

UNCLASSIFIED

PO-44-919
150-53553

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROJECT PAPER
AMENDMENT 1

PHILIPPINES: PVO Co-Financing II
(492-0367)

October 24, 1987

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>1</u>	DOCUMENT CODE <u>3</u>
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2. COUNTRY/ENTITY <u>Philippines</u>	5. PROJECT NUMBER <input type="checkbox"/> 492-0367 <input type="checkbox"/>
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4. BUREAU/OFFICE <u>Asia and Near East</u>	<input checked="" type="checkbox"/> ANE	5. PROJECT TITLE (maximum 40 characters) <u>PVO Co-Financing II</u>
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>09/30/92</u>	7. ESTIMATED DATE OF OBLIGATION (Under 'E' below; enter 1, 2, 3, or 4) A. Initial FY <u>84</u> B. Quarter <u>3</u> C. Final FY <u>88</u>
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY <u>84</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AD Appropriated Total	2,000		2,000	2,420	13,580	16,000
(Grant)	(2,000)		(2,000)	(2,420)	(13,580)	(16,000)
(Loan)						
Other						
U.S.						
Host Country						
Other Donor(s)		700	700		7,000	7,000
TOTALS	2,000	700	2,700	2,420	20,580	23,000

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) ARDN	200	200		4,982		2,600		7,582	
(2) HF	500	500		2,522		2,000		4,522	
(3) EUPD	600	600		1,166		600		1,766	
(4) SDA	700	700		1,330		800		2,130	
TOTALS				10,000		6,000		16,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODES
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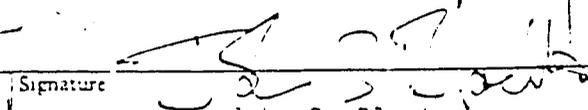
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	
A. Code	
E. Amount	

13. PROJECT PURPOSE (maximum 480 characters)

To improve the socio-economic status of selected poor groups through participatory development programs and innovative, small-scale or pilot activities which are proposed, developed and implemented by PVOs and Cooperatives.

14. SCHEDULED EVALUATIONS Interim: MM YY <u>08/86</u> Final: MM YY <u>03/92</u>	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a 13 page PP Amendment)
- a.) increase funding by \$6 million, to a new total of \$16 million for the eight-year life of project.
 - b.) expand PVO grant applicants to include qualified cooperatives.
 - c.) extend the current PACD from September 30, 1991 to September 30, 1992.

17. APPROVED BY	Signature  John S. Blackton	DATE DOCUMENT RECEIVED IN AID/W/ OR FOR AID/W/ DOCUMENTS, DATE OF DISTRIBUTION MM DD YY <u>11/02/85</u>
	Title Acting Mission Director	Date Signed MM DD YY <u>11/02/85</u>

PROJECT AUTHORIZATION AMENDMENT NO. 1

Name of Country: Philippines

Name of Project : PVO Co-Financing II
Number of Project: 492-0367

1. Pursuant to Sections 103, 104, 105 and 106 of the Foreign Assistance Act of 1961, as amended (the "FAA"), the Private and Voluntary Organization Co-Financing II Project (the "Project") for the Philippines (the "Cooperating Country") was authorized on February 29, 1984. Pursuant to Sections 103, 104, 105 and 106 of the FAA, and in accordance with the authority delegated to me under Redelegation of Authority No. 133.1 dated May 24, 1985, the Project Authorization is hereby amended as follows:

(a) The level of planned grant obligations is increased from \$10,000,000 to \$16,000,000 to be obligated over a five year period from the date of initial authorization, subject to the availability of funds in accordance with the A.I.D. OYB/Allotment process. Of the amount of the increase, \$2,600,000 is authorized pursuant to Section 103 of the FAA, \$2,000,000 is authorized pursuant to Section 104 of the FAA, \$600,000 is authorized pursuant to Section 105 of the FAA and \$800,000 is authorized pursuant to Section 106 of the FAA. The planned life of project is eight years from the date of initial obligation.

(b) Section 2 of the Project Authorization is superceded and replaced by the following Section 2:

"The purpose of the Project is to improve the socio-economic status of selected poor groups through participatory development programs and innovative, small-scale or pilot activities which are proposed, developed and implemented by PVOs and Cooperatives. The Project will fund development activities of registered U.S. and Philippine PVOs and Cooperatives. Except as A.I.D. may otherwise agree in writing, A.I.D. will not finance more than 75% of total subproject costs with the other 25% consisting of contributions from non-U.S. Government sources".

