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Report No. P-3085-PH

REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
TO THE
REPUBLIC OF THE PHILIPPINES
FOR A
SECTOR PROGRAM FOR ELEMENTARY EDUCATION

June 4, 1981

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CURRENCY EQUIVALENT

P 7.5 = US\$1.00
P 1.0 = US\$0.13

ABBREVIATIONS

BEE - Bureau of Elementary Education in the Ministry of Education
and Culture
EDPITAF - Educational Development Projects Implementing Task Force
MEC - Ministry of Education and Culture
OPS - Office of Planning Services in the MEC

GOVERNMENT OF THE PHILIPPINES
FISCAL YEAR

January 1-December 31

GOVERNMENT OF THE PHILIPPINES
SCHOOL YEAR

July-April

PHILIPPINES

SECTOR PROGRAM FOR ELEMENTARY EDUCATION

Loan and Program Summary

Borrower: Republic of the Philippines

Amount: \$100.0 million

Terms: The loan would be for a term of 20 years, including 5 years of grace, with interest at 9.6% p.a.

Program

Description: The Government's development program (1981-90) for elementary education is designed to strengthen policies, management and instructional programs in elementary education. It gives particular emphasis to regions with low rates of student achievement and participation. Policy changes are being introduced to reduce disparities in educational opportunity, to improve quality, and to increase the efficiency of the school system as follows: a revised procedure is being adopted to allocate a larger share of development expenditures to educationally deprived regions; the share of recurrent expenditure for nonsalary items is being increased to improve the quality of instruction; the policy for teacher utilization is being revised to make more efficient use of subject matter teachers; and policies for student admissions, evaluation, and progression are being improved to raise the participation rate of the school-aged group and to reduce the dropout rate. The organization, functions, and staffing of the main agencies involved with elementary education are being modified to strengthen sector management and planning. Instructional programs and materials and the distribution of facilities and teachers will also be improved.

The development program involves about 60 subprojects to be undertaken between 1982 and 1985. These subprojects would provide instructional materials (an average of 11 million basic textbooks per year), facilities (11,000 classrooms per year), and training for managers, planners and school staff. A revised curriculum, a scheme for monitoring teacher supply, and systematic evaluation of sector performance would also be introduced. The cost of the program is estimated at \$448 million in 1982-85, with a foreign exchange cost of \$129 million. The proposed Bank loan would finance about 22% of

the program's total cost and about 77% of its foreign exchange cost. As a result of improvements in efficiency, particularly in teacher utilization, the development program is not expected to increase the real recurrent cost per student enrolled.

A deliberate effort has been made to rely as much as possible on the Borrower for program management. The Ministry of Education and Culture would be responsible for subproject approval and implementation. Criteria and procedures have been developed to ensure that subprojects adhere to program objectives and are feasible.

The sector program is innovative and complex. In addition, the exact outcome of the revised policies and management practices cannot be accurately predicted. A risk exists that delays will be encountered during implementation. To reduce this risk, experienced staff, responsible for formulating the sector program, have been recruited for program management and the assistance of consultants will be provided. In addition, management and implementation procedures have been designed to allow for adaptation and modification as experience is gained.

<u>Estimated Cost:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----	\$ million	-----
Civil works	186.5	46.5	233.0
Equipment, materials and paper	1.2	26.2	27.4
Furniture	7.5	3.7	11.2
Development, printing and distribution of instructional materials	10.1	8.3	18.4
Staff development	14.7	1.6	16.3
Evaluation, studies and preparation of future projects	1.0	2.0	3.0
Technical assistance	2.5	2.5	5.0
<u>Total base cost estimate</u>	<u>223.5</u>	<u>90.8</u>	<u>314.3</u>
Physical contingencies	21.5	8.7	30.2
Price contingencies	73.7	29.9	103.6
<u>Total cost</u>	<u>318.7</u>	<u>129.4</u>	<u>448.1</u>

<u>Financing Plan:</u>	<u>Government</u>	<u>IBRD</u>	<u>Total</u>
	----- \$ million -----		
Civil works	330	-	330
Equipment, furniture and paper	-	50	50
Instructional materials (development, printing, distribution) and staff development	12	28	40
Technical assistance	-	9	9
Unallocated	6	13	19
<u>Total</u>	<u>348</u>	<u>100</u>	<u>448</u>

<u>Estimated</u>							
<u>Disbursements:</u>	Bank FY	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>
		----- \$ million -----					
	Annual	1.5	9.5	14	20	45	10
	Cumulative	1.5	11.0	25	45	90	100

Staff Appraisal
Report: No. 3423(a)-PH dated May 29, 1981

REPORT AND RECOMMENDATION OF THE PRESIDENT
OF THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN
TO THE REPUBLIC OF THE PHILIPPINES
FOR A SECTOR PROGRAM FOR ELEMENTARY EDUCATION

1. I submit the following report and recommendation on a proposed loan to the Republic of the Philippines for the equivalent of \$100.0 million to help finance a sector program for elementary education. The loan would have a term of 20 years, including 5 years of grace, with interest at 9.6% per annum.

PART I - THE ECONOMY

2. An economic report, entitled "The Philippines: Domestic and External Resources for Development" (No. 2674-PH), was distributed to the Executive Directors under SecM79-822, dated November 16, 1979. A mission visited the Philippines in 1979 to analyze the extent of poverty and review policies affecting it. The mission's report, "Aspects of Poverty in the Philippines: A Review and Assessment" (No. 2984-PH) was distributed to the Executive Directors on December 1, 1980 under SecM80-919. The next economic mission is planned for September 1981. Country data are given in Annex 1.

Performance in the 1970s

3. During the 1970s, economic performance improved considerably, raising the trend GNP growth rate to 6% at the end of the decade. The ratio of fixed investment to GNP rose from 16% to 24% during this period. Half of the increase in investment was in the public sector; the ratio of public investment to GNP rose from 1.5% to 5.5% during the decade, reflecting substantially expanded revenues and improved implementation capacity. Export growth was accelerated, particularly in nontraditional manufactures, while growth in imports of oil and consumer goods was restrained. Overall, expansion in agricultural production was quite rapid, and foodgrain deficits were eliminated in the second half of the decade. Population growth was also slowed in the 1970s. However, the economy still has a number of structural problems. Most importantly, the efficiency of investment has been low, particularly in manufacturing industry producing for the domestic market; industrial employment has not expanded rapidly enough; and poverty is still widespread.

4. The economy's structural problems are reflected in its balance of payments. Improvements achieved in the early 1970s were more than offset by a sharp deterioration of the Philippines' terms of trade since 1975, stemming from the oil price increases, accelerated international inflation,

and depressed prices for major export commodities. Consequently, the Philippines has had to rely heavily on foreign borrowings to finance the imports needed to maintain growth and investment levels. To hold the external deficit at a sustainable level in the coming years, additional structural adjustments in the balance of payments will have to be achieved through reduced dependence on imported oil, increased efficiency of investment, and improved performance of the industrial sector.

Development Strategy

5. The Government's Development Plan for 1978-82 has as objectives the rapid expansion of productive employment; improvements in economic, social and regional equity; and provision for the basic needs of the population. The agricultural strategy emphasizes food production, crop diversification, and stronger linkages with processing industries. The industrial strategy calls for promotion of export industries, development of small- and medium-scale industries, regional dispersion of industrial growth, increased efficiency of investment, and selected large-scale projects. The Plan includes social development targets in education, housing, health, and family planning. In addition, the Plan outlines development strategies for each of the country's 13 regions. A recently completed Food and Nutrition Plan, which complements the Development Plan, aims at eliminating malnutrition by 1990 through increased food production and nutrition programs.

6. The Development Plan elaborates the policy directions pursued by the Government in recent years and is broadly in line with the Bank's assessment of the country's development priorities. In view of changes in the international economy, the Government has recently revised the Plan, reducing the target of GNP growth for 1981-82 from 8% to 6%.

Macro Issues for the 1980s

7. As noted above, the Philippines faces several fundamental long-standing development problems which will need increased attention during the 1980s. The four most important of these are reduction of population growth, poverty alleviation, employment generation, and increased efficiency of investment.

8. Population Growth. The Philippines has achieved an impressive reduction in population growth from 3% in 1970 to about 2.4% in 1980.^{/1} Nevertheless, rapid population growth is still straining available land resources, aggravating already serious employment and poverty problems, and burdening the public budget with a high growth in demand for basic public services. Further reduction of population growth is, therefore, vital for the country's development. The Philippines has an active family planning program which has expanded rapidly during the 1970s. Participation in the family planning program is still low by East Asian standards, and the number

^{/1} This figure is based on a more recent survey than the Annex I data.

of new acceptors has reached a plateau as the program has faced the increasingly difficult problem of extending into rural areas.

9. Poverty Alleviation. Despite satisfactory economic growth during the 1970s, the incidence of poverty remains high at 40-45%. Income distribution continues to be very skewed, and there is a small elite which is conspicuously wealthy. Regional disparities remain pronounced, with the incidence of poverty reaching 60-70% in the least developed regions. Large numbers of people, especially in the rural areas, which account for about 80% of the poor, still suffer from malnutrition and lack safe water, basic education and health facilities. An increasingly unfavorable man/land ratio, the resulting expansion of cultivation into marginal lands, limited employment opportunities in the industrial sector, and the sharp deterioration in the external terms of trade have put downward pressure on real incomes. Although the Government instituted several programs during the 1970s that should directly improve the lives of the poor, most of these were implemented on a large scale only toward the end of the decade and will require several years to achieve a marked impact. Key steps needed to alleviate poverty will be the development of rainfed agriculture, more balanced regional development, rapid expansion of manufacturing employment, continued improvement in basic public services, and further reduction of population growth.

10. Employment Generation. Growth of productive employment, particularly in the industrial sector, has lagged behind the rapid expansion of the labor force, and considerable underemployment exists. During the 1970s, the agriculture and service sectors had to absorb an excessively high proportion of new entrants to the labor force. Manufacturing employment stagnated in the first half of the decade, and picked up only slightly thereafter as labor-intensive export production grew. Overseas employment, especially in the Middle East, increased rapidly, providing a temporary income opportunity. As the absorption capacity of the agricultural sector is limited, employment generation in manufacturing will have to increase considerably in the 1980s.

11. Efficiency of Investment. While private and public investment rose sharply during the last decade and have reached reasonable levels, the accompanying expansion of the economy's real output has been relatively low. In addition, the low rate of industrial job creation indicates that, on average, investment has not been labor-intensive enough. The low efficiency and labor-intensity of investment have been caused by the distortive effects of past trade, industrial, and financial policies on the allocation of capital. In view of tight resource constraints to be faced in the 1980s, the efficiency and labor-intensity of investment will be critical determinants of future growth in output and employment.

Sectoral Issues

12. The Philippines' macro-economic performance reflects achievements and problems at the sectoral level. The more important of these are summarized below for the agricultural, industrial, and energy sectors.

13. Agriculture and Rural Development. Although there has been considerable variation among subsectors, the trend growth rate of the agriculture, fishery, and forestry sector was about 5% during the 1970s, which is quite high by international standards. The Philippines, once a chronic importer of rice, began to export modest quantities in 1977, and rice self-sufficiency appears assured for the 1980s. Production of fish and nontraditional export crops, such as bananas and coffee, has also expanded rapidly. However, the development of rainfed agriculture, which is of critical importance for raising the incomes of the rural poor, has lagged behind. Technologies to increase yields of corn and feedgrains are still under development, as are multiple cropping systems. Productivity in the important coconut export sector is low because of a large number of overage trees, although a major coconut replanting program is scheduled for the early 1980s. Furthermore, population pressure on the arable land is steadily increasing, and soil erosion in hilly areas that have been logged over or settled is a serious problem.

14. The Government has provided substantial support for rural development. Agricultural production has benefitted from the introduction of high-yielding varieties, improved credit, extension, and irrigation programs. Rural infrastructure programs in water supply, electrification and health services have also been expanded significantly. An agrarian reform of rice and corn land, instituted in 1972, is well advanced.

15. While these programs have achieved considerable improvements, the gains have been uneven among regions, crops, and farming systems. Difficult issues remain to be addressed if the living conditions of the rural poor are to be improved. Solutions to the interrelated problems of low incomes and poor soils in marginal settlements will require the development of tree cropping and mixed farming technologies, resolution of land tenure questions, and substantial upgrading of the administrative capability of the agencies concerned. Steps are also needed to reduce the incidence of poverty among subsistence fishermen, coconut farmers, and sugar cane workers.

16. Industry. Although industrial and trade policies were improved in the early 1970s, manufacturing industry grew only at about the same rate as GDP, and its growth pattern remained unsatisfactory during the decade. Excessive protection and artificially low cost of capital have led to low efficiency of investment and stagnation of manufacturing employment in industries producing for the domestic market. The introduction of export promotion measures in the early 1970s did lead to extremely rapid growth in exports of nontraditional manufactures, which rose from about \$50 million in 1970 to \$2.1 billion in 1980. Nontraditional manufactures now account for one-third of the country's total exports. However, the export expansion has been concentrated on a few items, and backward linkages with the rest of the economy have been limited due to the high cost and low quality of domestic inputs. Consequently, nontraditional manufacturing export industries have developed as an outward-looking enclave in an otherwise heavily protected economy.

