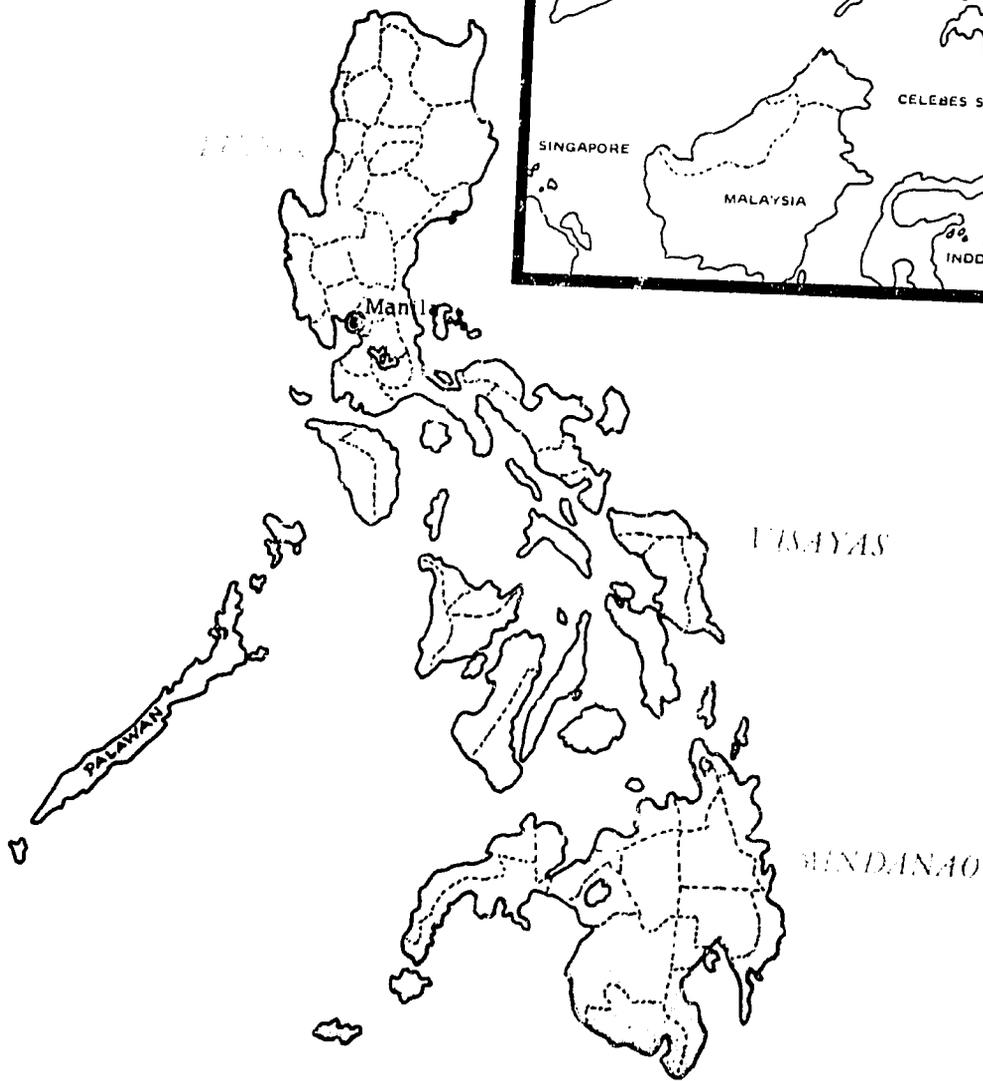


# THE SMALL FARMER AND RURAL POOR

Target of U.S. Economic Assistance to the Philippines



# The PHILIPPINES



**THE SMALL FARMER AND RURAL POOR  
TARGET OF U.S. ECONOMIC ASSISTANCE TO THE PHILIPPINES**

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# THE SMALL FARMER AND RURAL POOR

## Target of U.S. Economic Assistance to the Philippines

The Target

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### The Target

When in December, 1973 the Congress of the United States identified the target of American economic assistance programs as the "poor majority" in the developing countries, it did not attempt to define just which groups this included country by country. But the direction and purpose were clear: to make certain that U.S. Government funds are used to benefit the poor and disadvantaged people who have been largely by-passed by economic development to date; and to assure that scarce aid funds do not go to the privileged minority and thereby increase the gap between the rich and the poor. It is conceivable if the Agency for International Development (AID) can demonstrate convincingly it has responded to this legislative mandate, the Congress will in future years be prepared to provide development assistance more commensurate with the need.

For the past three or four years the objective and content of the AID program in the Philippines have been remarkably close to those now prescribed by law. The Philippine program concentrates on problems of food and nutrition and population. The beneficiaries of the program have been and, in increasing numbers, will be the small farmer and non-farm rural poor. These are clearly the largest groups of poor in the country and the spawning ground for urban congestion and poverty.

This paper describes the target population and the Philippine programs which have been mounted with help from AID and draws conclusions from this experience. The most significant conclusion is that considerable progress is being made toward achieving the goals set. Other findings relate to the multiplier effect of AID funds in the generation of projects for loan financing by the international financial institutions; and the impact of the special management practices followed by AID in the Philippines.

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The Filipino small-scale farmer, cultivating an average of two hectares (5 acres) of land, has long led a marginal existence.

Counting the agricultural wage laborer, there are over four million farm families in the Philippines. Together with their wives and 5 or 6 children, they make up 70% of the population — thirty million of the forty-three million Filipinos.

Over seven million of this number — one-fourth of the farm population — live as tenants on someone else's land. In Luzon, tenants comprise over seventy percent of the farm population in the thickly populated rice regions.

Whether small land owner or tenant, the problem is basically the same — how to make a decent living for one's family on such a small plot of land.

About half of rice and corn tenant farmers will acquire ownership of land under the 1972 land reform decree. They will then pay only 25% of the annual harvest to purchase their land compared with up to 50% paid to the former landlord under the sharecropper system. But

the landlord provided for various farm inputs and was on hand for emergencies. Clearly, any significant increase in income must come from higher yields and good prices — not land distribution alone.

Fixed rentals at the same 25 percent of harvest will have to suffice for nearly half of all sharecroppers as they till land owned in plots seven hectares (15 acres) or below. Such small landholdings are not being distributed to tenants under the land reform program.

The small farmer's productivity per hectare is low. Rice yields, for example, average less than half that of Taiwan. Corn yields are similarly low.

He uses but a fraction as much fertilizer per hectare as does his Taiwanese counterpart a few hundred miles to the north — where farm organization, irrigation systems, markets and rural services are highly developed.

The "typical" Filipino rice and corn farmer is served by poor roads, often impassable for months at a time during monsoon season:

- ▲ he must pay high interest on money he borrows to finance fertilizer, pesticides and insecticides required by the new higher-yielding seed varieties;
- ▲ he has no electricity — nor does the town where he markets have electric power for small-scale industries;
- ▲ he is inadequately served by poorly managed irrigation systems;
- ▲ he is visited periodically by typhoons and floods which increase the precariousness of farm life and increase the risks accompanying modern farming with its greater calls on bank credit, equipment and other non-farm investments.