2. The Project Authorization shall remain in full force and effect except as hereby amended.



John S. Blackton
Acting Mission Director

Date:

24 Oct 86

"PI"

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT PAPER FACESHEET		1. TRANSACTION CODE <input type="checkbox"/> A ADD <input type="checkbox"/> C CHANGE <input checked="" type="checkbox"/> D DELETE	PP 2. DOCUMENT CODE 3
3. COUNTRY/ENTITY Philippines		4. DOCUMENT REVISION NUMBER <input type="checkbox"/>	
5. PROJECT NUMBER (7 digits) <input type="text" value="492-0367"/>	6. BUREAU/OFFICE A. SYMBOL ASIA B. CODE <input type="text" value="04"/>	7. PROJECT TITLE (Maximum 40 characters) <input type="text" value="PVO CO-FINANCING II"/>	
8. ESTIMATED FY OF PROJECT COMPLETION BY <input type="text" value="9/1"/> 2002		9. ESTIMATED DATE OF OBLIGATION A. INITIAL FY <input type="text" value="8/4"/> B. QUARTER <input type="text" value="2"/> C. FINAL FY <input type="text" value="8/8"/> (Enter 1, 2, 3, or 4)	

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FX	C. L/C	D. TOTAL	E. FX	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	2,000	700	2,700	10,000	3,500	13,500
(GRANT)	2,000		2,000	10,000		10,000
(LOAN)						
OTHER U.S.	*The source of other contributions will be identified in each PVO Subproject Proposal. Please see Financial Plan.					
MOST COUNTRY						
OTHER DONOR(S)						
TOTALS	2,000	700	2,700	10,000	3,500	13,500

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>84</u>		H. 2ND FY <u>85</u>		K. 3RD FY <u>86</u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
(1) ARDN	200	200		1,000		1,000		1,000	
(2) HLTH & POP	500	500		250		250		250	
(3) EHRD	600	600		250		250		250	
(4) SDA	700	700		500		500		500	
TOTALS				2,000		2,000		2,000	

A. APPROPRIATION	N. 4TH FY <u>87</u>		O. 5TH FY <u>88</u>		LIFE OF PROJECT		12. IN-DEPTH EVALUATION SCHEDULED
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
(1) ARDN / 1/1	1,000		1,000		5,000	✓	MM YY <input type="text" value="07/8/5"/>
(2) HLTH & POP	250		500		1,500	✓	
(3) EHRD	500		250		1,500	✓	
(4) SDA	250		250		2,000	✓	
TOTALS	2,000		2,000		10,000		

13. DATA CHANGE INDICATOR. WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

1 YES
 2 NO

INPUTTED
 BY *[Signature]* DATE *7/16/85*

14. ORIGINATING OFFICE CLEARANCE SIGNATURE: <i>Mary C. Kilgour</i> TITLE: Acting Mission Director		15. DATE DOCUMENT RECEIVED MM DD YY <input type="text" value="12/21/87"/>
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AID 1320-4 (2-78)

POSTED
 BY *[Signature]* DATE *7/16/85*

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AGENCY FOR INTERNATIONAL DEVELOPMENT
ADVICE OF PROGRAM CHANGE

COUNTRY: Philippines

PROJECT TITLE: PVO Co-Financing II

PROJECT NUMBER: 492-0367

FY 1986 CP REFERENCE: Asia, Annex II,
pages 153-155

APPROPRIATION CATEGORY: Agriculture, Rural
Development and Nutrition
(ARDN); Health (HE);
Education and Human
Resources (EHR); and
Selected Development
Activities (SDA)

LIFE-OF-PROJECT FUNDING: \$10,000,000 Grant

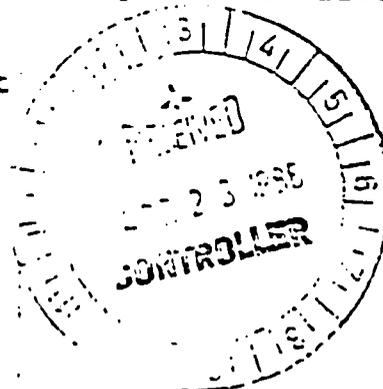
INTENDED FY 1986 OBLIGATION:

\$1,172,000	ARDN ✓
\$1,922,000	HE ✓
566,000	EHR ✓
<u>530,000</u>	SDA ✓
\$4,190,000	Total

This is to advise that A.I.D. intends to obligate \$4,190,000 in grant funds for the PVO Co-Financing II Project in FY 1986. The FY 1986 Congressional Presentation advised that this year's obligations would only be \$3,000,000. At this time we are also increasing planned life-of-project obligations from the Health category. However, because planned obligations will be decreased in each of the other funding categories, total life-of-project funding will remain at \$10,000,000. Of the \$4,190,000 planned for obligation in FY 1986, \$603,000 are funds available as a result of deobligations made during FY 1985.

The project encourages private U.S. and Philippine Voluntary Organizations (PVO) to carry out small-scale development activities which increase the income and improve the living conditions of the rural disadvantaged.

Annex: Activity Data Sheet



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U

TITLE PVO Co-Financing II		FUNDING SOURCE Various	PROPOSED OBLIGATION (in thousands of dollars)		
NUMBER 492-0367	NEW <input type="checkbox"/>	PRIOR REFERENCE (If Submitted 3/18/85)	FY 86 4,190	LIFE OF PROJECT (years) 10 (10R)	ESTIMATED COMPLETION DATE
GRANT <input checked="" type="checkbox"/> LOAN <input type="checkbox"/>	CONTINUING <input checked="" type="checkbox"/>		INITIAL OBLIGATION FY 84	ESTIMATED FINAL OBLIGATION FY 86	ESTIMATED COMPLETION DATE

Purpose: To encourage private U.S. and Philippine voluntary organizations (PVO) to carry out small-scale development activities which increase the income and improve the living conditions of the rural disadvantaged.

