributions and regular attendance at association meetings, as well as complying with the responsibilities of a land tenure reform beneficiary.

A statistical picture of Samahang Nayon members was drawn in the Project Paper for the Cooperative Marketing Project (CMP). It is important to note that the beneficiaries under the Samahang Nayon Support Project are the same as those that are to be reached under the CMP, but in a distinctly different fashion. The CMP is designed to give technical, managerial, and financial support to the evolving AMC/CRB/apex marketing and finance system, primarily at the national level and to these provincial level farmer-owned cooperatives.

The Samahang Nayon Support Project (SNSP) will directly strengthen the base of the cooperative marketing system, the Samahang Nayon members.

Membership in a Samahang Nayon is limited to at least twenty-five but not more than 200 people living within the boundary of one barangay. Nationally, membership in SN averages some 51.3 members per organization. Membership in proposed project provinces is somewhat higher at 57.8 members per SN. Samahang Nayons are composed primarily of farmers (a recent survey shows that 91.1% of all SN members are farmers, 73% of whom are specifically rice and corn producers) who must be the actual tillers of their land whether full owners, amortizing owners, or leasees. Farmer members must also be at least fifteen years of age or the heads of households residing and/or farming within the geographic boundaries of the barangay for which the Samahang Nayon is organized.

A portion of all SN membership savings is reserved specifically to guarantee land amortization payments for SN members benefiting from the Operation Land Transfer (OLT) program. Tenure status of Samahang Nayon farmer membership shows that 42.2% of all farmer members are full owners of the land they till, 12.1% are amortizing owners and 45.2% have been converted to a leasehold status.

The average annual real farm family income for Samahang Nayon members is estimated to be ₱2,068 or \$276.^{1/}

Under the FY 77 Agrarian Reform Project Agreement, the pilot Samahang Nayon Development Project was implemented in July 1977, with technicians arriving on-site in early August. This pilot effort was designed to test systems of support to evolving farmer institutions, as well as to determine the needs of their members and how those needs can best be served. Over ninety percent of SN members in the pilot provinces are small farmer land reform beneficiaries; Certificate of Land Transfer (CLT) holders, leaseholders with a written leasehold contract, owner-operators, or a combination of the three. A small percentage of the membership represents school teachers (who originally taught new members under the "learning" concept), barangay officers (who cannot be officers of the SN), and some others who do not fit any specific classification (priests, market stallholders, etc.).

^{1/} Cooperative Marketing Project Paper.

A recent evaluation by the MAR, the Bureau of Cooperatives Development (BCOD), and USAID, suggests that the members have various reasons for belonging to the Samahang Nayon. (Anyone who holds a CLT is required to belong to the SN; for all others it is optional.) Most of the members interviewed cited educational opportunities afforded by SN membership training or readily accessible technical assistance for members as their primary reason for joining the SN. Although there were a variety of responses ("To learn to be a better farmer," "... to work together with my fellow farmers", "... to have someone vouch for me at the bank"), the theme of educational opportunity and working together for common progress was central.

A number of composite profiles of the land reform beneficiary have been drawn. They vary in many aspects, but a number of facets are the same: ninety percent of the members are male; they generally farm about two hectares or less; obtaining institutional credit is problematical at best and impossible for many; they have become responsible for their farming operation and personal finances to a degree unknown by their tenant forefathers; and they are somewhat fatalistically confident of the future.

At current levels of projected funding on the part of the Bureau of Cooperatives Development, and with FL 480 financial support as set forth below, the Samahang Nayon Support Project should be able to reach approximately 150 Samahang Nayons in several provinces over a four-year period (FY 79, 80, 81 and 82). At present, these SN's have an average membership of 57.8 members. Based on the results of the pilot test, membership should grow by another 15-20% over the three-year project life. This represents about 10,000 farm families. The SNSP will be implemented directly complementary to the support concept of the Cooperative Marketing Project. (See Section 9, Relevance to other assistance activities.)

4. Problem:

Under the cooperative and agrarian reform mandates, Samahang Nayons were organized through the countryside, now numbering some twenty thousand organized and over seventeen thousand registered and active. One of the major thrusts of the SN movement is to generate and accrue savings by the farmers and their organizations for equity investment and capitalization of the area marketing cooperative/cooperative rural bank network. Savings are being generated as evidenced by the 1/86, 480,000.00 now saved.

Although substantial, this amount is nowhere near to being sufficient to serve the marketing and credit needs of all the SN members that have contributed to the fund, nor should it be expected to at this point in time. (The Bank for Cooperatives under the U. S. Farm Credit System only became fully farmer-owned in 1968, some forty years after the program's inception.) The point is that equity growth takes time, and although the Philippine farmer institutions are building capital that if properly invested and managed can serve them adequately in the future, they have a very real need at this time. The village-based cooperatives must remain viable and active if they are to meet the mandate of serving their members in the future. At present there is evidence of waning membership, largely and correctly because the farmers want to "see" something tangible for their contributions. Through land reform, the landlords have been removed in a very real sense, whether or not the OLT documentation process is fully completed at this time. The former tenants no longer have the unfair sharing arrangements to contend with but neither do they have the relatively easy access to market assistance and credit from the landlord. The cooperative system is designed to replace these services.