The small farmer has to decide:

- (1) whether to stick with traditional farming practices — with its relatively low risks — and low income — about \$350 a year per family.

or

- (2) whether to adopt the new farm practices.

He must make a choice. For experience has shown that to adopt new practices requires embracing a whole package of new production techniques and a systems approach to farming in place of traditional ways. This requires **new or improved institutions and services** — both public and private — as well as **cooperatives, to support modernizing agriculture and agro-industry**. All too often in the past, overstuffed central government bureauracies have provided little effective outreach to the small farmer. And efforts at community development in the village have been isolated and often ineptly administered.

There really is little choice *if* the small farmer is to co-exist competitively with the rapidly modernizing, large-scale commercial farming sector. Or if the already huge gap between the hard life in 30,000 barrios (villages), and the luxury enjoyed by a privileged few in Manila, is not to widen. The top 20 percent income group in the Philippines receives well over half of the country's income. And their share has been increasing — an untenable position for the long term unless rural income also rises. Clearly **the small farmer must become more productive. He must be employed productively more days of the year.** His opportunities for off-farm employment must improve. Jobs in manufacturing and industry must increase — and in the provinces. But even assuming fairly rapid and dispersed growth of industry there is no near or medium-term alternative to increasing income *on the small farm*.

The existing large farm population on fragmented plots in Luzon and the Visayas rules out a shift to large-scale, mechanized commercial farm enterprises except in rare instances. Land reform is a must on these heavily tenanted farms, and must be accompanied by effective small farmer support systems. It will place ownership of the small farm in the hands of the farm family currently tilling the land and increase their incentive to produce.

Whether viewed in economic, political or social terms, the Philippines can no longer afford subsistence farming by several million farm families. Their number is destined to double within the next generation with or without family planning. On land area the size of California the Philippines will need to provide for an 80–90 million population within 20–25 years. Employment from new industry and manufacturing will be hard pressed to absorb the annual *increase* in the labor force. Fortunately for this generation of Filipinos — and perhaps one more — there is still land and the prospect of a good living on *progressive* small farms coexisting with large-scale, integrated farming on non-tenanted lands.

As for the latter, its near-term future seems assured. Philippine pineapple plantations are among the world's best producers and supply a growing share of the world market for canned pineapple. The same is true for the banana industry which, in only a few years, has moved into the ranks of the world's largest exporters. Sugar, long a major export of the Philippines, is expanding to meet rising world demand. And near Manila are some of Asia's most modern poultry industries. Near Davao, in corn-rich Mindanao, is one of Asia's largest pork farms.

These agriculture-based industries are well financed from local and foreign banks. They are profitable and have ready access to the most advanced research and technology.

Even some rice and corn is being produced on large, mechanized farms on non-tenanted lands.

But what about the small farmer? And the rural towns whose development is dependent upon the emergence of a market for their products in the surrounding barrios? With the population of Philippine cities already exceeding their capacity to provide employment, the millions of excess laborers produced on the already tiny farms will need to find jobs in the near-by rural population centers.

**Agro-businessmen will persuade some small farm owners to produce specified crops under contract, guaranteeing a market, providing technology and other essential inputs.** Some banana exporters already operate on this basis as does a large-scale rice miller in Mindanao. But industry has been slow to locate outside the Manila area which provides a full range of mutually supporting services, markets and advantages for management and employees.

The vast majority of **small farmers**, including the rice and corn tenants now receiving small plots under land reform or secure tenure under leasehold, **will need to receive a comparable package of support services:**

- ▲ from Government in the form of improved roads, irrigation systems, electrification, health, nutrition and family planning services, better education, field-tested research, etc.;
- ▲ from the private sector and from cooperatives in the form of ready availability of fertilizers, pesticides, small-scale farm machinery, improved processing of products, and a host of production and consumption related services;

- ▲ from the private and government financial sectors adequate amounts of credit on reasonable terms and at the time needed.

The AID program in the Philippines has been designed to help the small Philippine farmer receive such a package of support services.

### The Program

Over the past few years United States assistance to the Philippines has been concentrated in the rural areas, and in support of projects designed to improve the lot of the small farmer and rural townsman — as directly, quickly and lastingly as is feasible. This emphasis is in line both with the priority set by the Philippine Government and the will of the United States Congress as spelled out in new aid legislation enacted in December 1973.

The balance of this paper describes the rural development projects on which the Philippine and United States Governments are cooperating, to improve the production and income of the small farmer and his "cousin" in nearby towns. Some projects, like family planning clinics, have indirect and delayed benefits. Others are immediate and direct.

All twelve of the development projects assisted by the United States in the Philippines are targeted on the small farmer and rural dweller. They are coordinated with inputs of other donors. And they bring together on common targets the separate elements of U.S. assistance — technical assistance grants, loan funds, and PL 480 agricultural commodities. Taken together and carefully targeted, they comprise an integrated and substantial resource to help solve some of the key economic and socio-economic problems facing the Philippines:

- ▲ low agricultural production
- ▲ malnutrition
- ▲ rapid population growth
- ▲ under-employment

Six of the 12 projects deal directly with agriculture and service to the small farmer: land reform; feeder roads; irrigation; small farmer support systems; an applied agriculture research project and a pilot area development program for the Bicol River Basin.

Two supporting projects provide for improved local public administration and rural electrification.

These eight projects comprise a *package of rural facilities and services*. Taken along with projects of other donors, such as the IBRD's small and medium industry loan program, they provide sufficient support to the Philippine Government's own expanding effort to make a marked impact on the income and welfare of the rural poor.

The remaining four projects are designed to help the Philippines cope with one of the world's most rapidly expanding populations and with the closely related problems of child malnutrition and poor health standards.

Altogether, the twelve projects have received an average of some \$50 million of highly concessional U.S. assistance over each of the past five years. This \$250 million, as the following brief project descriptions reveal, has made a real contribution toward solution of the food, nutrition and population problems of the Philippines. In purely financial terms, the U.S. contribution has been the catalyst for generation

of much larger sums from the resources of the World Bank and Asian Development Bank. AID-financed feasibility studies of water resource, power and agriculture projects have resulted in more than \$100 million of World Bank/ADB loans in recent years. An additional \$1 billion of loans from these and other sources are likely to be committed over the next decade as follow-on capital for rural electrification, local water systems, small scale industry, and other projects pioneered and developed with AID funds.