Background: There are over thirty U.S. PVOs registered with the Government of the Philippines and actively engaged in development assistance in the Philippines. In addition, there are several thousand Filipino PVOs which devote their resources and efforts to development work. During the prior PVO Co-Financing I project, 24 Filipino PVOs registered with A.I.D. and were qualified to receive USG assistance. Activities supported under PVO Co-Financing I were in agriculture, education, rural and community development, environmental protection, reforestation, animal husbandry, public health, law and justice, and rehabilitation for the rural blind. These activities involved 10 Filipino PVOs and 7 U.S. PVOs. The total value of the activities was U.S. \$10,848,903, and the A.I.D. input amounted to U.S. \$6,609,008 or approximately 61% of total project costs. A comprehensive evaluation of PVO Co-Financing I indicated that the activities were effective and were being implemented in accordance with planned purposes.

Project Description: The project will continue to assist U.S. and indigenous PVOs (especially innovative, community-based PVOs not previously identified or registered with A.I.D.) in the development of community-based activities. These activities will include establishing rehabilitation services for rural blind or otherwise handicapped persons; developing community water systems; increasing productivity of coconut farmers' land by introduction of additional perennial crops; providing training relevant to the needs of future small farmers; training coastal communities and gaining their participation in productivity of the island seas upon which they depend for income; and developing a charcoal industry based on coconut shell waste that provides additional income for the rural poor and a source of inexpensive energy.

Relationship of Project to A.I.D. Country Strategy: The project will give priority to those activities which support the A.I.D. development goals of increasing agricultural production, generating private employment and income generating

opportunities especially among the major poverty groups--the landless, the rainfed farmers, and artisanal fishermen. In addition, priority will be given to those proposals which also support the new and evolving A.I.D. country strategy.

Beneficiaries: While it is not possible to predict the number of beneficiaries which will be affected until specific PVO proposals have been selected for assistance, the beneficiaries will be primarily rural poor. Over 350,000 beneficiaries from this target group benefited from the PVO Co-Financing I project.

Host Country and other Donors: The funds provided through this project represent from 50% to 75% of each PVO activity's total cost. The balance will be provided from a variety of sources including the private sector and the beneficiaries themselves. Other donors include locals, national, and international philanthropic organizations, and private individuals.

Major Outputs:

	All Years
PVO sponsored development projects completed	45-50
Training interventions	5-10
U.S. PVOs participating	15-25
Filipino PVOs registered	30-40
Filipino PVOs participating	15-25

A.I.D.-Financed Inputs:

	Life of Project (\$ (1000))
Grants to PVOs	9,250
Technical assistance and evaluation	750
Total	10,000

***Funding Source**

	All Years
Agriculture, Rural Development and Nutrition	4,982
Health	2,522
Education	1,166
Selected Development Activities	1,330
Total	10,000

US FINANCING (in thousands of dollars)				PRINCIPAL CONTRACTORS OR AGENCIES
	Obligations	Expenditures	Unliquidated	
Through September 30 1984	2,120	22	2,098	Various U.S. and indigenous PVOs.
Estimated Fiscal Year 1985	3,690	1,063		
Estimated Through September 30 1985	5,810	1,085	4,725	
Projected Fiscal Year 1986	4,190	-	Estimated Total Cost 10,000	

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT PAPER FACESHEET

1. TRANSACTION CODE
 A ADD
 C CHANGE
 D DELETE

2. DOCUMENT CODE
PP
3

3. COUNTRY/ENTITY
Philippines

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)
[492-0367]

6. BUREAU/OFFICE
 A. SYMBOL **ASIA**
 B. CODE **[04]**

7. PROJECT TITLE (Maximum 40 characters)
[PVO CO-FINANCING II]

8. ESTIMATED FY OF PROJECT COMPLETION
 FY **[91]** 2001

9. ESTIMATED DATE OF OBLIGATION
 A. INITIAL FY **[84]**
 B. QUARTER **[2]**
 C. FINAL FY **[88]** (Enter 1, 2, 3, or 4)

10. ESTIMATED COSTS (\$000 OR EQUIVALENT \$) -

A. FUNDING SOURCE	FIRST FY			LIFE OF PROJECT		
	B. FR	C. L/C	D. TOTAL	E. FR	F. L/C	G. TOTAL
AID APPROPRIATED TOTAL	2,000		2,000	10,000		10,000
(GRANT)	2,000		2,000	10,000		10,000
(LOAN)						
OTHER 1	*The source of other contributions will be					
U.S. 2	identified in each PVO Subproject Proposal.					
HOST COUNTRY	Please see Financial Plan					
OTHER DONOR(S)						
TOTALS	2,000	700	2,700	10,000	3,500	13,500

11. PROPOSED BUDGET APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>84</u>		H. 2ND FY <u>85</u>		K. 3RD FY <u>86</u>	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	I. GRANT	J. LOAN	L. GRANT	M. LOAN
11) ARDN	200	200		1,000		1,000		1,000	
12) HLTH & POP	500	500		250		250		250	
13) EHRD	600	600		250		250		250	
14) SDA	700	700		500		500		500	
TOTALS				2,000		2,000		2,000	

A. APPROPRIATION	N. 4TH FY <u>87</u>		O. 5TH FY <u>88</u>		LIFE OF PROJECT		12. IN-DEPTH EVAL. SCHEDULED
	D. GRANT	P. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	
11) ARDN	1,000		1,000		5,000		MM YY 07/85
12) HLTH & POP	250		500		1,500		
13) EHRD	500		250		1,500		
14) SDA	250		250		2,000		
TOTALS	2,000		2,000		10,000		

13. DATA CHANGE INDICATOR WERE CHANGES MADE IN THE PID FACESHEET DATA BLOCKS 12, 13, 14, OR 15 OR IN PRP FACESHEET DATA, BLOCK 12? IF YES, ATTACH CHANGED PID FACESHEET.