5. Expected Results:

By the end of the Samahang Nayon Support Project (SNSP), the following should be in place:

- a. A viable nucleus of 150 Samahang Nayons effectively providing a wide range of support services to over 9,000 farm families.
- b. An annual increase in the net farm family income for membership of participating SN of not less than \$25.
- c. Approximately 150 Samahang Nayons that have successfully implemented various components of leadership development, construction of meeting place/collection points, establishment of a records and accounting system, utilization of SN-owned and operated light equipment, group marketing of farm produce and group purchasing of agricultural inputs for net savings, and actively involved in land tenure reform.
- d. The establishment of a cooperative sector extension system administered by AMC's and comprised of some 75 project trained and BCOD-sponsored technicians responsible for supervising SNSP implementation. By the end of project,

the AMC's should be able to undertake the responsibility for SN development concerning the activities tested and demonstrated under the SNSP with appropriate financing originating from within the evolving CRB structure.

- e. Participation by the SN representing their members for the completion of documentation under the new OLT procedures for 90% of the areas reached under this Project.

6. Duration:

- a. Initial year of obligation - FY 79
- b. Final year of obligation - FY 81
- c. Completion date - December 31, 1982
- d. Final loan repayment shall be in accordance with loaning policies and procedures.

7. Activity Specifics:

The SNSP activities will be based on the experimentation and results of the ongoing Samahang Nasyon Development Project, along with a review of BCOD evaluations of SN activity up to now. This Project will be administered at the central level by a Project Director, currently the Chief for Resources, Allocations, and Development Division of the BCOD, and his staff. The SN selected will come from the areas in which the Cooperative Marketing Project will likely be implemented, approximately ten Samahang Nayons from each area. In each project area, one per province, an Area Project Supervisor will be appointed, probably the local Cooperatives Development Officer of the MA. One contractual employee will be hired for each specific project site, probably one for each two or three contiguous barangays. In this time, employee will be seconded to the local AMC and will be the core of the AMC extension staff. Each Samahang Nasyon selected (see SN Selection Criteria, Annex A) will choose development/income generating activities agreed upon by the SNSP Management Committee. These activities include, but are not exclusively, leadership development, records keeping, meeting house/collection point construction, light machineries utilization, agricultural extension, land tenure reform and other activities suggested by the Samahang Nasyon that are acceptable to the Management Staff. Each of these selected

activities will be headed by a committee, giving the maximum number of SN members the opportunity to "lead" their organization. It is important to note that the participant SN can select from the several activities the ones that it feels are the most important or relevant.^{2/} It is not intended that all SN participate in the same activities, as the needs of the SN are as diverse as the geographical areas wherein they lie. Therefore, it would be more appropriate to delineate a set of acceptable activities from which the participant SN can choose. All of these activities can be accomplished with inputs from both the Fund provided under this proposed project and from resources supplied by the participating SN. For example, the Fund will provide the money to purchase cement, lumber, galvanized roofing and nails and the SN provides the building site, the construction labor, and sand and gravel. The result of this particular activity is that the Fund will provide approximately ₱30,000 per SN and a basic blueprint for the building and the SN members jointly participate in erecting a structure that can be used for a meeting place, a seminar location, a collection point for produce, and a distribution point for farm inputs, as well as a host of other activities having broad based socio-economic benefits.

A brief description of potential activities follows. The first five of these activities are currently underway in the six SNDF pilot barangays in Pangasinan and Camarines Sur. The activities below represent an acceptable variety of projects that the participant SN can undertake. The Management Committee is primarily interested in accomplishment level but not on a specific time frame. If the members of the Records Committee of Samahang Nasyon A can set up and understand the records keeping activity in two or three days, they could well move on to another activity. Should Samahang Nasyon B require a month or more to evolve their records system, they will be given the time it takes to have it in place. The adequate implementation of any phase of the activities is held more important than completing the work set by a deadline that cannot be justifiably set at the national level.

- a. Record Keeping - Most farmers and many farm organizations do not have adequate record keeping systems. This is particularly evident when expressed as a reason that the

^{2/}This concept was included in the early manuals for SN training and the SNSP will activate it.

farmers hesitate to contribute for the various cooperative funds; many of them simply do not know what is happening to their money. A simple but adequate system has been evolved to track members' contributions, farm needs, particularly credit needs and repayment records, as well as to assist the farmer with documenting and keeping him aware of his land tenure status (leasehold payments, amortization payments) and for coordination with the MA&B/ Bureau of Lands survey and documentation teams. Although the activities are optional, a record keeping system may well be a prerequisite for participating in the activities that follow as it gives the participant SN and the Management Committee documentation of progress under the SNSP.

- b. Meeting place/collection point - Many of the Philippine farmer organizations do not have a place that is really their own. Experience has shown that such a building gives members a center for their activities; a place to hold training, a central location for their records, a collection point where members can deliver their produce to sell in bulk lots as well as to group purchase their inputs in bulk, a place for social functions as well as fund raising, or a consumer store as well as the sense of visible accomplishment by joint effort. This budget will provide up to ₱30,000 per SN for this activity. (Refer to loaning policies and procedures.)
- c. On-farm mechanization - Many small farmers can benefit from the use of light and domestically produced machinery such as threshers, driers, hand tractors, and irrigation pumps. This project will provide a repayable amount to purchase light equipment up to ₱30,000. This amount is repayable to a special account set up at a local financing institution on an amortization schedule built according to machinery use. (Refer to loaning policies and procedures for repayment.)
- d. Farmer leadership development - This activity, much like the records activity, overlaps with many of the others. There is more than adequate leadership potential within the barangay, but only developed and exercised among a

very few persons. Evolving a committee system for each of the chosen activities gives several of the potential leaders a chance to take the responsibility and opportunity to exercise leadership functions. There is training for the farmer-leaders both in the barangay and off the farm.