17. The objectives of the Government's industrial policy are to accelerate growth of output and employment, sustain the high growth of manufactured exports, reduce import dependence of domestic industry, improve the efficiency of investment, and promote industrial development outside the Manila area. Since industries producing for the domestic market still account for more than 80% of manufacturing investment, output, and employment, restructuring of home industries as well as continued export expansion are needed to achieve these objectives. In 1979, the Government initiated a series of fundamental policy reforms designed to improve the performance of the industrial sector. The first phase of the reform program, which is currently being implemented, focuses on strengthening of export incentives and reduction of protection through tariff reform and liberalization of import licensing. The Government is preparing a second phase of reforms that will address shortcomings in the investment incentives and promotion system as well as restructuring of industries which have to adjust to a more competitive environment.

18. Energy. Another sector critical for the success of the Philippines' structural adjustment effort is the energy sector. Since the 1973-74 oil price increase, the Philippines has made a considerable effort to reduce its dependency on imported oil. Demand restraint - largely through pricing and taxing measures - held the growth rate of energy consumption one percentage point below that of GDP. Steps to increase and diversify domestic energy supply have included the development of hydroelectric, geothermal, coal, and nuclear energy. Limited domestic petroleum production also began in 1979. However, due to the long gestation period of energy projects, domestic energy production still constituted only 18% of total commercial energy consumption in 1980. In response to the "second oil crisis", the Government is accelerating its program for domestic energy production but further taxing and pricing initiatives will also be needed to restrain demand.

Domestic Resource Mobilization and Allocation

19. Domestic Savings and the Financial Sector. During the 1970s, gross domestic savings expanded considerably, reaching 24% of GNP and financing about 80% of total investment. However, the savings ratio needs to rise by another 2-3% of GNP in order to maintain investment levels while simultaneously limiting the current account deficit and the country's reliance on foreign savings. In addition, interest rates and other financial incentives affecting the labor-intensity and efficiency of investment, the flexibility and competitiveness of the financial system, and the maturity of lending all needed to be increased. Hence, in 1980-81 the Government introduced a comprehensive set of financial reforms. Interest rates are being substantially decontrolled and revised monetary, fiscal, and rediscount policies are being introduced. Legislation to encourage multipurpose banking has also been adopted to reduce the present excessive specialization and fragmentation of the financial system and to increase competition.

20. Public Finance. During the 1970s, the Government has raised the overall level of public expenditures by 5% of GNP and has increased the shares

going to economic services and investment. Toward the end of the decade, total government expenditures reached an estimated 17% of GNP, with public investment equalling about 5.5% of GNP. The expansion of public expenditures has made possible improvements in basic infrastructure, particularly in transportation, power and irrigation, as well as expanded programs in urban development, health and family planning. At present, the size of the public investment program is appropriate, and its composition is, with a few exceptions, broadly consistent with the country's development priorities.

21. In the last few years, however, public investment has been constrained by the availability of resources, outdated contracting regulations and rigid budget execution procedures which were introduced in anticipation of a tight revenue situation. Problems were particularly acute during the period of high inflation in 1979 and 1980, and they caused the Government actually to underspend its capital budget. As resource constraints are likely to remain tight during the next decade, further strengthening of investment programming and budgeting procedures will be needed to concentrate resources on the highest priority projects.

22. The rapid expansion of public expenditures has been made possible by a program of systematic tax reform. The proportion of revenue coming from domestic taxes has been raised through increases in indirect taxes and improved collection, thus reducing dependence on cyclically volatile taxes on international trade. The tax ratio was raised by two percentage points to 13.6% of GNP during the decade but has remained about constant in the last few years. Continuation of a strong revenue effort, both by the Government and government corporations, will be necessary to finance further expansion in infrastructure and social services. Further tax reforms are needed to raise the elasticity of the revenue system, to improve its equity by increasing the proportion of revenue coming from direct taxes, and to eliminate remaining distortions in economic incentives.

Balance of Payments Adjustment and External Capital Requirements

23. The 1979-80 oil price increase has considerably tightened the long-term balance of payments constraints for the Philippines. The share of oil in total merchandise imports increased from under 12% in the early 1970s to over 25% in 1980. The current account deficit widened to an estimated \$2.2 billion in 1980, equivalent to 6.1% of GNP. If growth and investment rates are to be maintained, accelerated structural adjustments in the economy and the balance of payments have become essential to hold the external deficit at a sustainable level. Considerable reforms have already been introduced with respect to trade, industrial, and financial policies (see paras. 17 and 19), and improvements are under consideration in energy policy. Additional policy measures will be needed in these areas as well as resource mobilization and investment programming. Implementation of necessary adjustment measures should make it possible to sustain economic growth at 6.0-6.5%, mainly through improved performance of the industrial sector. However, policy measures will require a number of years to effect the needed structural improvement in the

balance of payments. The current account deficit, therefore, is expected to widen further in nominal terms while declining in relative terms to about 4% of GNP in the mid-1980s.

24. The Philippines raised its external borrowing sharply to finance the balance of payments deficits incurred after the 1973-74 oil price increase. During the second half of the 1970s, net disbursements from medium- and long-term loans doubled to an estimated \$1.1 billion in 1980. Despite substantial borrowing, the debt service ratio stood at only 17% in 1980, largely because of the rapid expansion in export earnings. Substantial additional foreign capital will be needed during the period of adjustment to the 1979-80 oil price increase, and net disbursements from medium- and long-term loans will have to double again in the next five years. If the Philippines can sustain the strong export performance of the recent past, the debt service ratio would still remain in the range of 18%-20% in the mid-1980s.

25. Official sources are expected to provide about 40% of the Philippines' gross external capital in the early 1980s. The last Consultative Group Meeting, held in January 1981, agreed that it would be reasonable for the Philippines to seek official development assistance (ODA) of about \$1.2 billion during 1981, a slight increase over the ODA commitments it received in 1980.

26. As noted above, satisfactory progress has been made in domestic resource mobilization. However, because the deterioration in the terms of trade has increased the Philippines' external financing requirements, and many projects planned for ODA have low foreign exchange costs, the necessary resource transfer can be achieved only through some financing of local costs of projects and non-project lending.

PART II - WORLD BANK OPERATIONS

27. As of April 30, 1981, the Philippines had received 74 Bank loans ^{/1} (of which two were on Third Window terms) amounting to \$2,665.7 million and six IDA credits amounting to \$122.2 million. IFC investments totalled \$108.6 million. The share of the Bank Group in total debt disbursed and outstanding is currently about 15%, and its share in total debt service is about 7%. These ratios are expected to be about 13% and 9%, respectively, by 1985. Annex II contains a summary of IDA credits, Bank loans, and IFC investments as of April 30, 1981, as well as notes on the execution of ongoing projects.

^{/1} Total does not include the \$150 million Industrial Finance Loan which was approved by the Board on May 7, 1981 and which is not yet effective.

28. The volume of World Bank lending to the Philippines has increased substantially from an average level of about \$90 million in FY71-75 to an average of \$420 million in FY77-81. Although the Bank has financed projects in virtually all sectors of the economy, particular emphasis has been given to agriculture, which has accounted for more than one-third of total Bank/IDA lending. Another fifth of Bank lending has been for the transportation sector. Lending for power, industry, and social sectors followed in declining order of size. The sectoral allocation of Bank lending remained fairly stable throughout the 1970s. Pronounced changes took place only within infrastructure as lending for transportation and power declined in the second half of the 1970s, while lending for water supply and urban development was initiated during this period.

29. Within sectors, however, considerable changes have taken place in Bank lending. In agriculture, lending initially focused on expanding the irrigation system, credit programs, and other services to support rice production. More recently, efforts have been made to diversify agricultural production through loans for treecrops, livestock, and fisheries, and to assist low-income areas through integrated rural development projects. In the industrial and financial sectors, the Bank initially concentrated on strengthening individual development finance institutions and on providing for the credit needs of small and medium industries. In the last two years, however, industrial and financial lending has been to support the implementation of needed policy reforms. A structural adjustment loan was made in September 1980 in support of trade and industrial reforms. Improvements in financial sector policies were the basis for the May 1981 Industrial Finance Loan, which also introduced a new institutional concept to broaden the reach of Bank lending by channelling loans through an "apex" unit in the Central Bank.

30. While overall implementation of Bank-financed projects in the Philippines has been satisfactory, disbursements have been slower than anticipated, and implementation problems increased in the late 1970s. These difficulties, in part, reflect administrative problems caused by high inflation and tight budget constraints (para. 21). They also result from the changes in the scope of the Bank's lending operations: a substantial increase in the number of projects, new areas of lending, an emphasis on institution-building, and efforts to reach specific target groups and deprived regions have all made implementation a more demanding task than in the past. A project implementation review was held in May 1980, and steps have subsequently been taken to correct some of the administrative problems. Another implementation review is planned for the end of this year.

31. The Bank's future lending program has been designed to assist in achieving the major objectives of the Government's Development Plan (para. 5). Particular emphasis is being given to supporting poverty alleviation efforts and to bringing about needed structural adjustments in the economy. Economic and sector work is being closely integrated with lending operations. Future project, sector, and structural adjustment loans will be designed to address

the wide variety of technical, institutional, and policy issues facing the Philippines. Additional structural adjustment loans are planned to support further reforms in trade, industry, and other key policy areas. In sectoral terms, agriculture and rural development will continue to account for the largest share of lending, with emphasis on food production and programs to increase the incomes of the rural poor. Substantial assistance will be given to industry through subsector loans aimed at restructuring or developing specific subsectors; through increased financial and technical assistance to small and medium industries, particularly outside the Metro-Manila area; and through continued industrial finance projects utilizing the recently introduced "apex" concept. Increased effort is also planned over the next several years to develop domestic energy resources and to strengthen the institutions responsible for developing and managing energy supplies. The Bank's support for projects in education, health, family planning, and urban development will aim at improving basic services and supporting employment creation, particularly in less advanced areas of the country.

32. This is the fifth loan to the Philippines to be presented to the Executive Directors this fiscal year. Loans for agricultural support services, national fisheries development, and textile sector rehabilitation have been appraised and are scheduled for Board presentation in the next fiscal year.

PART III - THE ELEMENTARY EDUCATION SECTOR

The Role of Elementary Education in the Philippines' Development Strategy

33. Elementary education has several important functions in the Philippines' development strategy. As a basic service, elementary education is particularly relevant to poverty alleviation and employment creation efforts. Literacy, numeracy, and other basic conceptual skills enable the population to realize more fully the benefits of other basic services and to adapt to a changing social and economic environment. Effective elementary education also helps to make the labor force more easily trainable and mobile. It facilitates skill development during subsequent formal and on-the-job training as well as through agricultural and industrial extension programs. The Government's Development Plan for 1978-82 identifies more equal access to elementary education among income groups and regions, along with improved quality and relevance of elementary education, as the most important objectives for the education sector. Improvements in access to elementary education in less advantaged areas, together with population growth, will lead to further expansion of enrollments in the 1980s. Because of the tight budget constraints faced by the country, the Development Plan also stresses the need for increasing the efficiency of the elementary education system.

Issues in Elementary Education

34. Overview. Enrollments in elementary education expanded rapidly during the 1960s and early 1970s. In 1979, 7.7 million children were enrolled in elementary schools. The enrollment ratio of the school-aged population (age-group 7-12) was 84% and about 95% of those enrolled attended government schools, which do not charge fees. While the enrollment rate achieved in elementary education is relatively high, the average quality and cohort survival rate are low: student scores on standard achievement tests are a third lower than the designated norm, and 35% of children entering first grade do not complete the six-year cycle of elementary education. As a result of the high dropout rate, an average of eight years (rather than the prescribed six) are required at present to produce a graduate. In addition, significant differences in student achievement and participation rates exist among the country's 13 regions. Average scores on standard achievement tests range from 40% to 56% in different regions, enrollment rates for the school-aged population range from 54% to 95%, and cohort survival rates range from 50% to 84%. The regional variations, as well as low average quality and cohort survival rates, stem mainly from weaknesses in educational policies, management, and instructional programs.

35. Policy Issues. Past financial policies have contributed to the uneven development of elementary education. Development and recurrent expenditures (amounting to \$46 per student in 1980) have been allocated equally to the regions in accordance with standard guidelines based on the number of students enrolled. This policy has discriminated against regions with large numbers of children not in school and does not provide for compensatory financing for regions where student achievement is low. In addition, recurrent expenditure has been poorly balanced with 98% allocated for salaries and administration. The 2% allocated for other items (e.g. staff upgrading, classroom supervision, materials, and maintenance) has been inadequate. Revised policies for the allocation and use of funds, by region and by type of expenditure, are required to reduce disparities in educational opportunity and to raise average quality.

36. Adequate recurrent funding for nonsalary items would be available if teachers were utilized more effectively. The teacher-class ratio is 2:1 in grades 5 and 6, due to the underutilization of subject matter teachers, who work on average 50% of the time. As a result, the student-teacher ratio in grades 5 and 6 is 20:1 in contrast to 40:1 in grades 1-4. Current requirements for teachers would be reduced by about 14% (35,000 teachers in 1979) if a policy of reducing the teacher-class ratio to 1.2:1 were adopted for grades 5-6.

37. Present practices for student admissions and the policy for evaluating and advancing students from grade to grade contribute to poor student achievement and dropout. The policy for student admissions, which requires that children enter grade 1 at age seven, is appropriate but is not effectively enforced. In 1979, some 15% of students in elementary schools were over- or under-aged, while 26% of seven-year-olds were not enrolled at all.

The policy for student evaluation and advancement has based promotion on the results of a single, year-end examination. The elementary curriculum (para. 42) includes a relatively large number of subjects to be covered in detail. Adequate time is not, therefore, available for diagnostic testing and remedial instruction prior to final examinations; and 8% of enrolled students repeated grades during the mid-1970s. Research findings suggest that both teaching and learning are most effective when children are grouped with age peers. Recent studies further suggest that grade repetition does not necessarily improve the performance of low achievers and can create morale problems that lead to the dropout of such students. More effective enforcement of the admissions policy and revised procedures for student evaluation and advancement are needed to improve achievement and survival rates in elementary education.