14. ORIGINATING OFFICE CLEARANCE

SIGNATURE: **Mary C. Kilgour** *Mary C Kilgour*

TITLE: **Acting Mission Director**

DATE SIGNED: **12/24/87**

15. DATE DOCUMENT RECEIVED: **1/16/88**

16. DATE OF DISTRIBUTION: **12/24/87**

17. DATE OF INPUT: **1/16/88**

POSTED

BY: *[Signature]* DATE: **7/16/88**

Project Paper Amendment 1
PVO Co-Financing II (492-0367)

I. PROJECT PURPOSE, SUMMARY AND RECOMMENDATIONS

1. Purpose:

The purpose of this project has been modified as follows:

To improve the socio-economic status of selected poor groups through participatory development programs and innovative, small-scale or pilot activities which are proposed, developed, and implemented by PVOs and cooperatives.

2. Summary:

PVO Co-Financing II will continue to employ the expertise of PVOs in small-scale co-funded subproject activities for the benefit of the poor. The project concept initiated in PVO Co-Financing I remains basically unchanged, but has evolved during the first three years of PVO Co-Financing II to place increasing emphasis on PVOs as intermediate institutions assisting a variety of local groups to implement subproject activities. This has permitted a substantial expansion in the scope of activity, which is further encouraged by the current political and economic conditions in the Philippines. Out of the initial \$10 million authorized for the project, \$9.99 million was obligated by the end of FY 86. If this amendment is approved, the project will continue to increase emphasis on PVOs as intermediate institutions, and will further expand to provide project funding to cooperatives engaged in community level development activity. Total funding will be increased to \$16 million for the period FY 84 through FY 88, to provide partial funding (up to 75% of subproject costs) for an estimated 55 subprojects.

A mid-term evaluation of the Co-Financing II project was conducted in September 1986. The evaluation team found that the project purpose is being attained with a considerable degree of success and characterized the project as an excellent effort overall. The evaluation report further notes the high congruence between the project purpose and Philippine rural development objectives shared by the new Government of the Philippines and the A.I.D. Mission. The report made several recommendations which are, to the extent possible, incorporated in this project amendment.

3. Recommendations:

That the proposed PVO Co-Financing II Project be amended to: 1) increase funding by \$6 million, to a new total of \$16 million to be obligated over a five year period from the date of initial authorization (FY 84-88), 2) expand PVO grant applicants to include qualified cooperatives, and 3) extend the current PACD from September 30, 1991 to September 30, 1992.

II. PROJECT BACKGROUND AND DESCRIPTION

1. Project Background:

The PVO Co-Financing I Project provided funds to make grants to PVOs for specific development projects from FY 1980 to FY 1983. Thirty subproject grants were awarded to eight U.S. PVOs and 10 Philippine PVOs to implement subprojects in agriculture, rural and community development, environmental protection, public health, law and justice, and education. The total value of the subprojects was \$10.85 million with the AID input amounting to \$6.61 million or approximately 61 percent of project costs.

PVO Co-Financing II was authorized in 1984 and was to cover a period of five years. Annual obligations of approximately \$2 million were planned for a total of \$10 million. In early FY 1985, USAID decided to fully commit all project funds by the end of FY 1986. As of September 30, 1986, \$9.99 million of the initial \$10 million authorized under Co-Financing II had been obligated, providing funding for 38 subprojects through grants totalling \$9.79 million awarded to 8 U.S. PVOs and 20 Philippine PVOs. Counterpart funds provided totalled \$4.73 million; \$.98 million by U.S. PVOs and \$3.75 million by Philippine PVOs.

This acceleration of the program was in part made possible by the increasing capacity of Philippine PVOs not only to manage local development activities, but also to serve as intermediaries, providing funding, management oversight, and technical support to multiple subgrantees. While permitting expansion without a proportionate increase in the direct management burden on USAID, the use of PVOs as intermediaries also has allowed the program to reach a much broader range of community-level groups and institutions.

A number of cooperatives have also approached USAID for assistance in expanding their development activities. Although cooperatives, like PVOs, represent an important instrument for delivering development to the poor who are beyond the reach of government, they have not been eligible for grants under the Co-Financing program.

A mid-term in-depth evaluation of the Co-Financing II project was conducted in September 1986. The conclusions of the evaluation team are overwhelmingly positive and encourage continuation and expansion of the program. Annex A provides a summary of the major findings and recommendations contained in the evaluation report.