- e. Agricultural extension - Although the country has an extensive extension system, many times the Ministry of Agriculture technician is not in a position to actually pay timely visits to the farmer. Under the proposed program, the SNSP technicians work more with developing the knowledge of the farmers in production, marketing, etc., and train certain barangay farmers themselves to serve as the resident technicians.^{3/} The idea is that farmers need not be dependent on a visit from the production technician but can rather go to their fellow Samahang Nayon members for the needed assistance. This develops technical expertise within the barangay confines, which will become self-sustaining.^{4/}
- f. Integrated agricultural financing - In spite of the nation's credit schemes, the typical Filipino farmer does not have access to adequate credit. A cohesive and responsible Samahang Nayon can represent all of its members and even guarantee their loans under the current agricultural credit system. The farmers can join together and be recognized for their joint responsibility, but only with a documented credit history (the records keeping system) and the strength of the organization to distribute and collect the loans. This is the framework being utilized in the emerging CRB lending schemes, and is even being used by some private rural banks. This activity will speed the evolution of this cooperative (SN) lending concept.

^{3/} This concept has been tested and refined successfully by the International Institute for Rural Reconstruction with their "farmer scholar" project.

^{4/} This concept of "agricultural counselors" was originally put forth in Dr. Orlando J. Sacay's Samahang Nayon: A New Concept in Cooperative Development.

- g. Land tenure reform - An active Samahang Nayon can represent the interests of all of its members to help them in arriving at a just land tenure status, particularly in coordination with the MAR/Bureau of Lands survey teams to locate the potential beneficiaries for interviewing and identifying the tiller for each parcel (sketching). The SN can also assist in documenting land ownership transfer actions, formulating the Barrio Committee on Land Production for land valuation, enhance the payment of the amortizations on schedule, or implementing the system of farm management assistance in the case of default on amortization payments. They, as a group, can make sure that all of their members receive the services of the government agencies as well as have some additional strength in numbers for representation with the MAR, Court of Agrarian Reform, as well as with their landlords. Under this activity, the SN will compile receipts and information on rental payments since 1972 as it applies to land amortization in areas covered by OLT, to leasehold contracts, and document payments to the Land Bank.
- h. Marketing and input procurement - A traditional problem throughout the country is the inaccessibility of fair markets for the farmers' produce. This is so for a number of reasons, not the least of which is the weak bargaining position of individual farmers in their relations with middlemen. This activity will center on organizing production and outlets as well as utilizing the collection points for joint marketing with the AMC, NGA, or other buyers. This activity will also focus on identifying, with the members, new production possibilities geared for more efficient marketing. Other activities not cited above can be pursued if acceptably designed and implemented by the participant Samahang Nayon.

A vital factor within this project is the use of technicians from the actual project area. This project does not seek a particular expertise on the part of the selected technicians as long as that person has a college degree in agriculture, sociology (preferably rural), or education, or is a member of the Samahang Nayon and is selected by his fellow barrionates. This allows for an outstanding local farmer to be the leader and salaried technical advisor. Selection criteria for technicians is attached. (See Annex B.)

8. Budget:

In the budget below, there are two separate schedules by year. It should be noted that the portion listed under the GOP contribution is considered as the host-country counterpart contribution for the Cooperative Marketing Project. Essentially, the GOP funding would be used for salaries of the technicians and support staff, their travel, educational supplies and materials for the farmers, and training costs for the technicians and the SN member-beneficiaries. The PL 480 Fund is applied to the purchase of construction materials, office equipment, light farm machinery, and light vehicles for supervision and administration of the Project.

A. GOP Counterpart^{5/}

<u>Items</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
I. Personnel Services	₱107,970	₱ 264,567	₱424,000	₱424,000
II. Traveling Expenses	63,000	92,400	151,000	151,000
III. Communication Expenses	6,400	10,200	10,000	10,000
IV. Transportation Expenses	10,000	10,000	5,000	5,000
V. Supplies and Materials	65,000	115,000	20,000	20,000
VI. Misc. Operating Expenses	<u>123,630</u>	<u>166,963</u>	<u>234,000</u>	<u>234,000</u>
Total	₱376,000	₱659,130	₱844,000	₱ 844,000

TOTAL CONTRIBUTION: ₱2,723,130

B. PL 480 Fund Requirement:

<u>Requirement Per SN</u>	<u>Year I</u>	<u>Year II</u>	<u>Year III</u>	<u>Year IV</u>	<u>Total</u>
I. Light Farm Equipment and/or multipurpose office bodega ₱30,000 ^{6/}	(18) 540,000	(50) 1,500,000	(50) 1,500,000	(25) 750,000	(143) ₱4,290,000
Office Equipment ₱3,000	(18) 54,000	(50) 150,000	(50) 150,000	(25) 75,000	429,000
II. Jeep (Book Value) ^{7/}	(3)	(5)	(3)	-	-
Total	594,000	1,650,000	1,650,000	825,000	₱4,719,000

^{5/} Funds for 1979 and 1980 were budgeted under the MLGCD; 1981 to 1982 under Ministry of Agriculture.

