

United States Development Assistance to the Philippines



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The Congressional Mandate

In December, 1973 the Congress of the United States designated the target of American development assistance programs to be the "poor majority" in the developing countries. Under this "mandate", U.S. AID Missions were directed to collaborate with the governments of the developing countries in designing and implementing programs which directly assist the poor, by providing adequate nutrition, necessary health services, and a practical education.

This recognition of the urgent need to help the "poor" reflects growing concern in the United States over the widening gap between the "rich" and the "poor" among and within nations, resulting from the erratic distribution of natural resources and uneven sharing in the benefits of modern technological progress.

In focusing U.S. aid on the "poor majority", the Congress has both simplified and complicated the task of U.S. AID Missions. Their task is made simpler by virtue of having been given a clear overall target at which to aim, more complicated because the target will be difficult to reach. The "poor" generally live in the remote rural sections of countries, beyond the mainstream of commercial activity. Even when physically close at hand, in urban slum areas, economic and social barriers prevent their participation in normal commerce and they do not get an equitable share of the country's economic wealth.

History of U.S. Aid to the Philippines

In the Philippines, these recent modifications to the overall U.S. aid posture coalesce with changes that have been taking place within the Philippine aid program itself. Indeed, the history of U.S. aid to the Philippines has been varied as the program has evolved to meet changing developmental requirements.

U.S. aid to the Philippines had its inception during the post-war period of the 1940's, just after the country had become an independent republic. Funds provided during this period were used mainly to compensate Filipino citizens for damage to their homes and property caused by the war. A sizeable sum was also devoted to the reconstruction of roads, bridges, public buildings and basic infrastructure.

The second stage of U.S. development assistance began under the Quirino-Foster foreign aid agreement that was signed in 1952. During this second stage, which lasted through to the end of the 1960's, aid was geared to institution building, such as the establishment of national agencies, and to training the administrative and technical personnel needed to carry out the duties of the expanding governmental and educational apparatus.

At the onset of the 1970's, U.S. development assistance shifted toward its present approach: aiding the rural poor so that they might benefit directly from the services of the national

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institutions and agencies that had been created to spread the latest information and technology available, to expand output, and enrich the lives of the people.

This approach has been facilitated in part by the fact that in recent years basic infrastructure areas, such as power generation and highway and port construction, have been receiving increasing financial aid from other aid donors, such as the Asian Development Bank and the International Bank for Reconstruction and Development. Presently, these two international institutions account for the major share of concessional aid to the Philippines. This has permitted U.S. resources to be used for activities that impact directly on the rural "poor".

This new U.S. approach was also facilitated by the establishment in 1971 of a Consultative Group for the Philippines which performs a key role in providing a forum for the Philippine Government to discuss development efforts and progress with aid donors. The U.S. is a founding member and continues to be an active supporter of the Consultative Group.

Current Development Problems

The current development problems of the Philippines can be stated in fairly concrete terms. They involve mainly the pressures a rapidly growing population is placing upon limited available resources and the need to restructure a traditional and dualistic society to hasten its adjustment to technological and social change.

As in other developing countries, these basic problems have been manifested in low agricultural yields, widespread malnutrition and extensive under-employment. The various projects presently being assisted by the United States, through technical assistance grants, concessional loans, and PL 480 imports, are focussed on these problems as they impact on the majority of the population living in rural areas. AID-assisted projects include agricultural research, the construction of irrigation facilities, rural electrification, family planning, nutrition, farm-to-market roads, community water systems development, land reform and an integrated area development program for the Bicol River Basin. The U.S. is also providing support to the Government's Provincial Development Assistance Project, which is designed to help local governments acquire the training and skills needed for improved project planning, budgeting and tax administration.

In 1946, when the Philippines regained its independence, the population was approximately 20 million. By 1975, it had grown to about 43 million. At current growth rates, the population will exceed 85 million by the year 2000. This means that, in the next 25 years, the Philippines must feed an average of more than 1.5 million additional people each year.

The probable doubling of the population over the next 25 years may seem like a distant problem, but it is one for which a solution cannot be postponed. Estimates of the amount of arable land not presently under cultivation vary, but it is clear that the potential for expanding current agricultural hectarage is limited. The problem of providing greater nutrition to the growing population will have to be solved through substantial increases in agricultural productivity, and improvements in the quality of the food provided, even as the rate of population increase is being reduced.

In addition to coping with the problem of feeding a growing population, of which nearly two-thirds live in rural areas, there are a number of other compelling reasons for supporting accelerated rural development efforts.

- *Rural areas have considerably higher infant mortality and considerably lower literacy rates than urban areas.*
- *Outside of Manila, hospital beds are extremely scarce.*
- *Only about one-half of rural dwellings have an adequate water supply.*
- *Only ten per cent of rural homes have electricity.*
- *Rural areas need about three times the road length per capita as Manila, for transportation and commerce.*
- *Family incomes in rural areas are only slightly more than one-third those of Manila and roughly 55 per cent of those in urban areas outside of Manila.*
- *Nutrition is well below recommended allowances, although the urban poor suffer even greater deficiencies.*

The Development Assistance Program

The basic strategy underlying U.S. assistance is to help the Government sustain and improve the well-being of the rural population, while programs to limit population growth are being implemented. The table below summarizes, in dollar terms, the U.S. aid resources currently being contributed in support of this assistance strategy.