2. Economic Situation:

Although economic progress was attained in the 1970s, it derived mainly from heavy governmental spending. During this period, rice production increased to a level of near self-sufficiency and the share of non-traditional manufactured exports in relation to total exports increased from 8 percent in 1970 to 33

percent in 1979. The apparent "progress", however, left a myriad of structural problems in its wake. For example, the industrial sector is seriously inefficient with considerable idle equipment and plants. The approach to development during the Marcos era was based on a policy of import substitution, a wide range of protection measures, overvalued exchange rates, and fiscal incentives that skewed investment toward an urban-based, capital intensive, import dependent industrial sector. The negative impact of misguided policies was further exacerbated by cronyism, mismanagement and corruption. The majority of the population failed to benefit significantly from the economic growth of the 1970s and the early 1980s saw a marked deterioration in the economy.

The new government of President Corazon Aquino, while taking immediate action to curb the recession, faces an enormous set of inherited economic problems on the one hand and intense public expectations on the other. Real GNP declined by 10 percent between 1983 and 1985, reducing it to the same level that had existed 10 years earlier, and only barely increased in 1986. The 1986 government budget deficit was at the untenable level of \$1.4 billion. The country's foreign debt created during the Marcos era stands at \$28 billion and even with rescheduling, servicing will require about 30-35 percent of presently depressed export earnings. Limited foreign exchange could further constrain economic recovery efforts. Large amounts of new money from outside will be required over the medium term to finance the new development plan. In human terms, the IBRD estimated in 1983 that 34 percent of the nation's families lived in poverty. Given the economic recession since 1983, estimates are that 60 percent of the population now live below the poverty line and a disproportionate number of these live in rural areas. The high rate of population growth is, of course, a contributing factor.

Notwithstanding what appears to be a progressive and enlightened strategy and policies aimed at recovery and development, a strong recovery and sustained growth are not yet assured.

Among the guiding principles of the new government's program for development are a strong free market orientation with heavy reliance on the private sector, increased efficiency and the overall reduction of poverty. The core of the strategy is rural-based employment generation with special attention to agriculture. This priority sector is to be supported by agricultural marketing reforms, strengthening of the rural banking system for the expansion of credit to producers, crop insurance, price supports on selected commodities, and other forms of risk reduction as incentives for agricultural investment.

The objectives and strategies of USAID relate closely with those of the Philippine Government. Primary attention is drawn especially to unemployment and underemployment among the rural poor and to the general dynamics of poverty. Achieving sustainable growth is an overriding concern as is

local resource management and the increase of productivity, especially in rural rainfed agricultural areas.

3. PVOs in Development:

Historically and presently, PVOs have played an important role in the economy of the Philippines. In 1983 a count under a USAID contract exceeded 15,000 organized NGOs. Some 30,000, however, are said to be registered now with the Philippine Securities and Exchange Commission. Growing disenchantment with the Marcos government in the 1980s caused a sharp rise in the number of PVOs as they attempted to span shortcomings of that government at the grassroots level. For its part, the Aquino government is still in the process of working out structural and policy reforms, but so far has barely touched project and program implementation. This holding position also applies to provincial and municipal governments, and again leaves a vacuum for PVOs to fill.

Even if the tempo of government increases and meaningful policies and actions are applied, there is probably a conceptual and programmatic "floor" below which government programs (even with donor assistance) will be barely visible. PVOs, on the other hand, are in direct contact with and claim among their participants the landless and the poor to whom both GOP and USAID are according priority. It is apparent that the complementary actions of PVOs working from the bottom up and government and larger private bodies extending downward provide the linkage needed for sustaining widespread economic and social development.

Economic conditions at provincial and municipal levels are as depressed as the national economy and the number of people affected is rising. Appeals from USAID-assisted PVOs are being made to planters to share at least 10 percent of their land with workers for production of food crops (especially rice and vegetables). Small loans are being advanced to cooperative associations for subloans to their members for increased agricultural productivity and income generated from micro-enterprises. PVOs are organizing community activities where none have been organized before and are learning much about designing and administering local projects in the process. Moreover, PVOs can test, with minimal risks, cultural practices and agricultural designs that are most applicable to low-income beneficiaries.

4. Cooperatives:

Cooperatives are defined in the AID Policy Paper of April 1985 as private, voluntary and independent associations of persons joined together to achieve a common economic objective. Target cooperatives will be those that function like and have civic objectives more synonymous with PVOs than conventional cooperatives. These organizations can become an effective medium for addressing the development needs of local communities. Like PVOs, they have resources and expertise useful in delivering development programs to the rural and urban poor who are beyond the means and reach of the central and local

government. Through the use of economies of scale, volume discounts, risk and cost sharing, cooperatives secure for their members the benefits of higher productivity and income, more employment and greater purchasing power. At the same time, they educate them on the nature of economic forces and events that affect their livelihood.

As of December 1984, there were about 3,308 organizations registered as cooperatives with the GOP. These included credit, rural bank, construction, marketing, producers, service, and labor union cooperatives. Past USAID assistance for cooperative development has not been entirely successful. Major problems have included the creation of cooperatives without adequate economic viability and excessive and counterproductive governmental involvement. PVO Co-Financing assistance, however, is not intended for cooperative development but for development projects aimed at improving the conditions of local poor groups. In addition, the relatively small amount of assistance to cooperatives contemplated under Co-Financing II will be targeted to cooperatives which meet strict criteria of privateness and economic soundness.