^{6/} See page 6, items b and c.

^{7/} To be financed under CMP.

9. Relevance to Other Development Activities:

The entities cited below are all working in support of the agrarian reform beneficiary. Samahang Nayon Support Project gives assistance and generates participation at the local level on several fronts and provides real goods and services to the small farmer. The SNSP gives the Samahang Nayon the unique opportunity to combine the efforts of their members with some outside assistance for visible progress within the barangay confines. A delineation of how the SNSP complements these other efforts follows. The Samahang Nayon Support Project is directly related to four other ongoing activities:

- a. The Cooperative Marketing Project;
 - b. The Agrarian Reform (Land Tenure Reform) Project;
 - c. The Samahang Nayon Development Project; and,
 - d. The Bureau of Cooperatives Development.
- a. The Cooperative Marketing Project, signed in May 1978, is a system of technical, managerial, and financial support to be extended to area marketing cooperatives and cooperative rural banks in several provinces. The CMP is delivering its services to the Cooperative Finance Group and the Cooperative Marketing System at the national level and to the AMC's and CRB's at the provincial level. This entire structure is based on Samahang Nayon which comprise the membership within the cooperative system. AMC's and CRB's are capitalized (owned) by the contributions generated from the member SN. In order for this primary cooperative structure to develop according to plan, the organizational base must remain both strong and active. In the longer run, possibly eight to ten years, AMC's and CRB's should be capable of servicing virtually their entire membership. This is dependent, however, on the SN's ability to demonstrate leadership capability and service in order to retain their member's interest and contributions during the interim. The SNSP will directly contribute to achieving this degree of viability by promoting farmer-led development with respect to the introduction of selected practical socio-economic activities within the SN. These activities will serve as proven models for replication in other SN by AMC's and CRB's over the next few years. Hence, the technicians under the SNSP (hired on a contractual basis by the BCOD) will be based from their respective AMC offices. SNSP technicians who will eventually be employed by AMC's will serve as a nucleus extension staff to assist this future replication effort.

- b. The Agrarian Reform Project has been focussed on technical assistance for Operation Land Transfer (OLT), research on agrarian reform concerns, and small farmer institutional support. Much of the theme of a "successful" program of agrarian reform is hinged on the evolution of cooperatives to replace the services formerly provided by the landlords. It is the responsibility of those replacing or displacing the landlords to provide effective alternatives for the new landowner/leaseholder. The Samahang Nayon has been set in place, with a great deal of expense and labor, and it is the intent of the SNSP to make sure that these beneficiaries will become actively involved in all phases of the process so they become the real beneficiaries of the reform and are not left out on the limb of the well-intentioned government tree.
- c. The Samahang Nayon Development Project (SNDP) has now been in field operation for over one year. It has provided valuable information and guidance for assistance to the SN.
- (1) It has been shown that with assistance in procuring farm machinery, in this case threshers, the SN can operate, maintain, and make a net profit from a piece of light equipment that is usable by nearly all of the members. In one full cropping season, the six pilot SN's netted from ₱800-₱2,200 each. The SN can organize and schedule the machinery use and follow a repayment plan that would be acceptable to a financing institution.
 - (2) It is demonstrably evident that if the building materials are provided, a low-cost structure that is the social center of the organization can be built by the members. This structure can then be used for activities of economic and financial benefit both directly, in the case of joint marketing and procurement, and indirectly, for technical trainings and a center for cottage industries development, as well as giving the members a sense of belonging to their SN. The members take great pride in constructing, maintaining, and utilizing this structure.
 - (3) Leadership development can be effected through a system of giving the farmers technical advice (e. g. how to

conduct meetings, how to organize a work force) that is combined with the practical application of these principles through the experience of leading their group and taking on simple and manageable leadership responsibilities.

- (4) Although many of the records in a given barangay are dispersed and mishandled, a simple but accurate system can be put in place that persons with a little training can maintain. It has been learned that if the records system is clearly explained, the average literate farmer will maintain records and can benefit from a clear understanding of his SN's transactions. It has also been demonstrated that the farmer is more willing to contribute when he can see exactly where his money is going and how it is being utilized.
- (5) The SN's involvement with a development program such as the SNDP has given the MLGCD and USAID a much more accurate picture of the problems and successes of the small farmer. It is an effective way to identify problems and, hopefully, to remedy them before they become crises.

- d. The Bureau of Cooperatives Development (BCOD) is sufficiently convinced by this approach to allocate ₱376,000 from their 1979 budget for the first year of the four-year project. (See Section 8, Budget.) The BCOD has used their staff and will continue to do so to expand and improve this activity. It is because of their request for additional funding that this proposal is put forth. The BCOD appears to be centering more and more of their budgetary and manpower capabilities on the SNDP, and we have received assurance that they will continue to do so under the expanded project. At present, USAID is providing the services for two more years.

10. Funding Disbursement:

The BCOD shall administer the funding as provided for in Section 8.A., GOP Counterpart of the Project budget which appears on p. 10 of this agreement according to standard government guidelines.