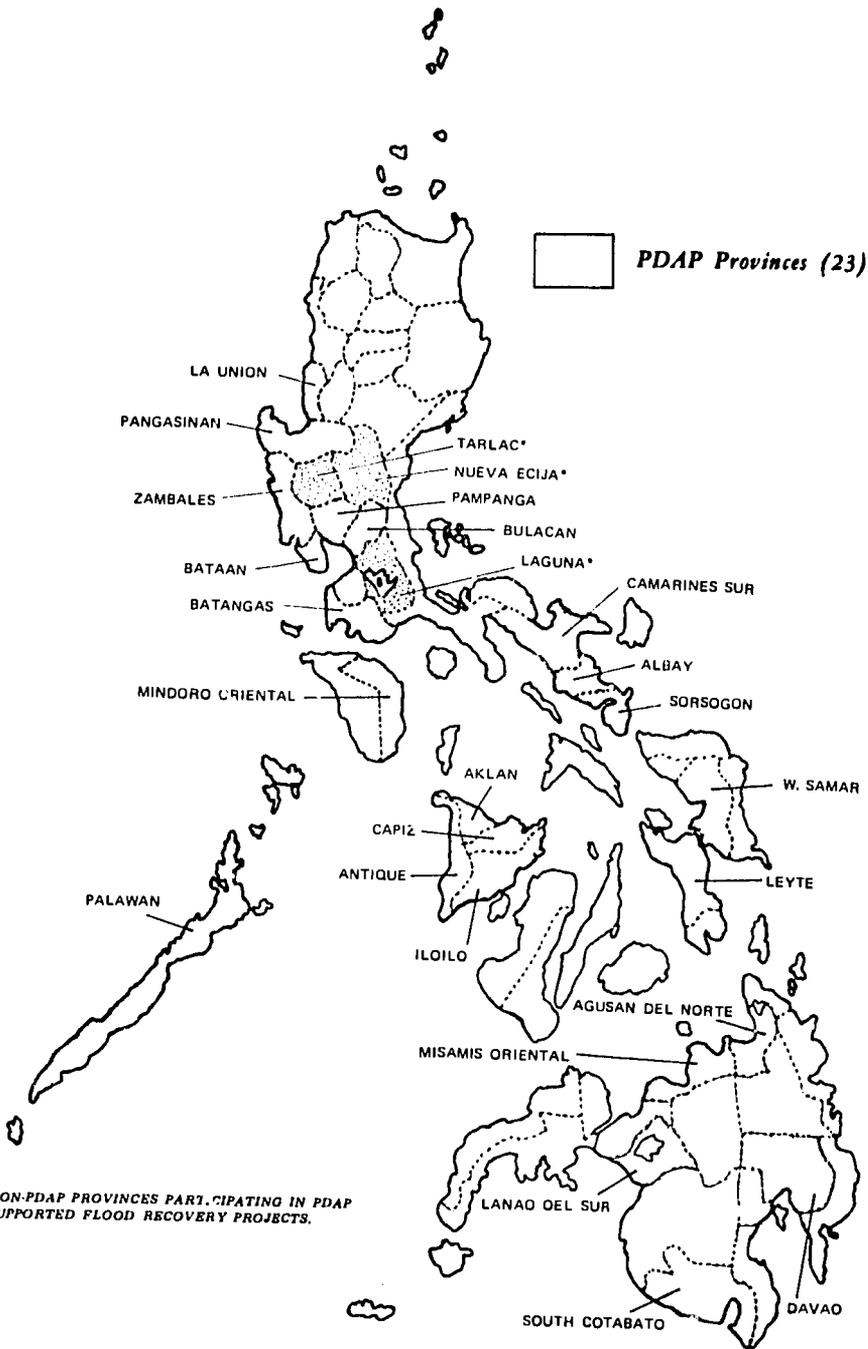
Project Summaries

A. Rural Development

1. Local Public Administration

Central to all USAID activities directed to the productivity and welfare of the small farmer and rural population is the realization that most of the task must be one of self-help and under the direction of local leaders. Some years ago American aid officials concluded one of their most effective roles in the Philippines would be to help local governments acquire the training and skills needed for improved project planning, budgeting and tax administration; and to acquire equipment and training in its use for the construction of small-scale public works to serve local communities — irrigation systems, feeder roads, bridges, etc. Over the past six years, 23 provinces of the Philippines — four each year — have joined the Provincial Development Assistance Project (PDAP) — a joint program of the Philippine Government and USAID. Under the project, these provinces have entered into agreements which

# PROVINCIAL DEVELOPMENT ASSISTANCE PROJECT

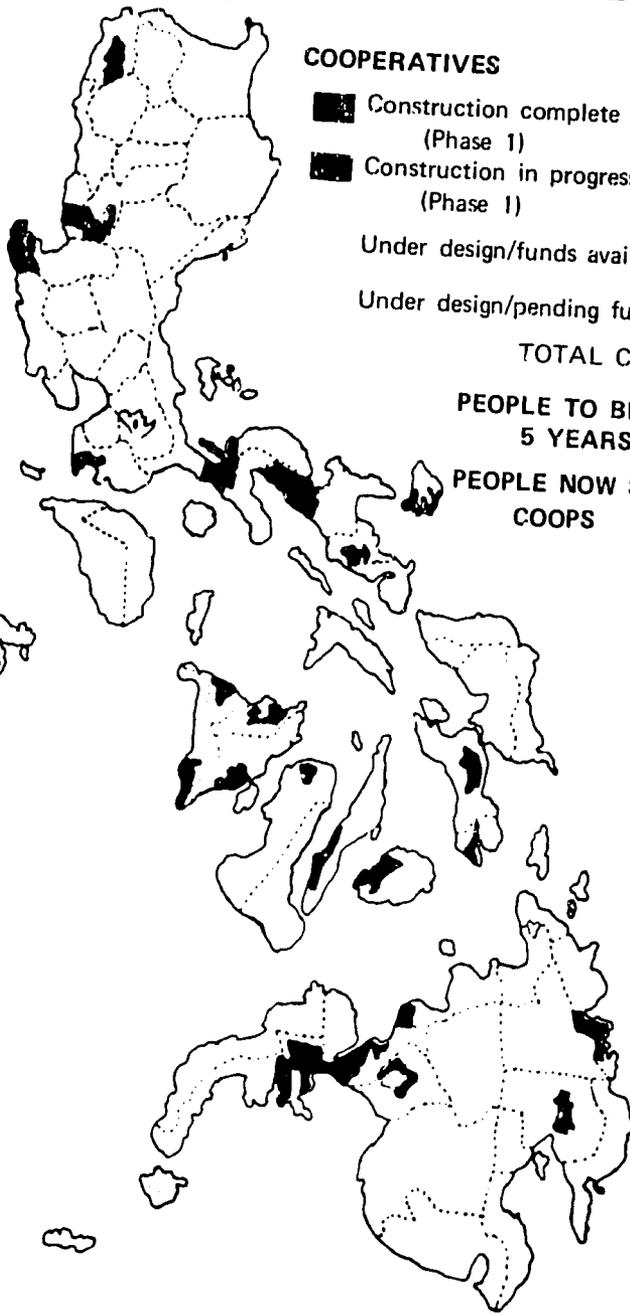


specify the self-help needed to match the help from the USAID. The participating provinces each employ a core technical staff from its own funds to receive training locally and abroad. Training — performed mainly in Philippine institutions — includes planning, budgeting, and management and engineering skills, and covers the key development programs being carried out or planned for the province. This process of improving local public administration has recently been extended down to the 20 to 30 towns located in each of the PDAP-assisted provinces. The training programs and manuals, budget forms, etc., are piece by piece being adopted by the Department of Local Government and Community Development for nationwide application.