**UNITED STATES DEVELOPMENT ASSISTANCE
TO THE PHILIPPINES
FISCAL YEARS 1974 and 1975
(In Million Dollars)**

<u>A. RURAL DEVELOPMENT</u>	<u>FY 74</u>	<u>FY 75</u>
<u>GRANTS</u> –	<u>\$3.2</u>	<u>\$3.8</u>
Local Development	1.1	1.3
Agricultural Services	0.5	–
Bicol River Basin Development	0.4	0.6
Agrarian Reform	0.6	0.5
Small Farmer Income & Production	–	0.5
Rural Electrification	0.6	0.6
Aquaculture Production	–	0.3
 <u>LOANS</u> –	 <u>\$21.6</u>	 <u>\$45.0</u>
Rural Electrification	18.0	20.0
Rural Roads	–	15.0
Small Scale Irrigation	–	6.5
Libmanan Integrated Irrigation	–	3.5
PL 480 Title I (Food Aid)	3.6	–
 TOTAL – RURAL DEVELOPMENT	 <u>\$24.8</u>	 <u>\$48.8</u>
 <u>B. FAMILY PLANNING/NUTRITION</u>		
<u>GRANTS</u> –	<u>\$18.2</u>	<u>\$13.9</u>
Population Planning	6.2	5.0
Nutrition	0.4	0.5
Local Water Development	0.5	–
PL 480 Title II (Food Grants)	11.1	8.4
 <u>LOANS</u> – Provincial Water Systems	 <u>\$15.0</u>	 <u>–</u>
 TOTAL – FAMILY PLANNING/ NUTRITION	 <u>\$33.2</u>	 <u>\$13.9</u>
 <u>C. OTHER GRANTS</u>	 <u>\$0.7</u>	 <u>\$0.4</u>
 GRAND TOTAL	 <u>\$58.7</u>	 <u>\$63.1</u>

U.S. development aid to the Philippines is channelled through the National Economic Development Authority (NEDA). This close working relationship permits U.S. aid to be programmed towards priority problem areas on a coordinated basis with the Government's own resources, as well as inputs provided by other donors.

The collaborative manner in which U.S. aid is administered is exemplified by the assistance being provided to the Bicol River Basin Development Program. Located in southern Luzon, the Basin is an area of some 300,000 hectares and one million people. It is an agricultural area of lower than average income levels, and is one of seven basin areas earmarked by the Government for intensive, integrated development. U.S. assistance includes technical support for the establishment of the institutional structure needed to plan and administer the development program, and for systems engineering and data collection. Feasibility studies are being done or are planned for projects already identified. AID has also funded a power transmission and distribution system for the Bicol area and has plans to finance farm-to-market road construction and a pilot irrigation program.

As with other AID-supported projects, it is anticipated that many of the feasibility studies produced under the Bicol River program will merit financing from non-AID sources. Over the next decade, the studies are expected to generate project proposals for upwards of \$300 million. The Bicol program is emerging as a most innovative and promising approach to rural development – and represents the kind of effort most amenable to U.S. support as envisioned by the U.S. Congress in its 1973 “mandate”.

Rural electrification, which has been given top priority among the Government's current development programs, is also a priority area for U.S. AID assistance. This priority has been accorded the program based on the immediate and tangible benefits which it will provide to numerous rural dwellers. It is also a strategic project in the sense that it will pave the way for expanded industrial and agricultural development and increased productivity in the rural areas. This will, in turn, lead to substantial improvement in the standard of living in rural areas as incomes accrue to workers employed by the newly-established industries. Greater employment opportunities in rural areas will, of course, help slow the exodus of rural unemployed to the cities, a movement which over the past several decades has been the major contributing factor in the creation of urban slum areas.

Another major assistance area for U.S. aid is agricultural research. As noted above, with the limited potential for expanding arable land, improved nutritional levels are possible only through increased yields and better quality foodstuffs. Over the past few years, AID has assisted Philippine agriculturalists and educators in the planning and establishment of the Philippine Council for Agricultural Research (PCAR). The Council will provide financial support and otherwise strengthen the network of agricultural research stations and colleges throughout the islands. AID is presently planning to contribute to these efforts with a \$5 million loan. Early targets for PCAR action will be the application of research findings in rice and corn production — two crops which account for 70 per cent of the farming population.

Compared to requirements, U.S. development assistance is relatively modest. But combined with the aid of other donors, and taking into account the Philippine Government's own rural development programs, the resources are considerable and should be sufficient to have a significant impact on the economic welfare of the rural poor, the primary goal of the U.S. assistance program.

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