Funds identified under Section 8. B. , FL 480 Fund Requirement, of the Project budget shall be disbursed according to the manner described herein. Upon the request of the Project Manager, according to such procedure as NEDA may require, NEDA shall cause the release of funds equivalent to fifty (50) percent of the approved budget for the current year whereupon the Project Manager shall redeposit said funds into a Central Account to be opened in the name of the Project in the Philippine National Bank (PNB) or other lending institution authorized to accept such deposit. The Project Manager shall authorize disbursements from this depository to Cooperative Rural Banks (CRB's) or other rural lending institutions within the close proximity to participating Samahang Nayon according to Project implementation timetables. Said funds shall be held in a special account of the local CRB or other lending institution until such time as the Project Manager, acting through the Project Area Coordinator, shall authorize the withdrawal of said funds for purposes of Samahang Nayon Development activities described under Section 7 of this agreement.

Subsequent semi-annual releases of funds from NEDA to the Project Manager for deposit into the Central Account shall occur in like manner and shall be so effected, upon request by the Project Manager, and upon certification that funding balances in the Central Account for releases made during the particular semester total not more than ten (10) percent of the aggregate release made for that particular semester.

Funding releases for the final semester of each budget year from NEDA to the Central Account shall be subject to presentation by the Project Manager of full accountability of funds disbursed in prior years.

11. Funding Collection:

In order to insure a reasonable repayment of funds disbursed under Section 8. B. of this agreement, it will be necessary for Samahang Nayon identified to participate under the Project to execute a joint undertaking with the CRB or Local Bank, and Project Management. This joint undertaking will commit the SN to repay all Project expenditures made in the SN as identified under Section 8. B. of this agreement over a period not to exceed ten (10) years, in accordance with the loaning policies and procedures promulgated by the Management Committee of the SNSP.

Payments shall be amortized on a semi-annual basis by the SN and all payments together with interest obligations if any shall be deposited in a separate account of the local CRB or other lending institution whereupon semi-annually accumulated deposits shall be remitted to the central depository bank of the Project and therein deposited in a special account for future dispensation according to the direction of NEDA.

AMC's will assist where possible in monitoring this repayment scheme and shall assist the CRB in collection of payments in-kind or in-cash.

12. Evaluation:

The SNSP will be fully evaluated by the evaluation team from BCOD, USAID, and NEDA not later than one full year of field implementation. Subsequent yearly evaluations will be conducted jointly by the BCOD, NEDA and USAID. Rather than a one shot evaluation by outsiders that have difficulty in understanding the system, an ongoing monitoring and evaluation system will be utilized through the participation of the Area Project Supervisor. This will provide regular feedback to the project as it progresses rather than a report for the consumption of those not directly involved with the project. A more detailed monitoring and evaluation system is currently being evolved by BCOD, probably fashioned after the Training and Visitation System of the World Bank.

13. Explanation of Financing:

- A. The amount specified in this agreement shall be financed from PL 480 Title I funds.
- B. Immediately following approval of this Project Agreement, in accordance with standard Philippine Government practice, the Budget Commission will issue an allotment of PL 480 generated funds to the BCOD on or before the first day of the calendar year as specified in this agreement, totalling 4.719 million for CY 1979, 80, 81 and 82. (See Section 8. B.)

14. Reporting Requirements:

- A. Bi-monthly reports of receipts, disbursements, and outstanding obligations or commitments on standard accounting

forms together with a trial balance shall be submitted by the Project Manager to the NEDA and the USAID Controller no later than fifteen (15) days following the close of the reporting period.

- B. A brief monthly status report to include major actions, progress, problems, and plans for the following month will be submitted by the Project Manager to the NEDA and the USAID Office of Rural and Agricultural Development no later than ten (10) days following the close of each month.

SELECTION CRITERIA FOR SNSP PARTICIPANTS

These are the minimum requirements for selection of a Samahang Nayon to participate in the Samahang Nayon Support Project:

- I. There shall be at least 30 active unencumbered agrarian reform beneficiary members of the Samahang Nayon of what at least 20 shall already have their Certificates of Land Transfer.
 - a. Where active member is one who has no overdue payments to GF, BSF and BGF and contributions totalling at least ₱100.
 - b. Unencumbered member is one who:
 - 1) Neither has outstanding overdue production loans to rural banks or other financial institution
 - 2) Nor has outstanding overdue amortization payments to Land Bank of the Philippines.
- II. a. Either the documentation folder for the barangay must be completed and submitted to COLT and approved for processing at NCC; or,
 - b. Active SN members are willing to actively participate in land tenure reform documentation jointly with MAR/BL survey teams.
- III. Members of SN have ID cards issued to them.
- IV. Either a) Barangay Committee on Land Production have approved land valuations and/or b) LTPA's covering the barangay have been already approved.
- V. At least part of the area must be under irrigation.
- VI. The SN has an investment with either/or the AMC and CRB in their province.
- VII. The area must have reasonable accessibility to land transportation.
- VIII. The two or three SN under consideration in each area should be proximate to each other so that one SNSP technician can service all of them.

SELECTION CRITERIA FOR SNSP TECHNICIANS

The SNSP Management Staff will assist in the selection of technicians in coordination with the MLGCD field personnel. Selection of the technicians shall be based on the following qualifications:

a. Educational attainment by priority

- (1) B. A. in Agriculture, or equivalent
- (2) B. S. in Sociology
- (3) B. S. in Commerce
- (4) B. S. in Education

b. Residence - by priority

- (1) Son/daughter of SN member within the project barangay
- (2) Son/daughter of non-member who will join the SN
- (3) Son/daughter of SN member of an adjoining barangay of the participant SN
- (4) Son/daughter of SN member in other area but will reside in participant SN
- (5) Any SN member who is technically qualified.