Both the Philippine Government and USAID discovered, following the disastrous floods of 1972, that PDAP provinces strengthened thru this program were in a position to make unusually effective use of special disaster funds for recovery from flood and typhoon damage. It was possible for these provinces to build modern motor pools and train effective engineering staffs. Virtually all the equipment — some 2,000 motorized units — with supporting shops, tools, spares, etc. — was obtained from U.S. excess property sources. During 1973 and 1974 the provincial equipment pools and contractors supervised by them completed 500 kilometers of new rural roads and 5,500 linear meters of bridges.

With improvement of local government capabilities in planning, programming and fiscal management, the provinces are now better able to administer substantial USAID loan funds for such vital projects as rural roads construction and small scale irrigation systems. Item five below describes a specific loan made by AID for this purpose. Participating provincial and town governments are in a greatly strengthened position to support national programs such as family planning, nutrition and health.

# PHILIPPINE RURAL ELECTRIFICATION



**COOPERATIVES**

■ Construction complete (Phase 1)	9
■ Construction in progress (Phase 1)	23
Under design/funds available	18
Under design/pending funding	<u>22</u>
<b>TOTAL COOPS</b>	<b>72</b>

**PEOPLE TO BE SERVED WITHIN 5 YEARS**      6.0 MILLION

**PEOPLE NOW SERVED BY NEW COOPS**      1.1 MILLION

## 2. Rural Electrification and Small Scale Industry

More AID funds have been provided for rural electrification than to any other Philippine project -- \$65 million to date, exclusive of some \$15 million equivalent in U.S. Government excess generators, vehicles and other materiel. Matching funds have been provided for the program from Philippine Government resources. Funding through December, 1975 has supported establishment of the first phase of 50 rural electric cooperatives. Over the next four-five years these and additional cooperatives being formed will serve some 1,000 towns and over six million people. Service will spread to additional villages and farms as additional financing becomes available. This is approximately the same number of Filipinos served with electricity from *all* sources when the first cooperative was energized in December, 1971. Prior to the launching of rural electrification, there was little reliable electric service outside the Manila metropolitan area and a few other cities. By December, 1974 1.1 million rural people were receiving reliable and relatively economic power from the first group of cooperatives. The basic rate for a farm family's home use is approximately the cost previously paid for kerosene -- \$1.00 -- \$2.00 per month.

The program was initiated with technical assistance from the National Rural Electric Cooperative Association of America (NRECA) financed by AID. NRECA has for several years provided a team of ten men experienced in rural electrification cooperatives in the U.S. to help the Philippine National Electrification Administration (NEA) plan and carry out its program. In addition, a six-man team of U.S. engineers from Stanley Consultants of Muscatine, Iowa, helps the NEA with technical review of construction plans, the procurement of equipment, etc.

The cooperatives are member-owned and elect their own officers. They have proven to be a catalyst for other development activities — social and economic — such as cottage and small industry and expanded irrigation from motor driven pumps; and for lengthening the day for schoolwork and other useful activities. The family planning program is also expected to benefit! Ultimate economic benefits from rural electrification will be determined in large part by the growth of small and medium industry in the rural areas.

It is encouraging that as power becomes available, the World Bank and the Asian Development Bank, as well as Philippine development and commercial banks, are expanding their loan activities in the rural areas. Past AID support for establishment of such institutions as the Private Development Corporation of the Philippines (PDCP) and the Central Bank's Industrial Guarantee Loan Fund (IGLF) contribute to the institutional base for international and domestic lending for rural industry. It has also helped spark what is today a very dynamic private sector, albeit one that is clustered around Manila. The rural electrification program itself finances small industry pilot projects and expects to soon receive World Bank financing to expand this service. Availability of power in the rural areas will encourage the geographic dispersion of investment a major current objective of the Philippine government.

Rural electric distribution systems are, of course, greatly assisted by the even larger investments in power generation plants and transmission systems financed by international financial institutions (IBRD, ADB, US and Japanese Export-Import Banks). This permits rural cooperatives in reach of these systems to purchase bulk power more economically than they can generate it.

The specialization and division of effort in the power field between U.S. bilateral aid and the multilateral institutions are fully consistent with Philippine Government plans and serve as a model in donor coordination.