38. Management Problems. The main agencies involved in elementary education are the Bureau of Elementary Education and the Office of Planning Services in the Ministry of Education and Culture (MEC), the Regional Offices of the MEC, and the Government's Textbook Agency. The Regional Offices were created in 1974, when routine management responsibilities were decentralized to improve the responsiveness of education to local needs. Control over policy, curriculum, budget, and the mass production of textbooks was retained at the national level. However, organizational and functional changes required to support effective regional management were not undertaken at the time of the decentralization, and weaknesses have persisted.

39. The Bureau of Elementary Education (BEE), responsible for guiding sector management, has lacked both a direct line of communications to the Regional Offices and a clear mandate for coordinating sector activities. The BEE has also given minimal attention to improving policies and procedures for managing elementary education or to providing systematic support to the regions. Within the Regional Offices of the MEC, divisions for elementary education are responsible for managing the local school systems. These divisions have been staffed with subject matter supervisors rather than administrators. In practice, these staff have conducted minimal classroom supervision, which is more effectively carried out by supervisors at the sub-regional level. Moreover, they have not been adequately prepared to carry out their management responsibilities as regular inservice upgrading has not been provided for regional staff. Clarification of the responsibilities and authority of the BEE and of the role of the Regional Offices is required to improve management. Systematic staff upgrading, more office equipment, and regional training centers are also needed.

40. The MEC's Office of Planning Services (OPS) is responsible for preparing national plans and budgets for education on the basis of plans and educational statistics submitted by each of the Regional Offices. However, neither the OPS nor the Regional Offices have been appropriately organized or staffed to carry out these responsibilities. The OPS has worked mainly on the compilation of statistics, on special research projects, and on budgeting. It has not carried out systematic analysis of educational data to monitor sector

performance and has lacked the expertise required to prepare sound plans. The lack of permanent planning staff in the Regional Offices of the MEC has contributed to these weaknesses. Data collection and planning have been carried out mainly by borrowed staff (e.g., teachers and supervisors) often unfamiliar with planning techniques. As a result, information for planning and for policy and program formulation has been inadequate. To improve planning, modifications in the functions and staffing of the OPS are needed; permanently staffed planning units need to be established in the Regional Offices; and related staff development programs and office equipment are also required.

41. The Government created a Textbook Agency in 1976 to reduce a severe textbook shortage in elementary and secondary schools. The Textbook Agency, supported by a Bank Loan (1224T-PH), has made considerable progress in developing and providing instructional materials. However, the Agency was established on a temporary basis and has lacked permanent staffing and financing. In addition, its responsibilities have overlapped with those of the MEC bureaus and publishers in the private sector. A Textbook Board in the MEC has been responsible for managing the Textbook Agency and for approving textbooks published by the private sector. In practice, the Textbook Board has lacked the resources needed to carry out these tasks effectively. To ensure a continuing supply of basic textbooks, permanent status and a clarification of responsibilities are required for the Textbook Agency. Modifications in the functions and staffing of the Textbook Board are also needed to support the development of educational publishing in the private sector.

42. Problems with Instructional Programs. Both general and region-specific shortcomings in student participation and achievement are explained largely by weaknesses in instructional programs. The elementary curriculum includes eight subjects per grade on average. Teachers and students are held accountable for covering the details of each subject syllabus but are often unable to do so by the end of the school year. Gaps in students' knowledge result since follow-up instruction is not provided in the next grade. This approach contributes to the relatively high rate of grade repetition (para. 37). Moreover, results of standard achievement tests indicate that insufficient emphasis is given to developing basic skills: the average test score is 48% compared with a designated norm of 75%, and the lowest scores are in reading and mathematics. A simplified curriculum, focusing on core subjects, is required to raise overall achievement levels and reduce disparities.

43. Shortcomings in instructional materials parallel the more general weaknesses in curriculum and teaching methods. The supply of textbooks is still inadequate although the Textbook Agency (para. 41) has significantly reduced the shortage. Since 1976, the Agency has provided about 25 million textbooks for elementary students and has substantially improved the student-textbook ratio. Evaluation studies confirm the importance of these textbooks for raising student achievement. They also reveal that some textbooks are too long or complex and less relevant for rural than for urban students. Related problems have arisen from the absence of special materials, particularly for

students with different language backgrounds (about 60% of students must work in three languages - the local language, Pilipino, and English). Both revised and additional instructional materials are needed to correct these problems.

44. Facilities and Teachers. The availability of classrooms and teachers for elementary education varies substantially from region to region. In 1978/79, an overall shortage of 16,300 classrooms, based on a design capacity of 40 students per classroom, was reported. While average class size varied from 32 to 45 students among the regions, actual class sizes ranged from about 20 to 70 within the regions, with overcrowding more common. Further, facilities for grades 5 and 6 are not available in a third (about 10,000) of all elementary schools. While the overall student-teacher ratio is 31:1, average student-teacher ratios also vary from 25:1 to 39:1 among the regions, with ratios of 50:1 to 70:1 commonly reported for rural schools (often combined with multigrade teaching). Imbalances in the provision of facilities and teachers contribute to problems of nonparticipation and poor achievement through overcrowding and excessive class size. To help correct shortages of facilities and teachers, systematic criteria for school location and facilities planning and a scheme to monitor the supply of teachers are required.

Bank Participation

45. To date, the Bank has supported six education projects in the Philippines with loans and credits totalling \$108.7 million. Four of these projects have centered on developing technical and managerial manpower for agriculture and fisheries. Two projects have focused on improving basic education through experimentation with educational radio and through the provision of textbooks (paras. 41 and 43). An Educational Projects Implementing Task Force (EDPITAF) was created by the Government in 1972 to provide expertise in educational development. It has had overall responsibility for implementing Bank and other externally assisted projects in education. Despite some problems, implementation has been generally satisfactory, and project objectives have been largely achieved. The completion and audit reports have been prepared for the first project which assisted with development of higher agricultural education. General lessons relate to: (a) the importance of providing local financing in a timely manner; and (b) the need for improved procedures to expedite procurement. Experience gained from more recent projects has confirmed the importance of sufficiently advanced preparation prior to project appraisal and implementation.

PART IV - THE SECTOR PROGRAM FOR ELEMENTARY EDUCATION

Background

46. During 1979, the Government prepared a ten-year (1981-90) development program for elementary education. This program was submitted to the Bank in October 1979 to support a request for a loan. Preappraisal was carried out

in December 1979 and appraisal in September 1980. Negotiations were held in Washington, D.C. during May 4-5, 1981. The Philippine negotiating team was led by the Honorable Onofre D. Corpuz, Minister of Education and Culture. The proposed loan of \$100 million would help to finance development expenditures under the elementary education program during the four-year period 1982-85. A Staff Appraisal report, dated May 29, 1981 (No. 3423(a)-PH), is being circulated separately. Supplementary data are provided in Annex III.

Strategy

47. The Government's ten-year development program directly addresses the main policy, management, and quality issues in elementary education. It is designed to raise student participation and achievement, giving particular emphasis to regions with low performance. To achieve these objectives the Government is: (a) introducing revised policies for financing and administration of elementary education to improve quality and reduce disparities; (b) modifying the structure and functions of key agencies to strengthen sector management; and (c) preparing revised instructional programs and plans for improving the distribution of teachers and facilities to strengthen student performance. During negotiations, the Government presented its policy and program statement for elementary education (attached as Annex IV) and agreed that it would consult with the Bank if major changes in policies or other components of the development program are required (Sections 1.02(a) and (b) and 3.10 of the draft Loan Agreement).

Policy Changes

48. Revised policies will be introduced for financing elementary education, for teacher utilization, and for student admissions, evaluation and advancement. These policies will lead to general and region-specific improvements in the effectiveness of elementary education.

49. Regional Expenditure Allocations. A new formula for determining guidelines for the allocation of development funds ^{/1} will be used to give priority to regions with below average performance. For 80% of development funds, annual allocations will be determined on the basis of a population-weighted indicator of deficiencies in regional enrollment, cohort survival, and student-achievement test scores. The remaining 20% of development funds will be allocated in accordance with regional shares of the school-aged population. On the basis of the new formula, initial guidelines will be as follows: 32% of total development funds will go to four regions (with 27% of the relevant age group) that have below-average performance; 35% will go to five regions (34% of the age group) that have near-average performance; and 33% will go to four regions (39% of the age group) that have above-average performance. A similar formula will be used to prepare guidelines for allocating increments to the Government's regular appropriations for elementary

^{/1} I.e., expenditures for curriculum, materials and staff development; for facilities; and for monitoring and evaluation.

education. This revised allocation policy will both reduce disparities in the provision of facilities and teachers and also direct the largest share of development funds for staff training and supplementary instructional materials towards regions with poor performance.

50. Apportionment of Recurrent Expenditures. To improve the quality of instruction, allocations for nonsalary items will be raised from 2% to 7% of recurrent expenditures between 1981 and 1990. Real expenditure for nonsalary items will thereby be increased from less than \$1.00 per student to nearly \$3.00. By 1990, 2%-3% of total recurrent appropriations will be allocated for instructional materials and supplies; 2%-3% for classroom supervision and in-service training; and 1% for maintenance of school facilities. These amounts should be sufficient to support improvements in quality.

51. Teacher Utilization. Utilization of subject matter teachers will be increased to reduce the teacher-class ratio in grades 5 and 6 from 2:1 to 1.2:1. The targeted ratio will be achieved mainly by assigning subject matter teachers to classes at more than one grade level while keeping them in (or close to) their subjects of specialization. As a result, the overall student-teacher ratio will increase from an average of 31:1 at present to 36:1 by 1986, and requirements for teachers will be reduced by about 46,000 (16%) by 1990. The resulting savings in recurrent expenditure, amounting to about \$60 million (in 1980 prices) per year by 1990, will free resources for planned nonsalary expenditures without raising the real recurrent cost per student.

52. Student Admissions, Evaluation, and Advancement. The policy for student admissions will be enforced more strictly to raise the proportion of seven-year-olds entering grade 1 from 74% to 90% by 1990. This increase will be achieved through the introduction of a national scheme, reinforced by community and school officials, to encourage parents to enroll children at age seven. A revised policy for student evaluation will also be introduced to increase cohort survival from 65% to 86%. Students' performance will be assessed through continuous diagnostic testing. About 35% of class hours will be allocated for remedial instruction for students lagging in achievement of basic competency levels, and enrichment programs will be provided for others. Approximately 4% of students will still be unable to achieve appropriate skill levels at the end of the school year and will be retained in grade. As a result of expected improvements in cohort survival, the average number of years required to produce a graduate would decline from 8 at present to 6.7 by 1990.

Management Improvements

53. The structure and functions of the Bureau of Elementary Education, the Office of Planning Services, and the Regional Offices of the MEC are being modified to strengthen sector management and planning, as follows:

- (a) Bureau of Elementary Education. The BEE will formulate sector policies and standards; provide support services to the regions; and coordinate sector activities. It will assist the regions in making

effective use of the curriculum, materials, and facilities and in applying revised policies and administrative procedures. It will also arrange for the regular training of regional administrators and teachers. For purposes of carrying out these responsibilities, the BEE has been assigned a limited line authority over the Regional Offices of the MEC. Key staff have also been designated for several new positions in the BEE (i.e., in systems management, educational financing and planning, instructional techniques, and facilities use and design).

- (b) Regional Offices - Divisions for Elementary Education. The Regional Offices of the MEC will retain direct responsibility for managing elementary education. The regional divisions for elementary education are being reorganized to strengthen their management role. They will be responsible for guiding the implementation of policies and programs in accordance with national criteria and standards set by the BEE and for providing related assistance to subregional authorities.
- (c) Office of Planning Services and Regional Planning Units. The OPS will retain its responsibilities for educational planning and budgeting at the central level. In addition, it will develop a comprehensive information system (based on regional data) for planning and will introduce systematic monitoring of sector performance. To carry out these expanded functions, new organizational units are being created in the OPS for facilities planning and financial analysis. Several experienced staff have also been designated for new positions in data processing and planning. Permanent planning units are also being established in the Regional Offices, with six core staff designated for each. The OPS will provide advisory services to these units.

The Government plans to formally appoint the key staff for new positions in the BEE, the OPS and the regional planning units in 1982 (para. 71).

54. The Instructional Materials Corporation. The Textbook Agency (para. 41) will be converted into a permanent government corporation, to be called the Instructional Materials Corporation. The Corporation will be charged with implementing programs for the development, production or procurement, and distribution of instructional materials for students in public elementary and secondary schools. It will give priority in publishing to materials for the elementary level. Regular financing for the Corporation will come from annual orders from the MEC. Among fixed assets to be transferred from the Textbook Agency to the Corporation are a partially completed administrative complex and a central warehouse. Completion of these works has been delayed by change orders and price escalation. During negotiations, satisfactory arrangements were finalized to ensure adequate financing to complete the works. The Government plans to appoint staff for key positions

in the new Corporation (including the President and Vice-Presidents for Finance and Publishing) by October 31, 1981. It also plans to complete medium-term staffing and financing plans for the Corporation, and a plan for purchasing instructional materials from private publishers, by the same date. During negotiations the Government agreed that it would establish the Corporation by October 31, 1981 with authority, responsibilities, staff and resources satisfactory to the Bank (Section 3.07 of the draft Loan Agreement).