SAMAHANG NAYON SUPPORT PROJECT

LOANING POLICIES AND PROCEDURES

(Revised)

1. TYPES OF LOAN

- a. **Purchase of light and domestically produced farm equipment such as rice thresher, drier, handtractor, irrigation pump, etc.**

Amount of Loan

The loan for capital asset acquisition shall be based on the actual needs of the project but shall not be more than ₱30,000.00

Terms of Loan

Payable within the period not exceeding five years with two years grace period from all interest obligation.

A 3% interest shall be charged on the principal account at the start of the 3rd and remaining years thereafter. Repayment shall be amortized on a semi-annual/annual basis.

The equipment shall be covered by a chattel mortgage in favor of the SNSP until the loan is fully paid.

- b. **Cost of materials for the construction of multipurpose office/ bodega.**

Amount of Loan

Amount of loan shall be based on the actual cost of construction materials needed but shall not exceed ₱30,000.00.

Equity Contribution

The SN applicant shall be required to provide the following counterpart:

1. a lot at least with an area of 250 sq. m. (donated or leased for 25 years)
2. labor counterpart
3. locally available materials such as gravel and sand.

Terms of Loan

Payable within a period not exceeding 10 years with a grace period of three years from all interest obligation.

A 3% interest shall be charged on the unpaid principal account at the start of the 4th year and remaining years thereafter. Repayment shall be made either by semi-annual or annual basis as determined by the feasibility study.

Financing for the two types of loan shall be selected by the SN. In no case can the SN qualify for an excess of ₱30,000 for any combination of building and equipment loans.

- c. Purchase of office equipment or materials for cabinet, typewriter, adding machine or calculator, tables and chairs, etc.

Amount of Loan - ₱3,000.00

Terms of Loan

Payable within the period of three years at interest rate of 3% per annum. The equipment shall be covered by a chattel mortgage in favor of the SNSP until the loan is fully paid.

II. LOANING PROCEDURE

- a. Application for financial assistance must be supported by the following documents:
1. Duly accomplished loan application.
 2. Project feasibility study.
 3. Resolution of the General Assembly signifying to apply for a loan and authorizing officers to negotiate and enter into contract for financial assistance.
 4. Certificate of incumbency, listing of officers of SN, addresses, signatures and expiration of terms by technician and attested by the CODO.
 5. Latest audited financial statements and operation of the SN by the technician.

6. Deed of Donation/Lease/Sale for the lot where the bodega will be constructed.
- b. Duly accomplished requirements shall be submitted by the SNSP technician to the Project Director for review and evaluation.
- c. Field investigation will be conducted by the SNSP Management staff to verify the viability and feasibility of the project. The recommendations made shall be the basis for action of the SNSP Management Committee on the loan application.
- d. Upon approval of the loan the Project Director shall notify the SN and correspondingly advise the CRB or designated local financing institution.

III. LOAN RELEASES

The proceeds of the loan shall be released upon approval through the nearest CRB or local financing institution designated by the SNSP Management.

Meantime, funds released shall remain in the account of SN until disbursements are authorized by the SNSP Technician in accordance with the schedule worked out by the dealer or supplier.

The delivery receipt shall be signed by the authorized SN official and the technician. The equipment and materials shall be inspected by the Cooperative Development Officer II of the province where the project is located. The CODO II will submit a report of inspection to the SNSP Management, three (3) days after the inspection.

If within 60 days from released thereof, the funds are not utilized for the purpose of the loan, the SN has to communicate with the Management Committee for any change in the project. Otherwise the amount is recalled by the SNSP Management Committee.

IV. LOAN SECURITY

The loan shall be secured by a chattel mortgage on equipment acquired from the proceeds of the loan which shall be executed

within 15 days after acquiring the equipment. Likewise, the multi-purpose office/bodega shall be secured by a real estate mortgage within 15 days after the completion.

LOAN REPAYMENT

In order to insure a repayment of loans under this loaning scheme, it is necessary for the SN applicant to execute a Memorandum of Agreement with the Project Management and the local financing institution.

The SN borrower shall make direct cash payment to the designated bank in accordance with the schedule cited in the memo of agreement.

In cases where in the SN defaulted in the first payment, the SN can not avail of the grace period for the interest.

VI. INSPECTION AND SUPERVISION

Loan under this project shall be in accordance with the supervised agricultural credit program. Aside from the verification on the utilization of loan, regular visits shall be conducted by the evaluation of team from BCOD, NEDA and USAID during the entire term of the loan. Such visits shall involve the extension of technical assistance, advisory services and evaluation of the project.

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PROJECT AGREEMENT
 BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)
 AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
 THE NATIONAL ECONOMIC COUNCIL (NEC)
 AN AGENCY OF THE GOVERNMENT OF THE PHILIPPINES

Under the terms of the Economic and Technical Cooperation Agreement signed April 27, 1951, and the Standard Provisions Foreign Currency Standard Provisions annexes attached, it is agreed to carry out a project in accordance with the terms set forth herein.