### 3. Land Reform

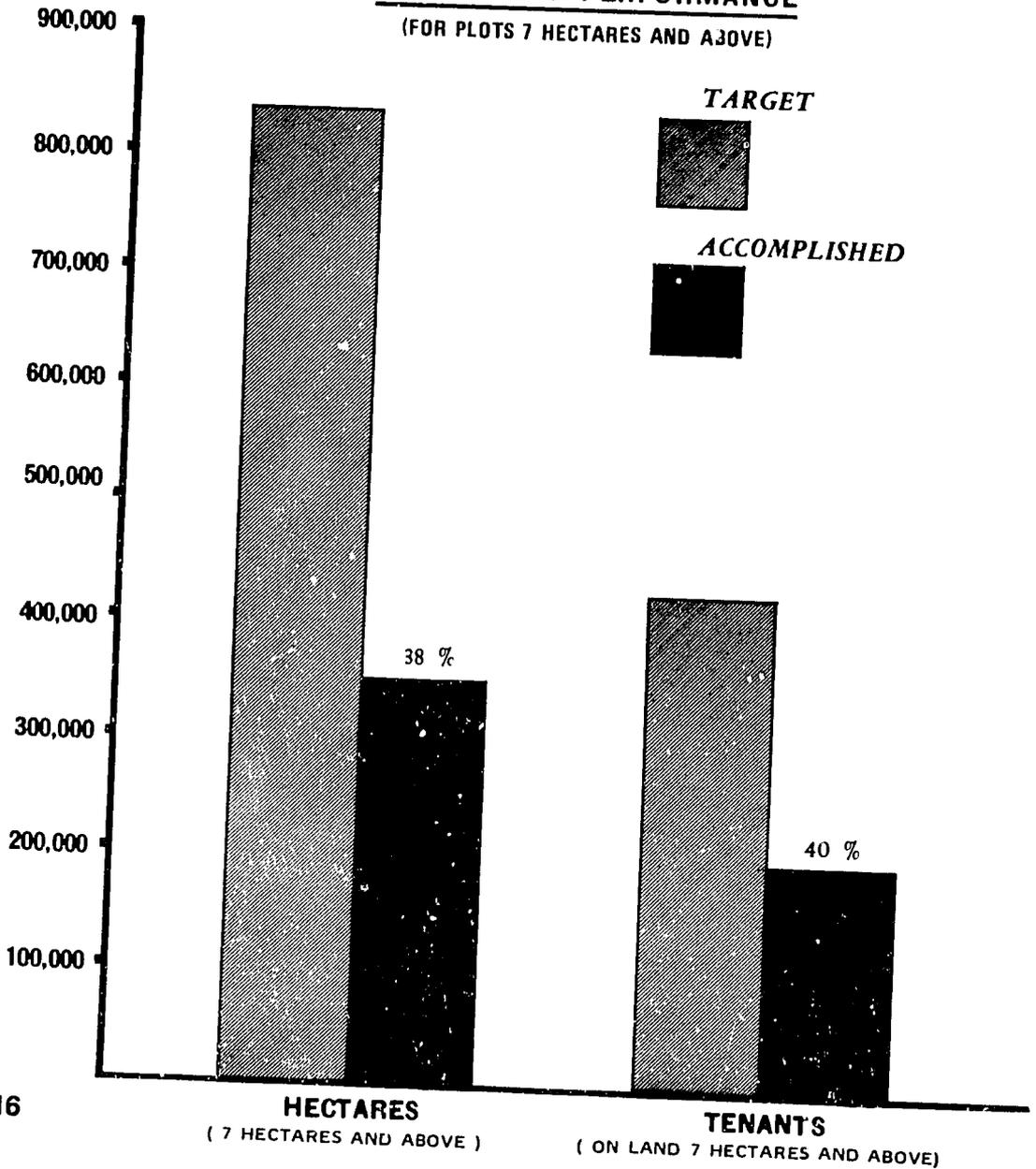
While the need for land reform in the Philippines has been long recognized, the obstacles have seemed insurmountable. Landlord resistance has been high, and funds for such a costly program have been scarce. In October, 1972 President Ferdinand Marcos, exercising special Martial Law powers, decreed comprehensive land reform which would distribute to tenants rice and corn lands they are currently tilling, up to 3 hectares of irrigated and 5 hectares of non-irrigated land. Tenanted landholdings of 7 hectares or less per owner are exempt from distribution. Surprisingly, it was found that over 85 percent of owners of tenanted rice and corn lands possess 7 hectares or less, meaning under the present decree only half of all rice and corn tenants are to receive land titles. The remaining tenants are to be given permanent leases at 25 percent of the crop. Based on production levels verified by a local committee, a sale price is set for the land which the tenant pays over a fifteen year period. The Philippine Government assures payment to the landlord.

The task of preparing individual farm plots and issuing certificates of land transfer has been found to be complex and time consuming. Equally challenging has been the task of providing substitute services and support to the new owner for those previously provided by the landlord.

# LAND REFORM

## LAND TRANSFER CERTIFICATES ISSUED

TARGET AND PERFORMANCE  
(FOR PLOTS 7 HECTARES AND ABOVE)



The USAID and UNDP have been invited to assist with these tasks and are doing so in a variety of ways. Several hundred jeeps obtained from U.S. military excess have added to mobility of the Department of Agrarian Reform's field teams. The USAID has also assisted with aerial mapping to accelerate identification of farm plots, with improving administrative efficiency, and with research on problems impeding the program. Perhaps the USAID's most useful role to date has been support for a pilot and demonstration land reform project in Nueva Ecija Province that began in 1970. This provided background and experience both to the Philippine Government and USAID for the national program launched by President Marcos in 1972. Financing of the basic cost of land reform has been borne by the Philippine Government. Outside assistance has been relatively modest.

As of December, 1974 landholdings over 50 hectares had been distributed to tenants and lands above 24 hectares were in the process of being distributed. President Marcos has directed work to begin on preparation for the distribution of lands down to the originally planned 7 hectares. At the current pace, it will take several more years (planned for 1977) to complete the distribution to the 450,000 tenants working landholdings over 7 hectares. During 1973 and 1974 approximately 150,000 tenants received land.

The USAID program provides support to the land reform beneficiary as well as other small farmers through the various rural development projects described elsewhere in this paper.

#### 4. Bicol River Basin Area Development

In several locations the Philippine Government is testing the possibilities of integrated area development. This is viewed as possibly more

effective than the traditional sector-by-sector approach to development. It contains many features of the Provincial Development Assistance Project described in section one above, but is considerably more complex and ambitious. It aims to coordinate *all* government activities in the area -- both local and national. This requires special administrative arrangements and authorities. It calls for a comprehensive systems approach to planning and management which is multi-disciplined and multi-sectoral. But the goal is the same as in all USAID-assisted projects --- increased well-being of the lower income group of the region.

The USAID has been asked to assist with area development of the Bicol River Basin in southern Luzon -- an area of some 300,000 hectares and one million people. It is an agricultural area of lower than average income levels. Rather extensive technical assistance is being provided for development of the institutional structure to administer the project and for planning and systems engineering, data collection and preparation of a basin-wide comprehensive water resources plan. Feasibility studies are being carried out or planned for projects already identified. AID has funded a power transmission and distribution system for the basin and plans next year to finance a special rural roads and pilot irrigation program.

As with other AID-initiated and 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 it is anticipated the Bicol program will generate sound project proposals for upwards of \$300 million. And it is already apparent the Bicol River development program is emerging as one of the most innovative and promising approaches to uplift of a rural area that is receiving international assistance.

## 5. Feeder Roads

In December, 1974, AID authorized a \$15 million loan for feeder roads to be built in provinces previously provided local construction and engineering capability under the Provincial Development Assistance Project (PDAP). Counterpart peso funds are provided from the provincial budgets. The feeder roads are therefore a net extension to the road system being expanded by the national government through the Department of Highways, and represent a major advance in local self-help. AID loan funds reimburse the provinces a fixed amount for work completed in accordance with agreed plans and design. Priority is given to roads which facilitate agricultural production and marketing.

## 6. Small-Scale Irrigation Systems

One of the most intractable problems facing Philippine agriculture for many years has been the low efficiency of irrigation systems. The needed increase in food production requires a major and continuing expansion of land under irrigation as well as further efficiencies in operation and maintenance of completed systems. The U.S. Bureau of Reclamation, with AID financing, has helped the Philippine National Irrigation Administration rehabilitate existing systems and prepare feasibility studies for major new projects. The IBRD and ADB have made loans to help finance these projects which are then administered by the National Irrigation Administration,(NIA).

Unfortunately, little progress has been made in the operation, maintenance and expansion of small scale irrigation systems which the NIA cannot handle and for which local management has not been developed. AID is now providing technical assistance and is favorably disposed to provide loan funds for pilot irrigation systems. The hope

is to help in the formation of models of locally owned and managed irrigation associations, particularly in rural areas now being served with electricity.