Assistance in identifying viable coops to work with will be sought from a U.S. PVO, Agricultural Cooperative Development International, which maintains a resident representative in the Philippines, and from the five Philippines apex organizations--the Cooperative Union of the Philippines, the Supreme Council of Cooperatives, Cooperative Rural Banks Federation of the Philippines, Inc., the Cooperative Foundation Philippines, Inc., and the National Association of Training Cooperatives. At least initially, Co-Financing assistance will be channeled through these organizations, which are, or may be eligible for registration as PVOs.

5. Expected Project Achievements:

Expected project achievements remain qualitatively much as stated in the original Project Paper. Expansion of the program is expected to result in a quantitative increase in both organizations and beneficiaries reached. In addition, the growth of Philippine PVOs as intermediate institutions is expected to enhance sustainability through institutional linkages which will continue to support local private initiatives after project assistance terminates.

6. Project Description:

The project description presented in the original project paper remains largely valid. Key changes include:

- a. The project will increase emphasis on support for local development efforts through Philippine PVOs working as intermediate institutions which provide funding for multiple subgrant activities and retain responsibility for management oversight and accountability.

b. The term PVO as used in this grant will be broadened to include some cooperatives. Initially, assistance to cooperatives will be provided through organizations which can qualify as registered PVOs, including traditional voluntary agencies and cooperative development or apex organizations which are themselves not-for-profit. However, in some instances, grants may be made directly to cooperatives which, since they retain profits, cannot be registered as PVOs, but which, like PVOs, are engaged in community-based, self-help development activities. (Separate, parallel registration provisions and criteria for grants to cooperatives have been drafted and are provided in Annex B.)

c. Subproject endorsement from the central or regional NEDA office will no longer be a prerequisite to USAID approval and funding of subproject grants for PVOs. NEDA Regional Offices will have the option to monitor the progress of implementation of subprojects in their respective regions. NEDA will be invited to participate in all future program level evaluations. To keep NEDA informed about the status of the PVO Co-Financing Program, USAID will provide a complete profile of each subproject approved for funding by USAID and periodic status reports on the PVO Co-Financing Program.

7. Relationship to Country Strategy:

The goal of the current USAID program is to improve the well-being of the majority of Filipinos by supporting the conditions necessary for self-sustaining and equitable economic growth. To achieve this goal, increases in productivity, employment, and income must occur. Such gains cannot be made, however, in the absence of a healthy economy based on appropriate economic, agricultural and other policies. U.S. assistance is designed, therefore, to support programs and policies which will give the Philippine economy a solid foundation for growth. At the same time, the process of improving the conditions in underdeveloped sectors in the Philippines must continue. Accordingly, U.S. development strategy in the Philippines is directed at:

- a. improving the domestic terms of trade of agriculture, and
- b. improving access to appropriate productive infrastructure, new technologies and basic goods and services.

PVO activities are not a substitute for the necessary structural reform. However, PVOs provide the only readily available mechanism for addressing the more immediate problem of access to basic goods and services. The PVO Co-Financing II Project supports the goal of improving the conditions in underdeveloped sectors many of which are beyond the means and reach of the central and local governments of the Philippines. The project gives priority to PVO subprojects which complement other USAID activities oriented toward this goal.

8. Scope of Subprojects:

To date, grants under Co-Financing II are directed at three major purposes: increased agricultural productivity, improved primary health care, and

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increased income from micro-enterprises. To increase agricultural productivity, subprojects in agricultural policy and development, integrated farm development, agro-forestry and upland development, and other similar activities are being implemented. To improve primary health care, subprojects in water development, health resources distribution and child health through integrated local development are being implemented. To increase income from micro-enterprises, subprojects in small enterprise development, micro-enterprise development, business resource center, and industrialized handicrafts are underway. Annex C lists and describes all subprojects funded from FY 84 through FY 86.

9. Modifications Suggested in the Mid-Term Evaluation:

The mid-term evaluation of Co-Financing II suggested four modifications:

a. Length of Grant: Grants have generally been for three years; subprojects involving community level organizing may require a longer time frame. The evaluation team recommended planning for a three-year operation period followed by up to one year of staged withdrawal. Plans (and added funding, if any) for phase-out would be considered during a mid-term assessment of each subproject. The mid-term assessment process is already a requirement for all grants and will include explicit attention to phase-out plans, including consideration of the need for additional time and funding for orderly transfer of responsibility.