1. PROJECT NO. **492-0339** 2. ORIGINAL 3. REVISION NO. **2**

4. PROJECT TITLE: **Samahang Nasyon Support** AGREEMENT NO.: **79-02**

5. ANNEX A PROJECT DESCRIPTION AND EXPLANATION

6. APPROPRIATION:		7. ALLOTMENT:		
a. AID FINANCING	PREVIOUS TOTAL (A)	INCREASE (B)	DECREASE (C)	TOTAL TO DATE (D)
b. PERSONNEL COSTS				
Contract				
c. PARTICIPANTS				
d. COMMODITIES				
e. OTHER COSTS				
AID Direct				
Contract				
f. TOTAL (Dollars)				
g. US OWNED (Pesos)				
h. COP FINANCING				
CLOS - Pass				
i. COUNTERPART				
Inst Fund - "A"				
- "B"				
Special PL 480 Title I	4,719,000			4,719,000
Gift				
TOTAL (Pesos)				
j. OTHER				

10. REFERENCES AND REMARKS:
 The purpose of this Project Agreement Amendment is to revise the project completion date to allow project implementors to fully extend loanable funds and to allow at least one full year for paraprofessional servicing of SNs during the critical first year of repayment.

CLEARANCES

GOPI: *[Signature]*
 BCOD: *[Signature]*
 RJE: *[Signature]*

USAID: *Ronald H. [Signature]* Project Manager
[Signature] Controller

Other: *[Signature]*

11. DATE OF ORIGINAL AGREEMENT: **March 30, 1979** 12. DATE OF THIS REVISION: **May 21, 1981** 13. EST FINAL CONTRIBUTION DATE: **December 31, 1982**

14. GOVERNMENT OF THE PHILIPPINES
 Signature: *B. G. Villavicencio* 5/15/81
 Title: **Director, External Assistance**
 For: **Staff, NEDA**

15. AGENCY FOR INTERNATIONAL DEVELOPMENT
 Signature: *Anthony M. Schwarzwald*
 Title: **Director** 21 May 81

ORAD: K.F. Jensen
 RIO: D.L. Presley

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USAID/P

PROJECT AGREEMENT
 BETWEEN THE **DEPARTMENT OF FOREIGN AFFAIRS, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)**
 AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND
THE NATIONAL ECONOMIC DEVELOPMENT & DEVELOPMENT AUTHORITY
 AN AGENCY OF THE GOVERNMENT OF THE PHILIPPINES

FILE

Under the terms of the Economic and Technical Cooperation Agreement signed April 24, 1951, and the Standard Provisions Foreign Currency Standard Provisions annexes attached, it is agreed to carry out a project in accordance with the terms set forth herein.

1. PROJECT NO. **492-0339** 2. ORIGINAL 3. REVISION NO. **1**

4. PROJECT TITLE: **Samahang Nayon Support** AGREEMENT NO. **79-02**

5. ANNEX A PROJECT DESCRIPTION AND EXPLANATION

6. APPROPRIATION:		7. ALLOTMENT:		
B. AID FINANCING	PREVIOUS TOTAL (A)	INCREASE (C)	DECREASE (C)	TOTAL TO DATE (D)
a. PERSONNEL COSTS				
Costs				
b. PARTICIPANTS				
c. COMMODITIES				
d. OTHER COSTS				
AID Costs				
Costs				
e. TOTAL (D+E)				
f. US OWNED (F+G)				
g. COP FINANCING				
GICOP - Part				
h. COUNTERPART				
Total Fund				
Special PLARO Title I	P4,719,000			P4,719,000
City				
TOTAL (D+E)				
b. OTHER				

10. REFERENCES AND REMARKS:
 The purpose of this Project Agreement Amendment is to revise the project completion date, to allow subloan policies to be established by the SNS Management Committee, and to allow the subprojects to operate supportive of the Cooperative Marketing Project.
 Details are set forth on the attached list of revisions.

PERMIT TO CLEARANCES

COPI: BCOD	<i>[Signature]</i>	USAGM: <i>Ronald H. Pollock</i> Project Manager	<i>[Signature]</i> Controller
		<i>Edmund A. Hood</i> Project Officer	Other

11. DATE OF ORIGINAL AGREEMENT March 30, 1979	12. DATE OF THIS REVISION March 28, 1980	13. EST. FINAL CONTRIBUTION DATE December 31, 1981
14. GOVERNMENT OF THE PHILIPPINES Signature: B. G. VILLAVICENCIO Director, External Assistance	Signature: Anthony M. Schwarzwald Director	
Mk: Staff	Mk: 78 Mar '80	

[Handwritten initials]