#### 7. Agricultural Research

There has been growing recognition in recent years that even such spectacular research successes as the higher yielding rice varieties produced at the International Rice Research Institute in Los Banos cannot make their intended impact without a whole family of related changes which must take place between the basic research station and the farmer's market day. Certainly the most fundamental contribution made by AID (and subsequently the Ford Foundation) to Philippine capacity to cope with their complex of problems has been the *several decades* of support to development of the then-College and now a complete University of Agriculture at Los Banos.

Over the past few years AID has assisted Philippine agriculturalists and educators in the planning and establishment of a Philippine Council on Agricultural Research (PCAR). The Council will make grants to and otherwise strengthen the network of agricultural research stations and colleges throughout the islands. AID plans in 1975 to make a \$5 million low interest loan to PCAR. Early efforts will target on the *application* of research findings in rice and corn -- two crops which account for 70% of the farming population.

#### 8. Small Farmer Income and Production Project

The Philippine Government has mounted a major program to achieve self-sufficiency in rice and corn. The program is labeled "Masagana 99" -- roughly translated "bountiful harvest, 99 cavans (4.5 M/T of rice) per hectare." Central to the program is supervised

credit for a proven package of farm technology for small-scale rice farmers. Credit needs of the program are met by the Philippine Government. The AID role has been collaboration in development of the management system and data base for the program and in providing limited amounts of support equipment, mainly U.S. military excess vehicles.

Following the 1972 floods, \$5 million of AID grant funds were used to demonstrate the ability to plan and implement a tightly controlled and closely monitored small-farmer, non-collateral credit program for 13,400 farmers. The present project aims to duplicate the success of this effort on a large scale. The goal is to reach all small rice and corn farmers with this service by 1978.

The project encompasses experimentation and analysis of such questions as whole farm credit financing; compatibility of different crops grown in rotation with rice and corn; and the economic and social feasibility of alternative systems for purchasing, drying, storing, transporting and pricing farm products. While these and related activities are carried out by Philippine agencies and individuals, coordinated by the National Food and Agriculture Council (NFAC), this USAID project provides for supporting services of a wide variety of U.S. specialists and institutions. Typical are regular consulting missions from TVA fertilizer specialists.

Taken all together, the eight projects described above, along with a number of centrally funded research activities not dealt with here, constitute a rather comprehensive package of AID support for Philippine agriculture and rural development.

# PHILIPPINES-PROJECTED POPULATION SIZE UNDER VARYING FERTILITY ASSUMPTIONS 1970-2070

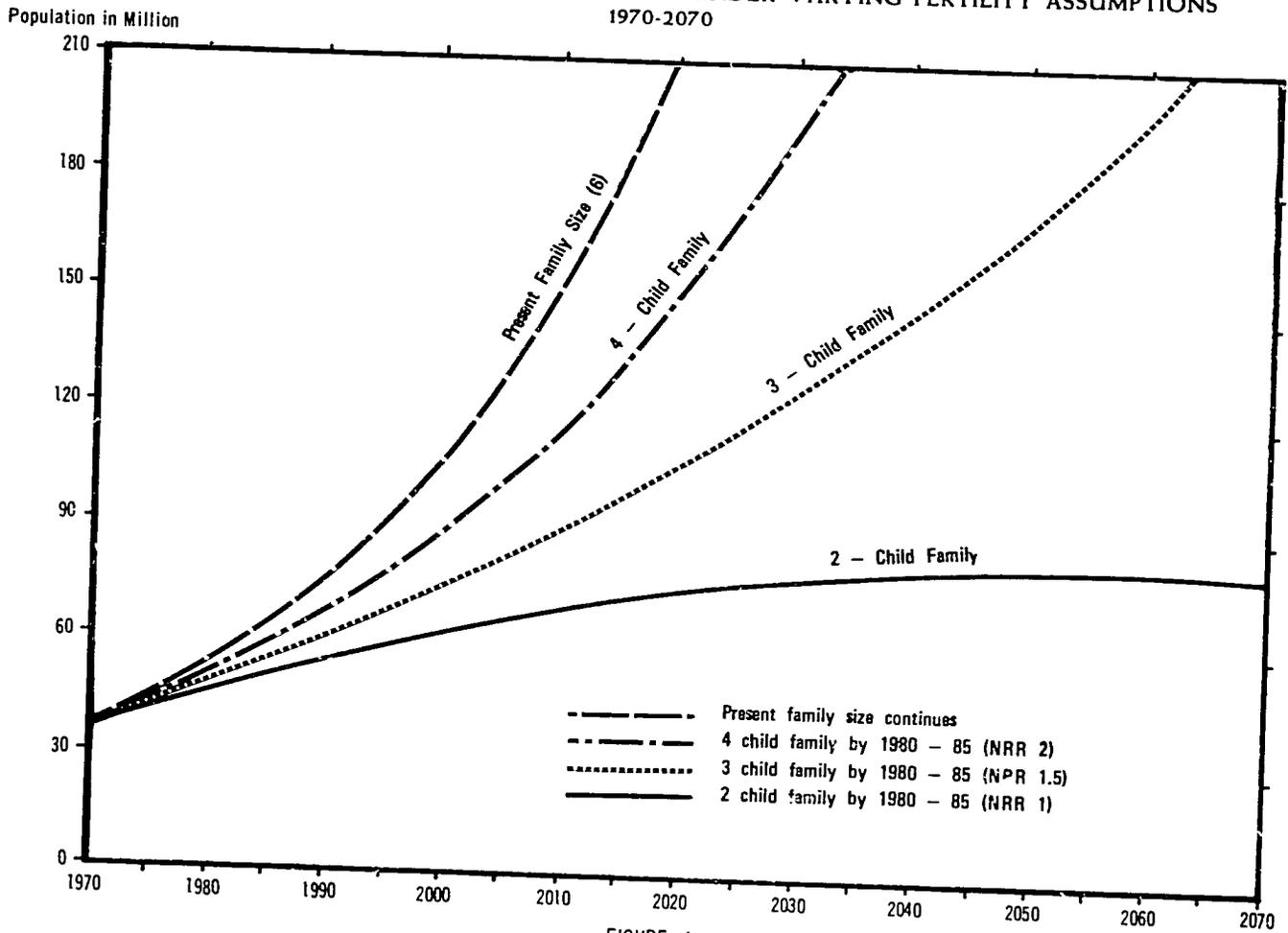


FIGURE 1

## B. Population and Health

### 1. Family Planning

The number of Philippine married women of reproductive age practicing contraception had increased from 2 or 3 percent in 1968 to an estimated 18 percent by the end of 1974. Over two million women had enrolled as family planning acceptors with an estimated 1 million continuing to practice. By most any standard, the Philippines' effort to control its population has emerged as one of the most vigorous, comprehensive and promising of any in Asia. Looking back, this is a remarkably rapid development, especially in a predominantly Roman Catholic country. Looking ahead, the question is, "Will there be a comparable growth in the program over the next 5-6 years?" Monthly new acceptors had leveled off in 1974 to about 50-60,000 per month with nearly half of all acceptors originating in cities and towns.