PVO Co-Financing II will continue to design grants for three-year periods. Emphasis will be given to a phase-out scheme during the project design stage taking into consideration the individual character and capability of each PVO. Mid-term assessments will likewise continue to provide recommendations to amend existing grants to extend PACDs as well as to provide incremental funding on a case-to-case basis.

b. Economic and Social Analysis of Income Generating Projects: The evaluation team noted a need for economic analysis of income generating projects or project components (IGPs), but did not have the data or time to examine related questions. They recommended more explicit treatment and guidelines for economic/social analysis for IGPs. A handbook providing guidance for economic and social analysis of income generating activities is in final stages of preparation. Greater attention will be given to such analysis in the project selection/design process.

c. Linkages with Government: The USAID PVO Co-Financing Program will support GOP development strategies as articulated in The Medium-Term Philippine Development Plan, 1987-1992. However, the GOP views the USAID PVO Co-Financing Program as an innovative "pathfinding" program and, therefore, this program may support subprojects that go beyond the articulated development strategies. The GOP plans to employ the development lessons learned by PVOs in its development strategies. As recommended in the program evaluation of PVO Co-Financing II, USAID will assist PVOs strengthen their linkages with other government agencies.

d. Operational Transportation: The evaluation team found some PVO activities suffering from inadequate transportation and recommended that, on a selective basis, USAID permit PVOs to purchase motorcycles or locally assembled utility vehicles when required to achieve project purposes. Funding of motorcycles will be considered where appropriate. A world-wide blanket waiver already exists allowing procurement of one wheel drive motorcycles of 125 cc displacement or less under AID-financed projects. However, OFFPVC will maintain the practice of recommending that grantees obtain necessary vehicles with their own resources or rely on public transportation.

III. PROJECT ANALYSES

1. Technical, Environmental, Social and Economic Analyses:

The technical, environmental, social and economic analyses sections in the original project paper remain valid. Social and economic analysis of income generating projects will receive added attention, as indicated in Section II. 8. above.

2. Administrative Analysis:

In addition to the administrative analysis provided in the original project paper, inclusion of cooperatives and increasing use of PVOs as intermediaries supporting multiple subgrantees require special attention.

a. Cooperatives: Assistance to activities implemented by cooperatives will initially be provided through PVOs or cooperative development and apex organizations which can be registered as PVOs. However, in some cases, grants may be made directly to local groups registered as cooperatives. In no way will grant funds be used for purposes of forming or developing cooperatives. Grants to such groups would be limited to support for their community-based, self-help development activities and would be contingent on registration with USAID under a separate process parallel to that in effect for PVOs. Provisional criteria and procedures are provided in Annex B. Except for this difference in registration status, cooperatives will be subject to the same policies and procedures as PVOs participating in the project.

The Enterprise in Community Development (ECD) project will be dealing with for-profit businesses that plan to assist communities implement development projects. In order to prevent any cross-over in these grants, cooperatives will be ineligible for assistance under the ECD project.

b. Intermediate Institutions: A number of PVOs have traditionally functioned as intermediate institutions, not directly implementing project activities, but providing funding, guidance and technical assistance to local implementing groups. The Co-Financing II project will give increasing

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emphasis to support for local development activities through such intermediaries assisting multiple subgrantees under a single grant from USAID. The following criteria are applied in selecting PVOs to serve as intermediaries to multiple subgrantees:

- (1) The PVO has demonstrated its financial and management capability.
- (2) The PVO has a capable professional staff.
- (3) The PVO has an institutional philosophy setting clear directions for itself.

Initially, USAID will be involved in the intermediate PVO's subgrant decision making process, recommending subgrantees and activities for consideration and approving selections. As this process becomes institutionalized, USAID will retain only final approval of subgrants.

IV. IMPLEMENTATION PLAN

1. Narrative and Schedule:

The procedures and schedule described in the original project paper are modified as follows:

a. To provide for a shorter turn-around period while retaining the competitive feature of the former semi-annual review schedule, proposals are reviewed by the project committee every four months or whenever ten new proposals have been received.

b. Cooperatives which do not qualify for registration as PVOs are subject to separate parallel registration requirements (Annex B).

c. Government of the Philippines' approval will no longer be a prerequisite to USAID approval and funding of subproject grants to PVOs. Regional NEDA Offices will have the option to monitor subprojects in their respective regions.

2. Management Plan:

a. The original project paper contemplated that in most cases, management responsibility for subproject implementation would be assigned to USAID technical offices. Experience with this approach over the first two years of the project indicated that it did not work as well as the previous arrangement. General management responsibility has consequently been assigned back to OFFPVC, except for a few special cases where management responsibility remains with the technical office.

b. Intermediate institutions will be used to the fullest extent feasible and will be delegated maximum authority for the detailed oversight and

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monitoring of their subgrantees as a means of minimizing direct USAID involvement and management burden.

c. PSCs and institutional contracts will be used to the maximum extent feasible as a means of enhancing the USAID's ability to maintain required levels of accountability.

d. USAID will seek to develop and employ innovative modes of delivery and remote management techniques.

3. Subproject Development and Review:

The subproject selection criteria and provisions for assistance described in the original project paper remain valid.

4. Consultant and Technical Assistance:

The roles and tasks for consultants proposed in the original project paper have been found to be useful and appropriate and will be continued.

The technical assistance originally proposed has also proven useful and will continue, but at an increased level (\$350,000 for the life-of-project).

5. Financial Plan:

The financial plan as presented in the original project paper is adjusted to reflect the accelerated level of activity and obligations, but otherwise remains in effect. With the increase, USAID will provide \$16 million for this project, to be used in conjunction with non-U.S. Government resources in cash or in kind of approximately \$7 million for PVO development activities in the Philippines. At least \$15 million of the \$16 million USAID contribution will be used to provide grants to PVOs (of which, an estimated \$1 million dollars will be for grants to registered cooperatives). This is expected to cover 50-75 percent of total subproject costs. It will be the responsibility of each grantee to acquire non-U.S. Government resources to cover the remaining costs.