55. The existing Textbook Board in the MEC (para. 41) will be replaced by an Instructional Materials Council. The Council will be served by a secretariat and operate independently of the Corporation. It will approve materials for use in schools and encourage private sector involvement in educational publishing. The Council, like the Corporation, will be established by October 31, 1981 (Section 3.07 of the draft Loan Agreement).

Expenditure Components

56. The elementary education program will fund development components to support new sector policies, revised management responsibilities, and improved instructional programs. Financing will be provided to introduce a new curriculum and improved instructional materials, provide additional classrooms and teachers, and introduce systematic staff upgrading and sector evaluation.

57. Curriculum and Teaching Methods. A curriculum working group was established in October 1980 by the BEE. It has developed a revised curriculum, which will be introduced, grade by grade, during 1983-88. The proposed curriculum emphasizes basic skills in literacy and numeracy. It reduces the number of subjects from eight to three in grades 1 and 2 and from eight to four in grades 3-6. Three subjects (Pilipino, English, and mathematics) will be taught at all grade levels. Environmental education (comprising units in the sciences, social sciences, arts and practical arts) will be introduced as a fourth subject in grades 3-6. New instructional techniques (including methods for teaching English and Pilipino as second languages) and procedures for evaluating student performance (para. 52) will be introduced to improve cohort survival and to raise average achievement scores.

58. Instructional Materials. The Government's targeted ratio of one textbook for every two elementary students (in each subject and grade) is to be reached by 1985 and maintained thereafter. Approximately 11 million basic textbooks will be provided annually between 1981 and 1990 by the Instructional Materials Corporation, including a new series of basic textbooks to support the revised curriculum. In addition, 6.5 million teachers' editions and other instructional materials will be printed to supplement the textbooks and meet particular regional needs. Regional warehouses (26), typesetting equipment, and a resource center for the Corporation will also be provided.

59. Facilities. In order to rationalize the provision of classrooms, systematic facilities location and planning criteria will be introduced. Classroom requirements will be determined on the basis of comprehensive planning information (including school maps, population and enrollment data, the number of available places per grade, and the status of existing facilities). Planning criteria will give priority to the expansion or rehabilitation of existing facilities. The new criteria have been incorporated into a memorandum of agreement among the main agencies involved with school building (including the MEC and the Ministries of Public Works and Local Governments). Approximately 11,000 new classrooms will be provided annually during 1981-90 (7,000 to meet enrollment growth and 4,000 to replace dilapidated facilities). Existing classrooms will also be rehabilitated. The development program will also provide basic school furniture and equipment for regions most in need; office equipment for the BEE, OPS, and Regional Offices of the MEC; and 13 regional training centers for MEC staff.

60. Teachers. To monitor progress towards more efficient utilization of teachers and towards reduced disparities in the availability of teachers, a national scheme for monitoring teacher demand and supply will be established. The Regional Offices of the MEC will manage the scheme in cooperation with teacher training institutions in the regions and establish appropriate targets for enrollments and graduates. The teacher monitoring scheme, which has already been developed, will be introduced after testing in 1982.

61. Staff Development. MEC staff involved in elementary education and the staff of the Instructional Materials Corporation will receive needed training through workshops and fellowships. The content of workshops for MEC planners and managers (9,960 man-months during the first five years of the development program) has been designed to support the sector strategy generally and to develop particular skills such as organizational management and program planning. Workshops for principals and teachers (62,500 man-months during 1981-85) will support the introduction of the revised curriculum, materials, and instructional techniques. Workshop trainers will be drawn from the MEC, universities, and other local agencies. Staff of the Instructional Materials Corporation will participate in workshops (about 125 man-months during 1981-85) for the development of instructional materials and management of publishing activities. Fellowships will be provided for specialized training for about 250 MEC and 30 Corporation staff in 1981-85. Some 600 man-months of fellowships (400 man-months local, 200 foreign) will be provided for degree programs and 1,360 man-months (1,000 man-months local, 360 foreign) for shorter, nondegree training. Further staff training would be planned for 1986-90.

62. Expert services (180 man-months during 1981-85, half local and half foreign) will also be provided to the MEC in the fields of planning, testing, management, and data systems. The Instructional Materials Corporation will receive expert assistance (126 man-months, foreign) to develop workshops and to provide support for publishing and management between 1981 and 1985. An additional 200 man-months of local expert services will be provided to assist directly with implementing the development program during 1982-85.

63. Performance Evaluation. To ensure the continuing relevance of policies and programs for elementary education, systematic evaluation of sector performance will be introduced. Sector performance will be monitored annually by the OPS. An in-depth evaluation of school and home effects on educational participation and achievement will also be undertaken. In conjunction with this evaluation, standard achievement tests will be improved and administered periodically during 1981-90. The evaluation will include a review of baseline survey results (1982), a mid-term evaluation (1985) and a follow-up evaluation (1990). Research (about 30 studies and experimental programs during 1981-85) relevant to elementary education will also be carried out. The Government plans to complete the detailed design for the baseline survey by October 31, 1981.

Cost and Financing of the Sector Program

64. Expenditures on the development program for elementary education are estimated at \$767 million (in 1981 prices) for the ten-year period (1981-90). The proposed Bank loan of \$100 million would finance about 22% of development expenditures during the four-year period 1982-85, estimated at \$448 million including contingencies. The total foreign exchange component of the four-year program (1982-85) is estimated at \$129 million (29% of total), of which the proposed Bank loan would represent 77%.

65. The cost of the sector program is reasonable at about \$8.2 per student. Through improvements in efficiency, particularly teacher utilization, annual recurrent costs per student would remain constant in real terms (at \$42 in 1980 prices). The annual recurrent expenditure per graduate (i.e., per student completing the six-year cycle) would, moreover, decline by about 14% (from \$56 to \$47) because of improvement in the cohort survival rate. Recurrent expenditure on elementary education would grow less rapidly than recurrent expenditures generally and would decline from about 9.5% of total recurrent expenditures in 1980 to 7.5% by 1985.

66. The estimated expenditure for the period 1981-85 is based on unit costs at January 1981. Physical contingencies (\$30 million) are estimated at 9.6% of base costs. Price contingencies (\$104 million) are estimated at 33% of base costs in accordance with projected price escalation, which is expected to decelerate from 14% in 1981 to 8% by 1984. The costs of technical assistance are based on averages of \$6,400 per man-month for specialist services (\$8,300 foreign, \$5,000 local) and \$900 per man-month for fellowships (\$1,250 abroad, \$700 local), and include recruitment, travel, benefits and salary.

67. The program consists of 60 subprojects during 1982-85, i.e., 52 regional subprojects for the provision of facilities, furniture and equipment (one per year per region); four staff development subprojects (one per year); and one subproject each for curriculum development, the provision of instructional materials, the monitoring of teacher supply, and sector evaluation.

Implementation of the sector program began in January 1981. Subprojects to be assisted by the Bank loan are expected to be completed by December 1985.

68. The proposed Bank loan would be allocated as follows: \$35 million for equipment, materials and paper; \$15 million for furniture; \$15 million for textbook development, printing and distribution; \$13 million for staff development; \$9 million for technical assistance and evaluation; and \$13 million for unallocated. An amount of \$1.0 million is included in technical assistance for the preparation of future projects. All civil works under the development program will be financed by the Government.

Management and Implementation of the Sector Program

69. Overall responsibility for program management has been assigned to the MEC. The Minister of Education would have final authority for the approval of subprojects. Guidelines and criteria have been established to promote achievement of program objectives. Guidelines for allocating funds (para. 49) will ensure that the needs of less advantaged regions are met. These guidelines will be updated annually, and the allocation formula will be periodically reviewed and revised as experience is gained during implementation. The Minister will approve subprojects on the basis of four general criteria: relevance to sector objectives; technical feasibility; efficiency in the use of resources; and managerial feasibility. In addition, facilities requests will be prepared and approved on the basis of systematic location and planning criteria (para. 59); the content of training requests for school level staff and supervisors will be assessed in relation to particular shortcomings in student participation and achievement at the regional or subregional levels; and proposals for experimental programs and research will be assessed on the basis of their replicability and potential policy contributions, respectively. These criteria could be modified by mutual agreement in light of implementation experience. During negotiations the Government agreed that it would select and implement subprojects in accordance with guidelines, criteria, and procedures satisfactory to the Bank (Section 3.06(a) and Schedule 5 of the draft Loan Agreement).

70. A Program Executive Authority, Technical Staff, and Regional Management Groups were created in November 1979. The Program Executive Authority is chaired by the Deputy Minister of Education and includes the heads of the BEE, OPS, EDPITAF, and the Textbook Agency. It is supported by a Technical Staff, which is headed by the Assistant Director of the BEE, which would be primarily responsible for appraising subprojects and supervising implementation. The Regional Management Groups are chaired by the Assistant Directors of the Regional Offices of the MEC. They are mainly responsible for preparing and implementing facilities subprojects and for preparing training requests involving regional staff.

71. The Government has taken steps to ensure that the MEC has sufficient qualified staff to manage the program. The Technical Staff includes regular

staff (32 full-time, 20 part-time) of the BEE, OPS, Textbook Agency, and EDPITAF (para. 45). A pool of local consultants has also been organized to provide additional expertise as may be required by the Technical Staff. The Regional Management Groups are supported by about 15 staff drawn from the divisions for elementary education, the planning units, and subregional staff. The Regional Offices of the Ministry of Public Works, responsible for school building, have constructed over 10,000 classrooms per year for the past several years. They have sufficient experience and staff to supervise construction. During negotiations, the Government agreed to (a) make use of the expertise and staff of EDPITAF (or other agencies of the MEC) to provide assistance in implementing the development program under terms of reference satisfactory to the Bank; and (b) appoint and retain suitably qualified staff in adequate numbers in the MEC for implementing the program effectively (Sections 3.08 and 3.09 of the draft Loan Agreement).

72. The Government has designed and tested procedures for preparing and appraising subprojects to ensure that they conform with the objectives of the program and are feasible. The Government has prepared and appraised half of the facilities subprojects and four of the other subprojects to be implemented during 1982 (staff development, curriculum development, monitoring of teacher supply, and special studies under the sector evaluation subproject). No further appraisal will be required for the instructional materials or for the sector monitoring and evaluation subprojects, all of which have been reviewed in detail by the Bank. The Government plans to finalize appraisal documentation for all subprojects to be implemented in 1982, in accordance with the agreed guidelines, criteria and procedures, by September 30, 1981. During negotiations, the Government agreed to furnish to the Bank for its review and comments, not less than three months before the scheduled start of implementation, subproject proposals requested by the Bank (Section 3.06(b) of the draft Loan Agreement). The Bank would also participate in annual reviews of progress on policy and institutional changes and would review implementation progress for about 25% of subprojects each year.

Procurement

73. Contracts for equipment and paper would be grouped to form attractive bid packages and awarded on the basis of international competitive bidding in accordance with Bank guidelines for procurement. Those which cannot be grouped to exceed \$100,000 equivalent in estimated value (estimated at 25% of total value) would be awarded on the basis of local competitive bidding procedures, which are acceptable to the Bank. Locally manufactured equipment and paper offered in competition with international bids would be accorded a 15% margin of preference or the existing rate of import duties, whichever is the lower, over the c.i.f. price of competing imports. Standard bidding documents have been reviewed and are satisfactory. Prior Bank review of bid evaluation before contract awards would be required for the procurement of equipment exceeding \$100,000 per contract and for procurement of paper exceeding \$300,000 per contract. Equipment and paper to be procured would be exempt from import duties.

74. Contracts for civil works and for printing and distribution of instructional materials, which would be numerous and relatively small, would be awarded in accordance with regular government procedures on the basis of local competitive bidding. Contracts for furniture would also be awarded on the basis of local competitive bidding procedures or through negotiations with nearby trade schools that are able to manufacture furniture of satisfactory quality at reasonable prices. Prior review by the Bank of procurement documents for these items would not be required. Miscellaneous items not exceeding \$25,000 equivalent each, and subject to an aggregate total of \$1,000,000 equivalent, would be purchased on the basis of a minimum of three price quotations. Reference materials would be procured directly from suppliers after negotiation for a discount.

75. Disbursements. Disbursements under the proposed loan would be made as follows: (a) 100% of the c.i.f. cost of imported equipment, materials, and paper; (b) 100% of the ex-factory cost of locally manufactured equipment, materials, furniture, and paper; (c) 65% of the invoiced cost of locally procured equipment, materials, furniture, and paper; (d) 100% of expenditures on experts, fellowships, research, studies, and the printing of instructional materials; (e) 65% of expenditures on local training (workshops); and (f) 50% of expenditures for development and distribution of instructional materials. Disbursements have been estimated on the basis of experience with past education projects in the Philippines and the region. Disbursements are expected to be completed by December 31, 1986.

76. The submission of the numerous supporting documents for furniture, local training workshops, local fellowships, development and distribution of instructional materials, and various other small local expenditures would be unduly costly and burdensome. Statement of Expenditure procedures would, therefore, be used for these items, for which about 40% of the loan has been allocated. Supporting documents would, however, be retained in the Philippines and made available for review by visiting Bank missions. Disbursements for other eligible items would be made against full documentation. Project accounts would be maintained in accordance with sound accounting and auditing procedures acceptable to the Bank, including a separate opinion with regard to disbursements made on the basis of Statements of Expenditure (Sections 4.02 and 4.03 of the draft Loan Agreement).