The Philippine Population Commission and the USAID are agreed that if the objectives of the program are to be realized, (reducing the population growth rate from over 3% to under 2% within the decade of the '70's) that in the immediate years ahead the program must significantly expand its outreach from the town-based clinic into the surrounding barrios and farm population. Thanks to dedicated work of first private organizations and then Government --- including strong support from President and Mrs. Marcos --- and generous funding from AID, there exists a large body of trained family planning workers and a network of 2,200 family planning clinics. Efforts are now concentrated on various ways and means to improve the delivery of family planning services to the farm family. Barrio contra-

ceptive resupply points are being established. Clinic motivators are expected to receive more adequate travel allowances. And oral and other contraceptives are expected to become much more widely available as they are dispensed by para-medics as well as MD's.

One of the most frustrating aspects of the population program is the inability to accurately measure the demographic change occurring in the early years of the effort. This is due to poor vital statistics and difficulty in measurement from sample demographic and acceptor surveys. A major effort is now underway involving much of the international demographic community to assess the impact of the first five years of family planning programs in the Philippines. AID is financing this and a large number of other population programs in the Philippines. AID's \$30 million grant contribution to the Philippine family planning program ---- currently running at \$5-7 million a year -- makes the Philippine program AID's largest, and of special significance to the future of U.S. support for family planning in other countries.

## 2. Nutrition

Average nutritional standards in the Philippines are among the lowest in the world. This surprising situation is due to insufficient food production, maldistribution of available food, spoilage and poor eating habits. Average intake of 1,700 calories and 46 grams of protein is well below most other Asian countries. The Philippine Government hopes to increase this to over 2,000 calories and 50 grams protein *intake* within the next few years. The combination of agriculture and nutrition programs now underway and planned -- many assisted by USAID and other donors -- could well result in this short term goal being attained. Solution of the long term food supply and distribution

problems depends, of course, on reduction of the current nearly 3 percent population growth rate.

But aggregate consumption figures do not in themselves reveal the serious deficiency in the diet of perhaps one-third of the population who exist at a bare subsistence level. This deficiency is most pronounced among the children of low income families, particularly in the post-weaning period up to school age. Thirty-five percent (2.4 million) of the 7 million children in this age group are suffering moderate to severe malnutrition. An additional 2.5 million primary and elementary school-age children are likewise suffering moderate to severe malnutrition. Thousands of children suffer and perish from extreme malnutrition.

There has been growing awareness in recent years of the seriousness of this problem and of ways to cope with it. In 1974 the Government of the Philippines, led by the First Lady, Mrs. Imelda Marcos, launched a major campaign to deal with the problem. This followed an earlier and massive self-help program -- known as the Green Revolution -- to increase local food production in school, community and home gardens.

The USAID Mission in the Philippines has a long record of partnership with Philippine agencies concerned with problems of malnutrition. A 1969 grant to Catholic Relief Services and Foster Parents Plan pioneered development of Mothercraft Centers in Manila slums and a targeted maternal and child health program.

The following year an equally significant event was development of the "nutribun" program for supplemental school feeding. These two programs are targeted on the most severely malnourished children

and make use of U.S. PL 480 Title II commodities to augment local food supplies. They are administered through U.S. Volunteer Agencies by Philippine religious and educational establishments. Professional advice and technical assistance is provided for all phases of the U.S. contribution by the Virginia Polytechnic Institute and State University. This includes overall planning, devising pilot schemes for food processing, analysis of program results, etc. Texas A and M University is involved through a contract to develop coconut skim milk as a high protein infant food. The two programs are viewed as essential interim aid while local food substitutes are being developed.

The short-term impact of these U.S.-supported nutrition activities is significant. It could be larger if more Title II food were available. Each school day, over one million school children receive a 500-calorie, 17-gram protein "nutribun" prepared in over 500 locally built and operated "self-help" bakeries. Commercial bakeries are used in Manila. Of even more critical nutrition significance are the several thousand Targeted Maternal Child Health Centers operated by volunteers throughout the country. The Centers are serviced by more than 200 church-paid nutritionists and 400 nutrition aides as well as by 600 government technicians. The five-year goal is to reduce pre-school malnutrition from 35 to 27 percent; and malnutrition in school by 10 percent.

Final solution to the nutrition problem lies not in any one program, but in parallel progress on the many facets of rural development and population control described in this paper.

### 3. Aquaculture

One of the most promising ways to increase protein supply in the Philippines is through improved husbandry and culture of freshwater

and marine animals and plants; i.e., aquaculture. After rice, fish is the most important source of protein in the diet of the low-income Filipino — exceeding pork, beef, poultry and eggs combined.

Today, about 85 percent of fish consumed in the Philippines is captured from wild stocks, mostly from saltwater. The balance is produced in fishponds, predominantly brackish water ponds along the coastline. Barely one percent of fish is produced in freshwater ponds or intercropped with rice. It is doubtful that the marine catch can be greatly expanded. On the other hand, the potential exists for greatly increased brackish and freshwater fish pond production. An estimated 500,000 additional hectares (1.2 million acres) of swamplands mostly unsuited for other forms of agriculture could be developed into fish ponds more than doubling current hectareage. This would absorb a large labor force. New technology and cultural practices now being developed which significantly increase yields should make this a profitable investment. Experiments are now underway to determine if comparable increases are not possible from rice paddy fish culture.

Several years ago the USAID financed a contract to permit Auburn University to help the Philippine College of Fisheries and the Philippine Bureau of Fisheries plan and equip two research stations — one in Central Luzon for freshwater fish and one on Panay Island for brackishwater fish. Three Auburn PhD's are assigned in the Philippines and 12 Philippine specialists have been trained at Auburn.

Results of the first 4-5 years of this work are so encouraging the Philippine Government and AID are planning to launch a major program of research, education and extension in aquaculture. This anticipates a relocation and major expansion of the College of Fisheries from Manila to Panay Island which AID proposes to help finance.

Philippine plans call for close collaboration with United Nations and other international bodies, private foundations and governments concerned with aquaculture. The prospect is good that the full development of these plans could result in a major institutional development of international significance.

#### 4. Local Potable Water Systems

In May, 1973 the Philippine Government announced a major program to assist local communities in the provinces improve their potable water systems. On the *national* level, this provided for creation of a Local Water Utilities Administration which would help local communities design, construct and operate new or expanded water and sanitation facilities; and would make loans to local systems operating in accordance with approved standards and financial practices. On the *local* level, the program assists with formation of local water districts and with training of management and technical staffs.

There are 300 communities in the Philippines of 30,000 population or more in need of safe and reliable water supply systems. United Nations statistics indicate the mortality rate from waterborne diseases in the Philippines is unusually high -- 38 per 100,000 population compared to 19 for Thailand and 8 for Singapore.