LIST OF REVISIONS

- a. Pg. 3 second full paragraph, line 8. Delete entire sentence beginning with "It should be noted that the provinces of Nueva Ecija, Pampanga, Bulacan, Tarlac, Pangasinan, Benguet, Camarines Sur, Albay, Iloilo, South Cotabato and Bukidnon are in the same provinces where the CMP is being implemented".
- b.1) Pg. 4, Item 6.c. "Completion date - December 31, 1981".
2) Item d is added to read "Final loan repayment shall be in accordance with the loaning policies."
- c. Pg. 5, item 7, line 7, Delete "fifteen".
Pg. 5, item 7, line 7, Delete "is being" and insert "will likely be".
- d.1) Pg. 6, item 7.b, Strike line 10, insert period after the word "activity". Insert at end of paragraph, "Refer to loaning policies and procedures for repayment policy".
2) Pg. 6, item 7.c, Strike final sentence, insert in its place "Refer to loaning policies and procedures for repayment policy".
- e.1) Pg. 10, item 9.a, line 3, Strike the words "fifteen" and "eight".
2) Pg. 10, item 9.a, line 4, Strike "eleven" and insert "several". Also same line, insert period after "province" and strike "the target provinces as under the SNSP".
- f.1) Pg. 13, item 11, first paragraph, line 4, Strike "local Area Marketing Cooperative (AMC)".
2) Pg. 13, item 11, first paragraph, line 5, After the acronym CRB insert "or local bank".
- g. Pg. 13, item 11, line 8, Strike period and insert comma after the word "years". Insert after the word "years", "in accordance with the loaning policies and procedures promulgated by the Management Committee of the SNSP". Strike final sentence beginning with "The SN shall"
- h. Pg. 14, item 12, line 1, Strike "in the later part of FY 79" and insert "not later than after one full year of field implementation".

LOANING POLICIES AND PROCEDURES

I. TYPES OF LOAN

- a. Purchase of light and domestically produced farm equipment such as rice thresher, drier, handtractor, irrigation pump, etc.

Amount of Loan

The loan for capital asset acquisition shall be based on the actual needs of the project but shall not be more than ₱15,000.

Terms of Loan

Payable within the period not exceeding five years with two years grace period from all interest obligation.

A 3% interest shall be charged on the principal account at the start of the third and remaining years thereafter. Repayment shall be amortized on a semi-annual basis.

The equipment shall be covered by a chattel mortgage in favor of the SNSP until the loan is fully paid.

- b. Cost of materials for the construction of multi-purpose office/bodega.

Amount of Loan

Amount of loan shall be based on the actual cost of construction materials needed but shall not exceed ₱15,000.

Equity Contribution

The SN applicant shall be required to provide the following counterpart:

- 1) a lot at least with an area of 250 sq. m. (donated or leased for 25 years)
- 2) labor counterpart
- 3) locally available materials such as gravel and sand.

Terms of Loan

Payable within a period not exceeding ten years with a grace period of three years from all interest obligation.

III. LOAN RELEASES

The proceeds of the loan shall be released upon approval through the nearest CRB or local financing institution designated by the SNSP management.

Meantime, funds released shall remain in the account of SN until disbursements are authorized by the SNSP technician in accordance with the schedule worked out by the dealer or supplier.

IV. LOAN SECURITY

The loan shall be secured by a chattel mortgage on equipment acquired from the proceeds of the loan which shall be executed within 15 days after acquiring the equipment. Likewise, the multi-purpose office/bodega shall be secured by a real estate mortgage within 15 days after the completion.

V. LOAN REPAYMENT

In order to insure a repayment of loans under this loaning scheme, it is necessary for the SN applicant to execute a Memorandum of Agreement with the Project Management and the local financing institution.

The SN borrower shall make direct cash payment to the designated bank in accordance with the schedule cited in the memo of agreement.

VI. INSPECTION AND SUPERVISION

Loan under this project shall be in accordance with the supervised agricultural credit program. Aside from the verification on the utilization of loan, regular visits shall be conducted by the evaluation of team from DCOD, IEDA and USAID during the entire term of the loan. Such visits shall involve the extension of technical assistance, advisory services and evaluation of the project.

VII. ANNEXES

Annex A

SELECTION CRITERIA FOR SNSP PARTICIPANTS

These are the minimum requirements for selection of a Samahang Nayon to participate in the Samahang Nayon Support Project:

- I. There shall be at least 30 active unencumbered agrarian reform beneficiary members of the Samahang Nayon of what at least 20 shall already have their Certificates of Land Transfer.
 - a. Where active member is one who has no overdue payments to GF, BSF and BGF and contributions totalling at least P100.
 - b. Unencumbered member is one who:
 - 1) Neither has outstanding overdue production loans to rural banks or other financial institution,
 - 2) Nor has outstanding overdue amortization payments to Land Bank of the Philippines.
- II. a. Either the documentation folder for the barangay must be completed and submitted to COLT and approved for processing at NCC; or,
 - b. Active SN members are willing to actively participate in land tenure reform documentation jointly with MAR/GL survey teams.
- III. Members of SN have ID cards issued to them.
- IV. Either a) Barangay Committee on Land Production have approved land valuations and/or b) LIPA's covering the barangay have been already approved.
- V. At least part of the area must be under irrigation.
- VI. The SN has an investment with either/or the AMC and CRB in their province.
- VII. The area must have reasonable accessibility to land transportation.
- VIII. The two or three SN under consideration in each area should be proximate to each other so that one SNSP technician can service all of them.

Annex B

SELECTION CRITERIA FOR SNSP TECHNICIANS

The SNSP Management Staff will assist in the selection of technicians in coordination with the MLGCD field personnel. Selection of the technicians shall be based on the following qualifications:

- a. Educational attainment by priority
 - (a) B.A. in Agriculture, or equivalent
 - (b) B.S. in Sociology
 - (c) B.S. in Commerce
 - (d) B.S. in Education
- b. Residence - by priority
 - (a) Son/daughter of SN member within the project barangay
 - (b) Son/daughter of non-member who will join the SN
 - (c) Son/daughter of SN member of an adjoining barangay of the participant SN
 - (d) Son/daughter of SN member in other area but will reside in participant SN
 - (e) Any SN member who is technically qualified.