77. Execution of many ongoing projects in the Philippines has been delayed by late availability of funds (paras. 30 and 45). Due to local currency constraints (para. 21), budget advances to cover the Bank's share of local expenditures have often been inadequate to meet project implementation schedules. To facilitate implementation of the elementary education program, the Bank would make advance payments into a Special Account to cover the estimated Bank share of certain local expenditures. The Special Account would be in Philippine Pesos in the Central Bank of the Philippines and would be controlled by the Bureau of the Treasury. The Special Account would be used to finance items for which disbursements would be made on the basis of

statements of expenditure as well as for small local currency payments for printing and consultant services. Advance deposits would be based on the estimated quarterly requirements for expenditure on these items but would at no time exceed \$3.0 million equivalent. The Bureau of the Treasury would be responsible for ensuring the proper use of funds deposited in the Special Account. Replenishment of the account by the Bank would be subject to review and approval of withdrawal applications justifying the amounts withdrawn from the Special Account (Sections 2.02(b)-(f) and 4.03(b) of the draft Loan Agreement).

Benefits

78. The sector development program supports the Government's strategy to provide basic education of appropriate quality to the school-aged population. The revised policies for allocating expenditures and teacher utilization will reduce disparities in educational opportunity and raise the efficiency of the school system. The revised policies for student admissions, evaluation, and advancement will lead to substantial increases in the participation rate of the school-aged population and in the cohort survival rate. The new curriculum, instructional materials, and related staff upgrading will improve student achievement. Largely as a result of improved survival rates and population growth, enrollments are expected to increase by about 2.2 million between 1980 and 1990, exceeding 10 million by 1990. Needed classrooms and teachers will be provided to meet this increase in enrollments and to reduce interregional disparities.

79. The overall impact of the sector program (1981-90) is expected to be as follows: some 6% more of the relevant age group (600,000 children in 1990) will be enrolled in elementary schools at the end of the ten-year period; the cohort survival rate will rise from 65% to 86% with about 20% more of each entering cohort completing the six-year cycle (amounting to 300,000 graduates in 1990); and levels of competence in basic skills will be raised, resulting in a 15% improvement in achievement test scores (from 48% to 63%) between 1981 and 1990 and in declining rates of adult illiteracy towards the late 1990s. As a result of efficiency gains, these results will be achieved without increases in the real recurrent cost per student. In addition, institutional changes and related training inputs will improve the long-term effectiveness of sector management.

Risks

80. The proposed sector operation is a complex and innovative approach to education projects in the Philippines. The program focuses on the introduction of revised policies and management practices. The exact outcome of these reforms, which may require further modification on the basis of experience, cannot be accurately predicted. In addition, the program comprises numerous subprojects. A risk exists that delays will arise in the course of implementation. Several measures have been undertaken to reduce this risk. First, the major agencies involved in implementation took responsibility for preparing the development program. Second, the proposed management framework

and criteria for subproject approval have been designed to allow for adaptation and modification by mutual agreement. Third, procurement and financing procedures conform with regular government procedures and are designed to facilitate program execution. Finally, the program management organization draws together staff from the participating agencies and includes officials with extensive experience in the implementation of development projects. Additional support will be arranged as required through use of local consultants. On balance, the Borrower's experience, familiarity with the proposed program, and commitment to its objectives limit the risk of difficulties in implementation to an acceptable level.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

81. The draft Loan Agreement between the Republic of the Philippines and the Bank and the Report of the Committee provided for in Article III, Section 4(iii) of the Articles of Agreement of the Bank are being distributed to the Executive Directors separately. Special conditions of the project are listed in Section III of Annex III.

82. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

83. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President

Attachments

June 4, 1981
Washington, D.C.

TABLE 3A
PHILIPPINES - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.)	PHILIPPINES			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/b}	
	1960	/b	1970	MIDDLE INCOME ASIA & PACIFIC	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
TOTAL	300.0				
AGRICULTURAL	90.7				
			MOST RECENT ESTIMATE		
		/b	/b		
GNP PER CAPITA (US\$)	150.0	240.0	500.0	1114.7	1562.9
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	147.0	301.0	339.0	842.4	1055.9
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (MILLIONS)	27.4	36.9	45.6	.	.
URBAN POPULATION (PERCENT OF TOTAL)	30.3	32.9	35.4	39.1	63.4
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			75.0	.	.
STATIONARY POPULATION (MILLIONS)			126.0	.	.
YEAR STATIONARY POPULATION IS REACHED			2075	.	.
POPULATION DENSITY					
PER SQ. KM.	91.0	123.0	152.0	376.1	28.1
PER SQ. KM. AGRICULTURAL LAND	360.0	472.0	503.0	2350.4	81.7
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	44.7	45.5	44.8	40.4	41.4
15-64 YRS.	52.3	53.6	52.1	56.2	54.7
65 YRS. AND ABOVE	3.0	2.9	3.1	3.4	3.9
POPULATION GROWTH RATE (PERCENT)					
TOTAL	2.7	3.0	2.7	2.4	2.7
URBAN	3.9	3.9	3.7	4.1	4.1
CRUDE BIRTH RATE (PER THOUSAND)					
CRUDE BIRTH RATE (PER THOUSAND)	45.0	44.0	35.0	28.7	34.8
CRUDE DEATH RATE (PER THOUSAND)	15.0	11.0	9.0	7.9	8.9
GROSS REPRODUCTION RATE	3.5/c	3.3	2.4	1.9	2.5
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	191.7	509.0	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	2.0	22.0	39.0	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION					
PER CAPITA (1969-71=100)	102.0	101.0	114.0	116.9	106.9
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)					
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)	88.0	92.0	97.0	108.9	107.4
PROTEINS (GRAMS PER DAY)	45.0	50.0	53.0	60.3	65.6
OF WHICH ANIMAL AND PULSE	17.0	20.0	21.0	18.8	33.7
CHILD (AGES 1-4) MORTALITY RATE	16.0	10.0	7.0	5.3	8.4
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	51.0	57.0	60.0	63.0	63.1
INFANT MORTALITY RATE (PER THOUSAND)	98.0	80.0	74.0	52.8	66.5
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	..	39.0	42.4	65.9
URBAN	..	..	51.0	62.1	80.4
RURAL	..	..	33.0	29.7	44.0
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	..	56.0	52.8	62.3
URBAN	..	..	76.0	71.1	79.4
RURAL	..	..	44.0	42.4	29.6
POPULATION PER PHYSICIAN					
POPULATION PER PHYSICIAN	..	..	2758.0	4120.1	1849.2
POPULATION PER NURSING PERSON	..	3840.0	3058.0	2213.6	1227.5
POPULATION PER HOSPITAL BED					
TOTAL	1208.0	850.0	639.0	819.4	480.3
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..
ADMISSIONS PER HOSPITAL BED					
ADMISSIONS PER HOSPITAL BED	..	..	..	28.8	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	5.8	5.9	..	..	..
URBAN	..	6.2	..	..	..
RURAL	..	5.8	..	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	2.3	..	..	..
URBAN	..	2.1	..	..	..
RURAL	..	2.4	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	16.5	22.9/d	31.0	..	..
URBAN	..	62.8/d	..	..	..
RURAL	..	5.87/d	10.0	..	..

TABLE 3A
PHILIPPINES - SOCIAL INDICATORS DATA SHEET

	PHILIPPINES			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}	
	1960 ^{/b}	1970 ^{/b}	MOST RECENT ESTIMATE ^{/b}	MIDDLE INCOME ASIA & PACIFIC	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	95.0	114.0	105.0	98.6	99.7
MALE	98.0	115.0	103.0	99.2	101.0
FEMALE	93.0	113.0	108.0	97.7	99.4
SECONDARY: TOTAL	26.0	50.0	56.0	55.5	34.4
MALE	28.0	59.0	65.0	60.7	33.5
FEMALE	25.0	42.0	47.0	49.9	34.7
VOCATIONAL ENROL. (% OF SECONDARY)	15.0	6.0	..	13.7	38.2
PUPIL-TEACHER RATIO					
PRIMARY	36.0	29.0	29.0	34.6	30.5
SECONDARY	27.0	33.0	31.0	28.5	14.5
ADULT LITERACY RATE (PERCENT)					
	71.9	82.6	87.0	85.8	76.3
CONSUMPTION					
PASSENGER CARS PER THOUSAND					
POPULATION	3.0	8.0	8.9	9.0	43.0
RADIO RECEIVERS PER THOUSAND					
POPULATION	22.0	46.0	41.0	118.9	245.3
TV RECEIVERS PER THOUSAND					
POPULATION	1.4	11.0	17.0	39.4	84.2
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION					
	17.0	14.0	18.0	..	63.3
CINEMA ANNUAL ATTENDANCE PER CAPITA					
	0.6	..	7.6	4.9	..
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	10893.2	13478.1	16310.9	.	.
FEMALE (PERCENT)	34.4	33.1	32.0	36.8	22.2
AGRICULTURE (PERCENT)	61.0	53.0	48.0	51.9	37.1
INDUSTRY (PERCENT)	15.2	15.8	16.0	21.9	23.5
PARTICIPATION RATE (PERCENT)					
TOTAL	39.8	36.6	35.3	39.1	31.5
MALE	52.1	48.6	47.1	48.5	48.9
FEMALE	27.4	24.4	23.3	29.6	14.0
ECONOMIC DEPENDENCY RATIO					
	1.2	1.3	1.2	1.1	1.4
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	28.8	..	..	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	56.2	53.9	53.3	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	4.2	3.7	5.5	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	11.9	11.9	14.7	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	250.0	..	..
RURAL	..	..	190.0	192.1	190.8
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	132.0	..	474.0
RURAL	..	..	87.0	182.5	332.5
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	39.0	..	..
RURAL	..	..	44.0	33.2	..

.. Not available
. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1974 and 1978.

/c 1950-55; /d 1967, household.

Most recent estimate of GNP per capita is for 1979, all other data are as of April, 1980.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population weighted arithmetic means for each indicator and shown only when at least half of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq. km.)

Total - Total surface area comprising land area and inland waters.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1977 data.

GDP PER CAPITA (US\$) - GDP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1978 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1978 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (millions) - As of July 1; 1960, 1970, and 1978 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1978 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area.
Per sq. km. agricultural land - Computed as above for agricultural land only.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1978 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-78.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-78.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1978 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1978 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1977.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1978 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970, and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animal and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1977 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1978 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population) - total, urban, and rural - N. Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO principal general and specialized hospitals, and rural hospitals local or rural hospitals and medical and maternity centers.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings include non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc. Definitions in various countries are not comparable; 1960, 1970 and 1978 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1978 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1978 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1975 data. These are ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