In recognition of this problem, the USAID financed first a pre-feasibility study by the U.S. Department of Health, Education and Welfare which was followed by full feasibility studies of six rural population centers. The studies and preliminary plans, along with recommendations for the necessary institutions to administer a national program, were completed in 1973. AID subsequently agreed to fund a technical assistance contract for \$750,000 with a U.S. firm for a team to help with development of the national institutions and the

local water districts. And AID made an initial low-interest loan to finance half the cost of the first five systems. Currently, AID is financing feasibility studies for the next 10 provincial systems and plans to provide an additional \$20 million in loan funds.

As in the case of rural electrification and other projects assisted by AID in the Philippines, it is anticipated the potable water program for rural communities so vital for improved health will be in position within a few years to merit much larger infusion of capital from non-AID sources.

### Conclusion

During the first half of the 1970's, unprecedented amounts of Philippine domestic resources and foreign borrowings were channeled into extension of highways, electric power, irrigation systems, credit, and other services to rural areas. The same years have seen a remarkable growth in concern for population control, malnutrition among children and other preconditions for a progressive rural society. These efforts, if continued, should produce a marked improvement in the productivity and income of the rural population.

While largely the result of Philippine policies and allocation of its own resources, this shift in priorities has been strongly encouraged and supported by the USAID Mission and other members of the Philippine Consultative Group chaired by the World Bank. Several conclusions can be drawn from the USAID Mission participation in this period of Philippine development:

1. AID funds and the technical assistance accompanying the funds have played a catalytic role in planning and early-stage financing of the

twelve projects summarized in this paper. Completion of these projects will make an important contribution to amelioration of the condition of the rural poor and reduce pressure for migration to the cities. Project development has been a time-consuming and evolutionary process of partnership in problem-solving and institution-building as the history of each project would reveal. This history would likewise reveal the key roles of dedicated individual AID technicians and their Philippine counterparts in each successful project.

2. The multiplier effect of AID's investment in project planning, institution building and early-stage financing attracts much larger funding from non-AID sources — particularly the international development banks and the private sector. A \$2–3 million investment by AID in feasibility studies in areas related to its program has attracted over \$200 million in project financing by the World Bank and Asian Development Bank. Even more significant, perhaps, will be the non-AID follow-on financing for rural electrification, provincial water systems, etc., as these major developments mature for international lending and AID shifts its concern to innovation in new fields.

3. Management of AID resources in the Philippines bears little resemblance to the practices of a decade ago which were often the subject of critical reports. The management task is narrowed, of course, by concentration on but a few areas — rural development, population control and malnutrition. Programs assisted within these areas are subjected to closer examination and analysis by Mission management than would be possible for a widely scattered effort.

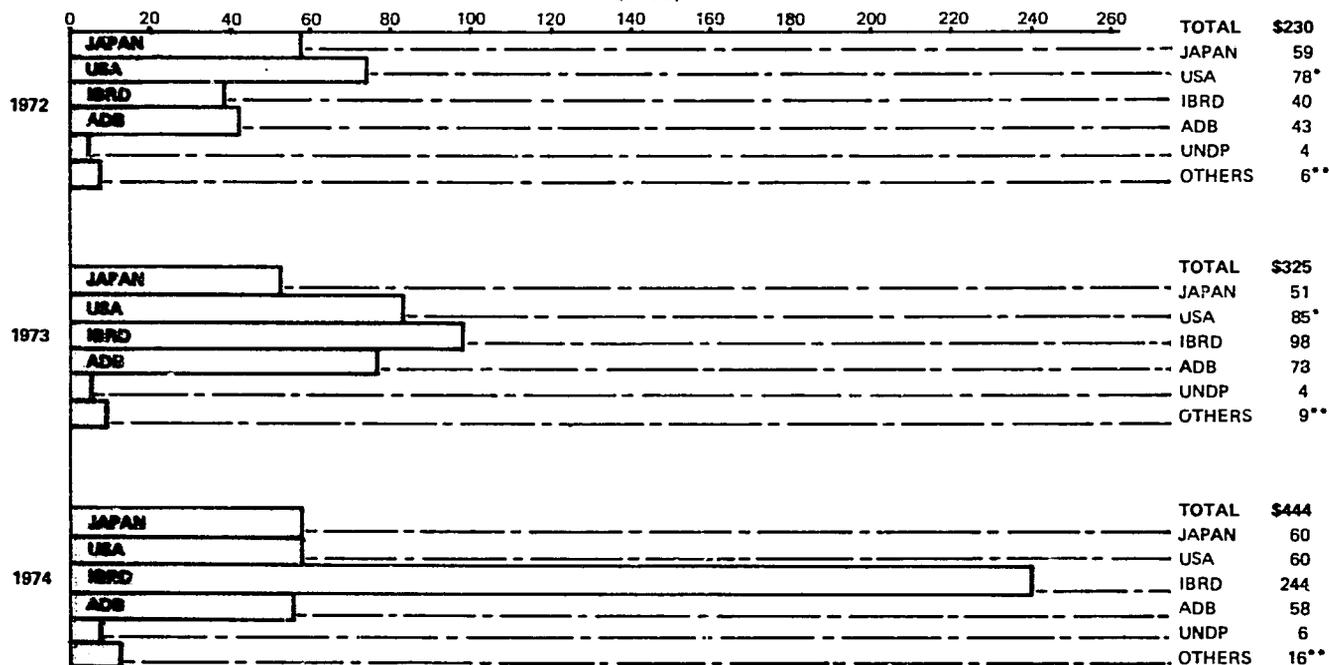
As for staff, Mission management has maintained an adequate field staff to provide both professional and administrative oversight of utilization of AID-financed resources. Development of projects and early

stage implementation is viewed as a team effort. AID does not pretend to be the coach, but it is an active member of the Philippine team to which it brings special skills and resources. There were 60 AID career staff assigned to the Philippines in early 1975 — some one-third less than 5 years ago. They were assisted by 40 American contract employees assigned to particular projects and 144 Filipino staff. A dozen American universities and 13 Philippine universities or institutes play an active role in carrying out Mission-supported projects, together with an even larger number of business enterprises.

The Mission has strengthened its own audit and management capability by making extensive use of private management firms located in the Philippines. And the Mission has pioneered development of new approaches to project administration. Most significant, perhaps, is the fixed-amount reimbursement method of financing which provides for payments by AID after mutually agreed work is completed to specifications. This method of financing has assured that United States funds are used for the intended purposes. It also places responsibility for project success or failure in the hands of host country administrators.



**CONCESSIONAL ASSISTANCE TO THE PHILIPPINES, BY DONOR**  
**CY 1972-74**  
(\$ M)



1972-74 TOTAL: JAPAN: 170 IBRD: 382 UNDP: 14  
US: 223 ADB: 179 OTHERS: 31

\*Includes a special congressional grant of \$50 million for disaster relief and rehabilitation assistance

\*\*Includes Assistance from other UN agencies and other bilateral donors (mainly Belgium, Germany and Denmark)