Five Year Financial Breakdown
(\$000)

		<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87-88</u>	<u>Totals</u>
ARDN	103	1,120	2,690	1,172	2,600	7,582
HLTH & POP	104	300	300	1,922	2,000	4,522
EHRD	105	300	300	566	600	1,766
SDA	106	400	400	530	800	2,130
		_____	_____	_____	_____	_____
Totals		2,120	3,690	4,190	6,000	16,000

Summary Cost Estimate and Financial Plan
(\$000)

<u>SPECIFIC INPUTS</u>	<u>USAID</u>	<u>Other Contributions</u>	<u>Total</u>
1. Grants to PVOs/Cooperatives	15,000	7,000	22,000
2. Project Consultants	400	-	400
3. Technical Assistance	350	-	350
4. Evaluation & Audits	100	-	100
5. Training/Seminars	100	-	100
6. Other Direct Costs	50	-	50
	_____	_____	_____
Totals	16,000	7,000	23,000

Item #1 includes funding for audits of individual grants.

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METHOD OF IMPLEMENTATION AND FINANCING

<u>Method of Implementation</u>	<u>Method of Financing</u>	<u>Estimated Amount</u> (by \$000)
Grants to PVOs & Cooperatives - Grantee	Advance or direct reimbursement	\$15,000
Project Consultants - AID Direct Contract	Direct Payment to contractors	400
Technical Assistance - AID Direct contract	Direct Payment to contractor	350
Evaluation & Audit - AID direct contract	Direct Payment to contractor	100
Training & Seminars - AID direct contract	Direct Payment to contractor	100
Other Direct Costs - Grantee/AID direct contract	Advance or direct reimbursement; direct payment to contractor	50
TOTAL AID GRANT		\$16,000 vvvvvvv

6. Provision for Audit:

Subprojects are subject to audits or financial reviews by AID auditors and the USAID Controller's Office or their authorized representatives at anytime during the life of the project. PVO grantees are required to maintain and preserve all accounting records for at least three years from the date of termination of the grant or until such time required to complete an audit to resolve all questions concerning expenditures unless written approval has been obtained from A.I.D. to dispose such records.

7. Subproject Close-out Procedures:

This Section prescribes uniform close-out procedures for PVO Co-Financing grants.

a. The following definitions shall apply for the purpose of this section: 1) Close-out. The close-out of a grant agreement is the process by

which A.I.D. determines that all applicable administrative actions and all required work of the grant agreement have been completed by the PVO grantee and A.I.D. 2) Date of Completion. The Date of Completion is the date on which all work under the grant agreement is completed or the date on the award document, or any supplement or amendment thereto, on which A.I.D. sponsorship ends. 3) Disallowed Costs. The Disallowed costs are those charges to a grant agreement that A.I.D. or its representative determines to be unallowable in accordance with the applicable federal cost principles or other conditions contained in the grant agreement.

b. A.I.D close-out procedures include the following requirements: 1) Upon request, A.I.D. shall make prompt payments to a PVO grantee for allowable reimbursable costs under the grant agreement being closed out. 2) The PVO grantee shall immediately refund any balance or unobligated and unencumbered cash that A.I.D. has advanced or paid and that is not authorized to be retained by the PVO grantee for use in other grants or agreements. 3) A.I.D. shall obtain from the PVO grantee within ninety calendar days after the agreement any financial, final, evaluation, and other reports required as a condition of the grant agreement. d) The PVO grantee shall account for any property acquired with A.I.D. funds or received from the Government in accordance with OMB Circular AID -110 entitled "Property Management Standards." e) In the event a final audit has not been performed prior to the close-out of the grant agreement, A.I.D. shall retain the right to recover an appropriate amount after fully considering the recommendations on questioned costs, resulting from the final audit.

8. Evaluation Plan:

A mid-term in depth evaluation of the Co-Financing II project was conducted in September 1986 and is attached as Annex A. A summative evaluation which will examine the impact of subprojects completed under the Co-Financing I project has been contracted for and is scheduled to be completed in FY 87. A project evaluation will be scheduled six (6) months before the PACD.

Guidance provided to subgrantees has been refined to provide for more explicit attention to the relationship of subproject outputs to achievement of project purposes. USAID has systematized and issued standard guidelines for the mid-term assessment of subprojects (Annex D).

9. Date of Completion:

Final year of obligation is FY 88 and project assistance completion date will be September 30, 1992. This is sufficient to allow completion of three-year subprojects beyond the final year of obligation. PVO Co-Financing III will be developed and designed in FY 87 for implementation in FY 89.

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9. Gray Amendment Statement

The PVO Co-Financing Project is designed primarily to assist indigenous Private Voluntary Organizations. However, the Mission will give maximum practicable consideration for contracting or subcontracting Gray Amendment qualifying organizations in project activities (i.e. project evaluation) where possible. Qualified Gray Amendment contractors will be sought and identified through information readily available in the Mission and consultations with the Bureau and the FVA/PVC.