PHILIPPINES - ECONOMIC INDICATORS

Indicator	Amount (million US\$ at current prices) 1979	Annual growth rates (%)																																																																																																																																											
		Actual					Projected																																																																																																																																						
		1976	1977	1978	1979	1980/a	1981	1982	1983	1984	1985	1990																																																																																																																																	
NATIONAL ACCOUNTS																																																																																																																																													
Gross domestic product	28,854	7.1	6.2	5.9	5.9	4.7	5.8	6.3	6.3	6.3	7.1	8.3																																																																																																																																	
Agriculture	6,991	8.6	5.0	4.8	5.3	4.3	5.2	5.2	5.0	5.0	5.0	5.0																																																																																																																																	
Industry	10,174	10.0	7.7	6.4	6.7	5.8	6.5	7.2	7.5	7.5	8.5	10.0																																																																																																																																	
Services	11,689	3.7	5.7	6.3	5.5	5.0	5.6	6.2	6.0	6.0	7.0	8.5																																																																																																																																	
Consumption	21,860	4.3	5.2	4.6	4.8	4.2	5.4	5.2	4.9	5.1	5.8	7.0																																																																																																																																	
Gross investment	8,576	8.0	0.7	13.3	7.4	4.8	6.3	6.3	6.3	6.3	7.1	8.3																																																																																																																																	
Exports of GNFS /b	5,528	19.9	17.6	1.6	7.4	11.3	10.2	10.7	11.2	10.6	10.8	10.5																																																																																																																																	
Imports of GNFS	7,110	1.3	5.3	13.2	10.3	5.2	6.6	6.7	6.5	6.6	6.8	7.2																																																																																																																																	
Gross national savings	6,665	-2.0	11.3	8.3	7.7	3.1	-	-	-	-	-	-																																																																																																																																	
PRICES																																																																																																																																													
GDP deflator (1972 = 100)		183.6	198.8	210.6	250.8	296.9	-	-	-	-	-	-																																																																																																																																	
Exchange rate (US\$1 =)		7.45	7.41	7.38	7.39	7.52	-	-	-	-	-	-																																																																																																																																	
Export price index (1978 = 100)		92.6	95.8	100.0	124.6	140.3	149.9	160.0	170.5	183.3	195.7	258.7																																																																																																																																	
Import price index (1978 = 100)		91.6	94.2	100.0	117.4	142.2	157.0	170.8	185.2	197.1	210.6	289.3																																																																																																																																	
Terms of trade index (1978 = 100)		101.1	101.7	100.0	106.1	98.7	95.5	93.7	92.6	93.0	92.9	89.4																																																																																																																																	
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="3"></th> <th colspan="5">Share of GDP at market prices (%) (at current prices) /c</th> <th colspan="5">Average annual increase (%) (at constant prices)</th> </tr> <tr> <th>1960</th> <th>1970</th> <th>1975</th> <th>1980</th> <th>1985</th> <th>1990</th> <th>1960-70</th> <th>1970-75</th> <th>1975-80</th> <th>1980-85</th> <th>1985-90</th> </tr> </thead> <tbody> <tr> <td>Gross domestic product</td> <td>100.0</td> <td>100.0</td> <td>100.0</td> <td>100.0</td> <td>100.0</td> <td>100.0</td> <td>5.1</td> <td>6.1</td> <td>5.9</td> <td>6.3</td> <td>7.6</td> </tr> <tr> <td> Agriculture</td> <td>28.1</td> <td>27.8</td> <td>29.0</td> <td>26.8</td> <td>25.0</td> <td>22.0</td> <td>4.3</td> <td>4.3</td> <td>4.8</td> <td>5.0</td> <td>5.0</td> </tr> <tr> <td> Industry</td> <td>25.8</td> <td>29.6</td> <td>33.5</td> <td>35.5</td> <td>37.7</td> <td>40.6</td> <td>6.0</td> <td>8.6</td> <td>7.6</td> <td>7.5</td> <td>9.1</td> </tr> <tr> <td> Services</td> <td>46.1</td> <td>42.6</td> <td>37.5</td> <td>37.7</td> <td>37.3</td> <td>37.4</td> <td>5.2</td> <td>5.4</td> <td>5.7</td> <td>6.1</td> <td>7.7</td> </tr> <tr> <td>Consumption</td> <td>85.3</td> <td>79.2</td> <td>75.8</td> <td>74.5</td> <td>72.4</td> <td>68.7</td> <td>4.8</td> <td>5.5</td> <td>5.2</td> <td>5.2</td> <td>6.5</td> </tr> <tr> <td>Gross investment</td> <td>16.3</td> <td>21.5</td> <td>31.0</td> <td>30.1</td> <td>29.2</td> <td>30.5</td> <td>8.2</td> <td>11.5</td> <td>6.5</td> <td>6.8</td> <td>7.6</td> </tr> <tr> <td>Exports of GNFS</td> <td>10.8</td> <td>19.4</td> <td>18.5</td> <td>19.4</td> <td>24.7</td> <td>27.5</td> <td>5.8</td> <td>3.2</td> <td>10.0</td> <td>10.7</td> <td>10.0</td> </tr> <tr> <td>Imports of GNFS</td> <td>10.6</td> <td>19.7</td> <td>25.3</td> <td>24.0</td> <td>26.2</td> <td>25.4</td> <td>6.8</td> <td>6.8</td> <td>8.0</td> <td>6.6</td> <td>6.9</td> </tr> <tr> <td>Gross national savings</td> <td>16.2</td> <td>20.5</td> <td>25.3</td> <td>23.1</td> <td>25.4</td> <td>29.2</td> <td>7.4</td> <td>9.7</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>													Share of GDP at market prices (%) (at current prices) /c					Average annual increase (%) (at constant prices)					1960	1970	1975	1980	1985	1990	1960-70	1970-75	1975-80	1980-85	1985-90	Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	5.1	6.1	5.9	6.3	7.6	Agriculture	28.1	27.8	29.0	26.8	25.0	22.0	4.3	4.3	4.8	5.0	5.0	Industry	25.8	29.6	33.5	35.5	37.7	40.6	6.0	8.6	7.6	7.5	9.1	Services	46.1	42.6	37.5	37.7	37.3	37.4	5.2	5.4	5.7	6.1	7.7	Consumption	85.3	79.2	75.8	74.5	72.4	68.7	4.8	5.5	5.2	5.2	6.5	Gross investment	16.3	21.5	31.0	30.1	29.2	30.5	8.2	11.5	6.5	6.8	7.6	Exports of GNFS	10.8	19.4	18.5	19.4	24.7	27.5	5.8	3.2	10.0	10.7	10.0	Imports of GNFS	10.6	19.7	25.3	24.0	26.2	25.4	6.8	6.8	8.0	6.6	6.9	Gross national savings	16.2	20.5	25.3	23.1	25.4	29.2	7.4	9.7	-	-	-
	Share of GDP at market prices (%) (at current prices) /c					Average annual increase (%) (at constant prices)																																																																																																																																							
	1960	1970	1975	1980	1985	1990	1960-70	1970-75	1975-80	1980-85	1985-90																																																																																																																																		
	Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	5.1	6.1	5.9	6.3	7.6																																																																																																																																	
Agriculture	28.1	27.8	29.0	26.8	25.0	22.0	4.3	4.3	4.8	5.0	5.0																																																																																																																																		
Industry	25.8	29.6	33.5	35.5	37.7	40.6	6.0	8.6	7.6	7.5	9.1																																																																																																																																		
Services	46.1	42.6	37.5	37.7	37.3	37.4	5.2	5.4	5.7	6.1	7.7																																																																																																																																		
Consumption	85.3	79.2	75.8	74.5	72.4	68.7	4.8	5.5	5.2	5.2	6.5																																																																																																																																		
Gross investment	16.3	21.5	31.0	30.1	29.2	30.5	8.2	11.5	6.5	6.8	7.6																																																																																																																																		
Exports of GNFS	10.8	19.4	18.5	19.4	24.7	27.5	5.8	3.2	10.0	10.7	10.0																																																																																																																																		
Imports of GNFS	10.6	19.7	25.3	24.0	26.2	25.4	6.8	6.8	8.0	6.6	6.9																																																																																																																																		
Gross national savings	16.2	20.5	25.3	23.1	25.4	29.2	7.4	9.7	-	-	-																																																																																																																																		
<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"></th> <th colspan="4">As % of GDP</th> <th colspan="2">Labor Force in 1978</th> </tr> <tr> <th>1960</th> <th>1970</th> <th>1975</th> <th>1980</th> <th>Millions</th> <th>(%)</th> </tr> </thead> <tbody> <tr> <td>PUBLIC FINANCE</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Current revenues</td> <td>9.8</td> <td>9.5</td> <td>13.9</td> <td>12.8</td> <td>Agriculture</td> <td>7.4 44.4</td> </tr> <tr> <td>Current expenditures</td> <td>9.6</td> <td>10.9</td> <td>12.3</td> <td>9.6</td> <td>Industry</td> <td>2.7 16.2</td> </tr> <tr> <td>Current surplus</td> <td>0.2</td> <td>-1.4</td> <td>1.6</td> <td>4.1</td> <td>Services</td> <td>5.6 33.0</td> </tr> <tr> <td>Capital expenditure</td> <td>2.3</td> <td>1.9</td> <td>3.2</td> <td>3.2</td> <td>Unemployed</td> <td>1.1 6.4</td> </tr> <tr> <td>Foreign financing</td> <td>-</td> <td>0.1</td> <td>0.3</td> <td>1.5</td> <td>Total Labor Force</td> <td>16.8 100.0</td> </tr> </tbody> </table>													As % of GDP				Labor Force in 1978		1960	1970	1975	1980	Millions	(%)	PUBLIC FINANCE							Current revenues	9.8	9.5	13.9	12.8	Agriculture	7.4 44.4	Current expenditures	9.6	10.9	12.3	9.6	Industry	2.7 16.2	Current surplus	0.2	-1.4	1.6	4.1	Services	5.6 33.0	Capital expenditure	2.3	1.9	3.2	3.2	Unemployed	1.1 6.4	Foreign financing	-	0.1	0.3	1.5	Total Labor Force	16.8 100.0																																																																											
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Foreign financing	-	0.1	0.3	1.5	Total Labor Force	16.8 100.0																																																																																																																																							
OTHER INDICATORS																																																																																																																																													
Annual GNP growth rate (%)			5.1	5.6	5.9	6.3	7.7																																																																																																																																						
Annual GNP per capita growth rate (%)			2.0	2.7	3.2	3.6	5.1																																																																																																																																						
Annual energy consumption growth rate (%)			7.4	6.2	4.2	4.7	4.6																																																																																																																																						
ICOR			4.5	4.7	4.6	4.5	4.1																																																																																																																																						
Marginal savings rate			0.285	0.330	0.26	0.32	0.35																																																																																																																																						
Import elasticity			1.33	1.12	1.20	1.05	0.90																																																																																																																																						

/a Preliminary estimate.

/b Historical figures are official estimates based on 1972 weights. In relation to the composition of Philippine exports in the late 1970s these estimates give undue weight to stable or declining exports of raw commodities such as copra, sugar, and logs, and insufficient weight to rapidly growing exports such as nontraditional manufactures and coconut oil. Bank staff estimates of export volume based on 1978 weights are shown on Attachment 3b.

/c Projected years of constant prices.

BALANCE OF PAYMENTS AND EXTERNAL ASSISTANCE
(US\$ million)

	Actual				Est. 1980	Projected		
	1976	1977	1978	1979		1981	1982	1985
Summary of Balance of Payments								
Exports of goods and services	3,387	4,161	4,838	6,177	8,040	9,450	11,100	18,200
Of which: exports of goods	2,574	3,151	3,425	4,601	5,940	7,480	8,500	14,300
Imports of goods and services	4,763	5,248	6,323	8,108	10,620	12,540	14,450	21,700
Of which: imports of goods	3,633	3,915	4,732	6,142	7,870	9,360	10,800	16,200
Transfers (net)	269	260	313	355	410	450	500	800
Current Account Balance	-1,107	-827	-1,172	-1,576	-2,170	-2,640	-2,850	-2,700
Direct investment (net)	144	216	171	99	110	200	250	200
MLT loans (net)	1,040	662	891	1,091	1,050	1,700	2,200	2,600
Official-source loans (net)	282	332	333	449	560	800	1,000	950
Private-source loans (net)	758	330	501	642	490	900	1,200	1,650
Other capital (net) /a	-238	113	56	-193	530	370	200	300
Overall Balance /b	-161	164	-54	-579	-480	-370	-200	400
International reserves (end-year) /c	1,640	1,525	1,883	2,424	3,160	3,000	3,000	3,200
Grants and Loan Commitments								
Official grants	0.0	0.0	0.0	0.0				
Total public loans	1,577.4	1,392.0	2,417.0	2,105.2				
IBRD	226.0	317.5	533.0	210.5				
IDA	0.0	0.0	28.0	62.0				
Other multilateral	64.2	226.6	189.2	286.6				
Governments	391.6	182.3	370.4	223.6				
Suppliers	52.0	194.2	76.7	52.3				
Financial institutions	476.4	341.7	1,000.5	1,224.4				
Bonds	367.2	129.7	219.2	45.8				
Other MLT loans	603.6	115.0	914.0	278.8				
Memorandum Items								
Grant element of commitments	8.8	14.7	16.8	16.5				
Average interest (%)	8.3	7.9	7.4	7.7				
Average maturity (years)	13.1	15.3	15.9	15.9				
Medium & Long-Term Debt								
Total debt outstanding (disbursed only, end of period)	4,383.0	5,554.0	6,839.0	7,920.0				
Including undisbursed	6,817.0	8,155.0	10,856.0	12,225.3				
Public debt service	-239.2	-441.9	-468.1	??652.5				
of which: interest	-97.9	-215.2	-167.1	-300.0				
Other MLT debt service	-283.5	-320.1	-441.9	-375.5				
Total debt service	-522.7	-762.0	-910.0	-1,082.0				
Debt Burden								
Debt service ratio	15.4	18.3	18.8	17.4				
Debt service ratio /d	19.4	22.1	21.2	18.2				
Debt service/GDP	2.9	3.8	3.9	3.6				
Public debt service/government revenue	9.9	12.0	20.1	18.3				
Terms								
Interest on total DOD/total DOD	4.1	6.4	4.0	6.1				
Total debt service/total DOD	10.5	15.8	13.3	13.0				
Dependency Ratios								
Gross disbursements/imports (GNFS)	37.9	28.7	34.3	30.7				
Net transfer/imports (GNFS)	29.6	20.8	16.0	16.7				
Net transfer/gross disbursements	78.0	73.0	59.0	52.8				
Exposure								
IBRD disb./gross total disb.	5.5	7.4	8.3	10.4				
Bank Group disb./gross total disb./e	6.2	7.5	8.3	10.4				
IBRD DOD/total DOD	7.2	7.3	8.0	9.9				
Bank Group DOD/total DOD /e	7.8	7.8	8.4	10.3				
IBRD debt service/total debt service	6.6	5.6	6.9	7.3				
Bank Group debt serv./total debt. serv	6.7	5.6	7.0	7.4				
					External Debt			
					(Disbursed only)			
					IBRD	731	14.1	
					Bank Group /e	763	14.8	
					Other multilateral	397	7.7	
					Governments	1,094	21.2	
					Suppliers	250	4.8	
					Financial institutions	1,879	36.4	
					Bonds	783	15.1	
					Total public MLT debt	5,167	100.0	
					Other MLT debt	2,753	53.3	
					Total MLT debt	7,920	153.3	
					(Including undisbursed)			
					Public MLT debt	8,971.4	173.6	
					Total MLT debt	12,225.3	237.0	

/a Short-term capital, monetization of gold, allocation of SDRs, and errors and omissions.
 /b Equals change in net international reserves.
 /c Gross reserves of the Central Bank ("International reserves", IFS).
 /d Includes net direct investment income.
 /e Excludes IFC.

THE STATUS OF BANK GROUP OPERATIONS IN THE PHILIPPINES

A. STATEMENT OF BANK LOANS AND IDA CREDITS
As of April 30, 1981 /a

Loan or Credit Number	FY	Borrower	Purpose	Amount (less cancellations)		
				Bank	IDA	Undisbursed
Twenty-three Loans and three credits fully disbursed				416.2	32.2	
984-PH	1974	"	Aurora-Penaranda Irrigation	9.5		0.8
998-PH	1974	"	DBP I	50.0		3.3
1034-PH	1974	National Power Corp.	Power	61.0		2.0
1035-PH	1974	Rep. of the Philip.	Population	25.0		9.0
1048-PH	1974	"	Shipping	20.0		4.2
1052-PH	1974	Philip. National Bank	PDCP IV	30.0		1.1
1080-PH	1975	Rep. of the Philip.	Tarlac Irrigation	17.0		4.3
1102-PH	1975	"	Rural Development	25.0		7.3
1154-PH	1976	"	Magat Irrigation	42.0		13.2
1190-PH	1976	"	DBP II	75.0		4.0
1224-T-PH	1976	"	Education III	25.0		5.3
1225-PH	1976	"	Livestock II	20.5		0.1
1227-PH	1976	"	Chico Irrigation	50.0		31.3
1272-T-PH	1976	"	Manila Urban	10.0		5.0
1282-PH	1976	"	Manila Urban	22.0		11.1
1269-PH	1976	"	Second Grain Processing	11.5		7.8
1353-PH	1977	"	Third Highways	95.0		62.5
1367-PH	1977	"	Jalaur Irrigation	15.0		7.5
1374-PH	1977	"	Fourth Education	25.0		9.7
1399-PH	1977	Central Bank of the Philippines	Fourth Rural Credit			
				36.5		17.1
1414-PH	1977	Rep. of the Philip.	Nat. Irrig. Syst. Improvmt.	50.0		34.1
1415-PH	1977	"	Provincial Cities Water Sup.	23.0		15.3
1421-PH	1977	"	Rural Dev. Land Stmnt. II	15.0		10.6
1460-PH	1977	National Power Corp.	Seventh Power	58.0		38.0
1506-PH	1978	Rep. of the Philip.	Smallholder Tree Farming	8.0		6.7
1514-PH	1978	Philip. National Bank	PDCP V	30.0		10.6
1526-PH	1978	Rep. of the Philip.	Nat. Irrig. Syst. Improvmt. II	65.0		49.6
790-PH	1978	"	Rural Infrastructure		28.0	24.1
S.8-PH	1978	"	Education	2.0		1.4
1547-PH	1978	Nat. Electrification Admin.	Rural Electrification	60.0		9.2
1555-PH	1978	Philip. National Bank	PISO	15.0		2.3
1567-PH	1978	Rep. of the Philip.	Magat II	150.0		51.7
1572-PH	1978	"	Industrial Investment III	80.0		35.8
1615-PH	1978	"	Manila Water Supply II	88.0		84.1
1626-PH	1979	"	National Extension	35.0		34.1
1639-PH	1979	"	Magat River Multipurpose	21.0		17.8
1646-PH	1979	"	Small Farmer Dev. (Land Bank)	16.5		11.3
1647-PH	1979	"	Second Urban Development	32.0		26.7
1661-PH	1979	"	Highways IV	102.0		98.7
1710-PH	1979	"	Water Supply II	16.0		16.0
920-PH	1979	"	Water Supply II		22.0	21.1
1727-PH	1979	"	Small & Medium Industry II	25.0		11.4
923-PH	1979	"	Population II		40.0	39.9
1772-PH	1980	"	Samar Island Rural Devel.	27.0		26.6
1786-PH	1980	"	Fisheries Trng. (Educ. VI)	38.0		37.8
1809-PH	1980	"	Medium-Scale Irrigation	71.0		70.9
1814-PH	1980	"	Manila Sewerage & Sanitation	63.0		62.3
1815-PH	1980	"	Rainfed Agric. Dev. (Iloilo)	12.0		11.9
1821-PH	1980	"	Third Urban	72.0		70.0
1855-PH	1980	"	Third Ports	67.0		67.0
1860-PH	1980	"	Rural Roads Improvement	62.0		60.5
1890-PH	1981	"	Watershed Management	38.0		37.9
1894-PH	1981	"	Third Livestock & Fisheries	45.0		43.6
1903-PH	1981	"	Structural Adjustment	200.0		116.2
Total				<u>2,665.7</u>	<u>122.2</u>	<u>1,461.8</u>
of which has been repaid (Bank and third parties)				193.5		
Total now outstanding				<u>2,452.2</u>	<u>122.2</u>	
Amount sold				24.3		
of which has been repaid (third parties)				<u>17.1</u>	7.2	-
Total now held by Bank and IDA (prior to exchange rate adjustments)				<u>2,445.0</u>	<u>122.2</u>	
Total undisbursed				<u>1,376.7</u>	<u>85.1</u>	<u>1,461.8</u>

/a Includes repayments through March 31, 1981.

B. STATEMENT OF IFC INVESTMENTS
As of April 30, 1981

Fiscal Year	Company	Amounts (\$ million)		
		Loan	Equity	Total
1963 & 1973	Private Development Corporation of the Philippines	15.0	4.4	19.4
1967	Manila Electric Company	8.0	-	8.0
1967	Meralco Securities Corporation	-	4.0	4.0
1970	Philippine Long Distance Telephone Company	4.5	-	4.5
1970 & 1972	Mariwasa Manufacturing, Inc.	0.8	0.4	1.2
1970	Paper Industries Corporation of the Philippines	-	2.2	2.2
1971 & 1977	Philippine Petroleum Corporation	6.2	2.1	8.3
1972	Marinduque Mining and Industrial Corporation	15.0	-	15.0
1973	Victorias Chemical Corporation	1.9	0.3	2.2
1974	Filipinas Synthetic Fiber Corporation	1.5	-	1.5
1974/1979	Maria Christina Chemical Industries, Inc.	1.5	0.7	2.2
1974	Republic Flour Mills Corporation	1.2	-	1.2
1975	Philippine Polyamide Industrial Corporation	7.0	-	7.0
1976/1980	Philagro Edible Oils, Inc.	2.6	0.2	2.8
1977	Acoje Mining Company, Inc.	2.3	1.2	3.5
1977	Sarmiento Industries, Inc.	3.5	-	3.5
1978	Cebu Shipyard and Engineering Works, Inc.	2.1	-	2.1
1979	General Milling Corporation	4.0	1.1	5.1
1980	PISO Leasing Corporation	5.0	0.1	5.1
1980	Ventures in Industry and Business Enterprises, Inc.	-	0.3	0.3
1980	Consolidated Industrial Gases, Inc.	4.5	-	4.5
1981	Philippine Assoc. Smelting & Refining Corp.	-	5.0	5.0
	Total gross commitments	<u>86.6</u>	<u>22.0</u>	<u>108.6</u>
	Less sold, acquired by others, repaid or cancelled	<u>48.6</u>	<u>12.7</u>	<u>61.3</u>
	Total commitments now held by IFC	<u>38.0</u>	<u>9.3</u>	<u>47.3</u>
	Total Undisbursed	<u>5.0</u>	<u>5.0</u>	<u>10.0</u>

C. PROJECTS IN EXECUTION /1

Agricultural Sector

Credit No. 472 Aurora-Penaranda Irrigation; \$9.5 Million Credit and
Loan No. 984 \$9.5 Million Loan of May 14, 1974; Date of Effectiveness:
August 22, 1974; Closing Date: December 31, 1981

Overall progress of the project is satisfactory. Work on the dams and transbasin diversion channels was completed in 1975, about one year ahead of schedule. There were initial delays in the award of contracts for the service area improvement works, and further delays were caused by strong typhoons in 1978 and 1980 which damaged some of the project area. Completion is now planned for 1981 - a three-year delay in the original schedule. Due to increased costs, a reduced cropping intensity and delays in construction, the internal rate of return is expected to be close to 12% compared with the appraisal estimate of 17%.

Loan No. 1080 Tarlac Irrigation; \$17.0 Million Loan of January 27, 1975;
Date of Effectiveness: April 30, 1975; Closing Date:
June 30, 1982

The project is now about 75% complete. Full completion is expected by June 1982, a two-year delay in the original schedule, caused mainly by managerial problems and late preparation of the designs for the drainage works. The closing date has, therefore, been extended by two years to June 30, 1982. The area developed is likely to be some 20% less than originally planned mainly because of flooding from the Chico, Camiling and Agno rivers. Costs are higher, partly due to the delays referred to above, and the economic rate of return is now likely to be close to 10% compared with an appraisal estimate of 15%.

Loan No. 1102 Rural Development; \$25.0 Million Loan of April 16, 1975;
Date of Effectiveness: July 28, 1975;
Closing Date: June 30, 1981

Overall implementation is about 75% complete. The road subproject has been delayed by about two years because most of the construction contracts had to be rebid following the failure of the ongoing contracts. Contracts for the construction of the irrigation works are also behind schedule, but most of these should be successfully completed without rebidding. Recent efforts by the project management office to improve contract performance

/1 These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

have been successful, and force account works are proceeding well. General shortages of fuel and construction material have now been overcome. Disbursements have improved significantly recently and completion is expected in mid-1982, about two years behind schedule.

Loan No. 1154 Magat Multipurpose Project; \$42.0 Million Loan of August 7, 1975; Date of Effectiveness: November 4, 1975; Closing Date: June 30, 1982

Civil works by local contract and force account for rehabilitation and new construction of canals, drains and access roads are progressing well, and the project is about 81% complete. All contracts have now been awarded but some of the work has been postponed until the end of the rainy season. The water management training is continuing satisfactorily. Problems experienced due to budgetary constraints in 1980 are expected to be lessened in 1981 as NIA taps other local financial resources. Due to earlier delays in contract award, budgetary constraints and typhoon damage in 1980, project completion is expected to be delayed by about two years over the original schedule.

Loan No. 1225 Second Livestock; \$20.5 Million Loan of April 8, 1976; Date of Effectiveness: September 13, 1976; Closing Date: June 30, 1982

The loan is expected to be fully disbursed by June 1981, one year before the closing date (June 30, 1982) as a result of significant subloan demand in piggery and poultry subsectors. Further support to livestock development in the Philippines is being provided under the ongoing Third Livestock and Fisheries Credit Project (Loan 1894).

Loan No. 1227 Chico River Irrigation Project; \$50.0 Million Loan of April 8, 1976; Date of Effectiveness: July 19, 1976; Closing Date: June 30, 1981

Although the project was due for completion by June 1980, it is now only about 40% complete. Work started slowly due to late procurement of equipment for force account work. Further delays have been caused by changes in design resulting in rebidding the three major contracts for the diversion dam, the main canal and the river siphon; severe and repeated typhoon damage; problems of right-of-way acquisition and the recent suspension of work on the diversion dam because of security problems. The project is not now expected to be completed before June 1984, a four-year delay over the appraisal estimate.

Loan No. 1269 Second Grain Processing Project; \$11.5 Million Loan of July 2, 1976; Date of Effectiveness: October 4, 1976; Closing Date: June 30, 1983

Due to delays in implementation of the first phase project (Loan 720-PH) and to the general availability of funds to millers from

alternative sources, disbursements have progressed slowly. Recently, however, due to DBP's promotional efforts, the subloan demand from millers has been increasing. In addition, DBP is considering financing the grain warehouse construction program of the National Food Authority under this project. In view of these developments, the project funds are expected to be fully committed by the end of CY1981 and the loan disbursed by June 1983, two years behind schedule. The closing date has been extended accordingly to June 30, 1983. The ongoing Grains Losses Study is expected to be completed by the end of 1981.

Loan No. 1367 Jalaur Irrigation Project; \$15.0 Million Loan of February 14, 1977; Date of Effectiveness: May 12, 1977; Closing Date: December 31, 1982

Overall progress of the project is about 40% compared with appraisal estimates of 55%. Force account work is proceeding satisfactorily. Some of the 24 civil works contracts failed, due to unsatisfactory procurement procedures, but the Government has now taken action to improve the situation. Progress has recently improved, and a timely completion is still expected.

Loan No. 1399 Fourth Rural Credit Project; \$36.5 Million Loan of April 11, 1977; Date of Effectiveness: June 2, 1977; Closing Date: December 31, 1982

Commitments and disbursements continue to be roughly one-half of appraisal estimates. The Central Bank has reassessed the project and as a result new categories of lending (for medium-size trucks, tree crops and working capital), and a new set of financial intermediaries (private development banks) have been included in the project. More recently the Central Bank has reduced the relative advantages of rural banks in short-term lending vis-a-vis medium- and long-term lending provided under the project, and has introduced a capital build-up program and conversion scheme to lower the high levels of arrears of participating rural banks. Although these initiatives should accelerate implementation, the completion date has been postponed by two years.

Loan No. 1414 National Irrigation Systems Improvement Project; \$50 Million Loan of May 13, 1977; Date of Effectiveness: August 9, 1977; Closing Date: December 31, 1982

Progress in project implementation has been slow, initially because of staffing and design problems, and more recently because of delays in the review of design and contractual arrangements for the Abulog diversion dam. Shortages of fuel and construction materials, which have been a major cause of delay, have now been overcome. The project is now expected to be completed in 1983, two years later than originally estimated. Implementation has improved during the 1980 construction season, and further improvements are expected in 1981, mainly because of better planning and organization, less complicated contract procedures, and completion of designs. Final project costs and benefits are expected to be in line with original estimates.

Loan No. 1421 Second Rural Development (Land Settlement) Project;
\$15.0 Million Loan of June 10, 1977; Date of Effectiveness:
October 27, 1977; Closing Date: December 31, 1982

Satisfactory progress is being maintained. The Government has simplified and accelerated procedures for issue of land allocation certificates and titles to project area settlers, improving their eligibility for term credit. Substantial progress has been made in construction of roads, bridges and related infrastructure. Initial irrigation works, water supply systems and health stations have been installed. Adaptive research trials have been completed and pilot extension programs for appropriate agricultural packages are now under way. Feasibility studies for development of other settlements are well advanced, but formulation of a long-term land use policy framework is lagging. Previous bottlenecks in the flow of funds and loan disbursements have eased since 1980. Implementation plans for 1981/82, currently being reviewed, show project costs and overall targets in line with original estimates.

Loan No. 1506 Smallholder Tree Farming and Forestry Project; \$8.0 Million
Loan of January 23, 1978; Date of Effectiveness: May 11,
1978; Closing Date: December 31, 1983

Treefarmer enrollment in the DBP treefarming component, which has been slow in the past, has improved markedly following DBP's liberalization of application procedures and collateral requirements. However, so far fewer smallholders and more medium-size land-owners are participating than expected at appraisal. The other components, all of which involve government agencies, now have budget appropriations commensurate with project requirements, although delays in fund releases still occur. The forest research component is progressing well and the wood industries feasibility study is approaching completion. Vehicles and equipment for BFD's Abra plantation component have still not been acquired due to overly cumbersome local procurement procedures. The young planted pines have been infested by a shoot borer insect, which will require immediate control measures. The pace of implementation of this component will, therefore, have to be reduced and its completion date extended by at least one year.

Loan No. 1526 Second National Irrigation Systems Improvement Project:
\$65 Million Loan of March 15, 1978; Date of Effectiveness:
June 20, 1978; Closing Date: December 31, 1984

Topographic surveys, project planning and design have been completed for most of the systems, and construction is fully under way. No major contracts have been awarded and those originally scheduled for 1980 were delayed because of financial constraints and difficulties in completing designs on schedule. To help with this problem, NIA has agreed to retain local consultants to assist in design preparation of drainage works and thus avoid delays in subsequent contract works. Overall progress is satisfactory and the project is expected to be completed as scheduled.

Credit No. 790 Rural Infrastructure; \$28 Million Credit of April 21, 1978; Date of Effectiveness: July 21, 1978; Closing Date: December 31, 1983

Construction work on communal irrigation systems, village water supply, health stations and ports is proceeding well. As of December 31, 1980, construction of about 34 km of roads had been completed, 300 km of roads (about one-third of the program) were under contract or shortly to be awarded, and 90% of the design work on the remaining roads had been completed. While construction of the irrigation component is behind schedule, overall progress of the project is satisfactory. About 300 rural water supply units are completed and 48 barangay health stations have been built and commissioned. The overall progress on the port component is estimated at about 50%. The project is expected to be completed on schedule.

Loan No. 1567-PH The Magat River Multipurpose Project - Stage II; \$150 Million Loan of May 23, 1978; Date of Effectiveness; August 24, 1978; Closing Date: December 31, 1983

Progress is good. The first stage of river diversion has been successfully achieved and excavation is substantially complete. Construction of the main dam is making excellent progress. Concrete work for the spillway started slowly and suffered from interruptions due to breakdown of the cranes, but the contractor has made up for lost time and is once more nearly on schedule. Work on resettlement of the population to be displaced by the reservoir is proceeding very well.

Loan No. 1626-PH National Extension Project; \$32.0 Million Loan of December 21, 1978; Date of Effectiveness: March 26, 1979; Closing Date: June 30, 1983

The Ministry of Agriculture, through its Bureau of Agricultural Extension, aims to introduce the training and visit (T and V) system to the national extension service over a four year period. A Project Management Committee has been created under the Deputy Minister's Chairmanship, and appropriate subcommittees and operational units established. Regional reorganization was effected on March 24, 1980 with the appointment of 12 Regional Directors and 24 Assistant Directors, followed by 75 Provincial Executive Officers on March 28. The 1979 incremental staff appointments have been made and recruitment of the 1980 contingent is proceeding. A contract has been let for the construction of 167 extension centers. The first year's motorcycle allotment has been purchased and distributed under the special vehicle loan fund. Procurement of the other vehicles, for the first and second year, together with equipment, is proceeding. Training was interrupted temporarily during reorganization, but is continuing in cooperation with the USAID/KSU program on Agricultural Production and Marketing. The first consultancy, on extension workers' compensation and duties, and a second, on monitoring and evaluation procedures for extension

workers and services, have been let. Pilot areas for introducing the T and V system of extension have been established in all 12 regions of the country. The first four have been evaluated and a report issued. Benchmark agro-economic surveys, on which the selection of the pilot areas was based, have been completed in the 12 regions.

Loan No. 1639-PH Magat River Multipurpose Project; Stage II Irrigation; \$21.0 Million Loan of January 26, 1979; Date of Effectiveness: April 25, 1979; Closing Date: December 31, 1983

Implementation started early in 1980 and progress is satisfactory. All major contracts have already been awarded and some are ahead of schedule. All construction equipment has been procured and delivered to site. Completion is expected by mid-1983 as scheduled at appraisal. The only problem to be foreseen is an overall financial constraint which is being carefully considered by the Government.

Loan No. 1646-PH Small Farmer Development Project through the Land Bank of the Philippines; \$16.5 Million Loan of January 26, 1979; Date of Effectiveness: April 25, 1979; Closing Date: June 30, 1983

Cumulative loan disbursements of \$4.2 million up to December 1980 were lower than the appraisal estimate of \$5 million because the subloan demand from small farmers and rural entrepreneurs for farm mechanization and backyard livestock investments have been generally weak owing to recent increases in fuel and feed costs. Further, loan withdrawals against completed infrastructure works (\$3.5 million) have been held up by certain budgetary regulations. However, the Budget Ministry has recently settled this matter and disbursements should be made in the near future. The Land Bank has initiated measures to strengthen its field level organization and streamline its lending terms, which are expected to step up subloan disbursements to small farmers.

Loan No. 1772-PH Samar Island Rural Development Project; \$27.0 million Loan of February 1, 1980; Date of Effectiveness: May 21, 1980; Closing Date: June 30, 1985

Procurement of services, materials and equipment for the project is now under way, and the first phase of the Catubig valley studies has been completed.

Loan No. 1809-PH Medium-Scale Irrigation; \$71.0 million Loan of March 28, 1980. Date of Effectiveness: June 25, 1980; Closing Date: December 31, 1986

The loan became effective in June 1980 and project consultants started work in August 1980. Procurement of project equipment is under way. Design and preparation of contract documents for civil works are proceeding on schedule and construction should start as planned.

Loan No. 1815-PH Rainfed Agriculture (Iloilo); \$12.0 million Loan of March 28, 1980; Date of Effectiveness: June 25, 1980; Closing Date: June 30, 1986

Management of project components implemented through the Ministry of Agriculture (MOA) is proceeding well, but those activities implemented by other government agencies are proceeding more slowly. Efforts are now being made to channel funds to these agencies through MOA, the lead agency. Procurement is six months behind schedule, mainly because all vehicle procurement has to be reviewed by the Ministry of the Budget. Nonavailability of credit has been a problem, and measures are being taken to involve banks other than the rural banks, including the Land Bank and the Philippine National Bank. Construction of the training center is delayed because the Provincial Government has been unable to provide the 25% counterpart funds for construction costs.

Loan No. 1890-PH Watershed Management and Erosion Control Project; \$38.0 Million Loan of August 4, 1980; Date of Effectiveness: October 30, 1980, Closing Date: December 31, 1986

A good start has been made on implementation of the main components of the project. Jurisdictional difficulties between the implementing agency and the Bureau of Forest Development have been sorted out and a Memorandum of Understanding signed. The National Irrigation Administration is making vigorous efforts to protect the project as much as possible from the current shortage of local funds.

Loan No. 1894 Third Livestock and Fisheries Credit Project; \$45.0 Million Loan of August 4, 1980; Date of Effectiveness: November 5, 1980; Closing Date: June 30, 1984

A good start has been made in project implementation. During the first four months, up to December 1980, DBP's subloan disbursements exceeded the appraisal estimate. These disbursements were mainly for livestock and inland fisheries subsectors; the loan demand for marine fisheries is, however, weak. Under the noncredit component, the Borrower's Bureau of Animal Industry and Fisheries Industry Development Council are preparing proposals for research and other support programs. DBP's studies on development of a new management information system and staff training programs are in progress. A plan for monitoring and evaluation of future agricultural credit projects is also being developed by DBP.

Transportation Sector

Loan No. 1048 Inter-Island Shipping; \$20 Million Loan of October 29, 1974; Date of Effectiveness: January 15, 1975; Closing Date: June 30, 1981

The Closing Date was extended to June 30, 1981 to allow for the completion of training programs and for ship construction guarantee payments. About 70% of the loan has been disbursed. Loan applications covering the balance of uncommitted funds are under consideration by DBP.

Loan No. 1353 Third Highway Project; \$95.0 Million Loan of January 12, 1977; Date of Effectiveness: March 30, 1977; Closing Date: June 30, 1981

Overall, the project is about 53% completed and two and half years behind schedule because of slow procurement, poor performance of many contractors, and inadequate planning for the use of local funds. The operations of the Ministry of Public Highways (MPH) have improved but require further efforts, specifically in road maintenance. In road construction and improvement, works on 11 national and 5 minor road contracts are progressing satisfactorily; however, poorly performing contractors continue to cause problems on three national and two minor road contracts. MPH has now undertaken the action necessary to forfeit and retender those five contracts, and contract award is scheduled by mid-1981. The road maintenance and restoration programs have been reviewed and are now making some progress. Of the 28 workshop contracts, 11 are now under construction, 13 are up for rebid and 4 have been renegotiated. There is a significant cost overrun on the workshop contract, caused by changes in the design and price escalation. Procurement of road maintenance equipment, tools and other machinery has been completed. Consultants for supervision of construction of roads and workshops are in place and the road and ferry feasibility studies have been completed. The technical assistance advisors to MPH completed their assignment in November 1979 and training advisors to MPH completed their work in March 1980. Overall, the project completion is likely to be delayed until mid-1983, and it will be necessary to extend the present closing date for two and a half years.

Loan No. 1661 Fourth Highway Project; \$100 Million Loan of March 9, 1979 ; Date of Effectiveness: June 15, 1979; Closing Date: December 31, 1983

After an initial delay of several months the implementation of this project has proceeded slowly, mainly because of time-consuming prequalification procedures for contractors and slow selection of consultants for technical assistance. The overall delay now amounts to at least a year, and the progress in implementing the project continues to be slow. Although MPH has done a considerable amount of preparatory work and international competitive bidding is now under way, no construction or improvement works have yet started. A consulting firm for the design and construction supervision of workshops has started the design work. Land acquisition for road construction and workshops is under way and preparatory work has begun for the continuation of the road maintenance and road restoration programs begun under the Third Highway Project (Loan 1353-PH). Prequalification for equipment suppliers has begun, but bids will be invited only after completion of workshop construction.

Loan No. 1855 Third Ports Project; \$67 Million Loan of June 13, 1980; Proposed Date of Effectiveness: September 11, 1980; Closing Date: June 30, 1984

Detailed engineering and preparation of tender documents are now complete, and bidding for the four main port contracts is scheduled to take

place by mid-1981. Other preconstruction activities are under way and are scheduled to be completed before the main contractors begin work. Consultants have been selected to provide technical assistance for construction supervision, and contract negotiations are under way.

Loan No. 1860 Rural Roads Improvement Project; \$62 Million Loan of June 13, 1980; Proposed Date of Effectiveness: September 11, 1980; Closing Date: December 31, 1984

Initial progress in preparing the 1981 rural roads program has been slow due mainly to a delay in providing technical assistance services to the implementing agency. Due to delays in preparing and reviewing detailed engineering for rural roads, no construction contracts will start in the 1981 dry season, putting the project about nine months behind schedule. Consulting services are generally on schedule with the exception of the technical assistance. The Government is aware of the importance of this item and is taking steps to remedy the problem.

Education Sector

Loan No. 1224T Third Education Project; \$25 Million Loan of April 8, 1976; Date of Effectiveness: July 29, 1976; Closing Date: June 30, 1981

The central part of the project, which is the development of primary and secondary textbooks and teachers' manuals in five subject areas, has made continuous progress since the inception of the project. Eighteen million books have been produced and distributed. The project should meet its goal of producing and distributing to schools 75 titles amounting to 30 million copies, as well as training about 250,000 teachers, by the middle of 1981. Civil works are about 28 months behind schedule. Project costs are close to appraisal estimates and disbursements are about 80% of appraisal estimates.

Loan No. 1374 Fourth Education Project; \$25.0 Million Loan of March 25, 1977; Date of Effectiveness: June 9, 1977; Closing Date: December 31, 1981

Implementation of the project is now some 18 months behind schedule. Rapid price escalation and high credit costs in the 1978-80 period resulted in a slow-down in building activity, the rescinding of an important contract and renegotiation of others, thus delaying implementation of the project's other physical components and dependent educational objectives. The situation is being recuperated and in the process EDPITAF has devolved implementation responsibilities to recipient institutions. An extension of the closing date is to be sought once a revised financial plan has been elaborated with the Finance and Budget Ministries. Overall project utilization of Technical Assistance Specialists is only 20%, while over 80% of Fellowship time has been committed. Enrolments are about on target and other educational developments at UPLB and VISCA are proceeding satisfactorily. There is some tendency to proliferate fields of specialized study and the National Governing Board of the PTC-RD system has not functioned as planned in reviewing important changes in policies and programs.

Loan No. S-8-PH Educational Radio Technical Assistance: \$2 Million Loan of April 21, 1978; Date of Effectiveness: August 22, 1978; Closing Date: December 31, 1981

The project is being implemented by an Educational Communications Office (ECO), established for this purpose within EDPITAF. ECO is functioning smoothly and is successfully preparing and distributing radio programs and printed materials for the two major project subcomponents - Radio Assisted Teaching in Elementary Schools (RATES), and Continuing Education for Teachers (CET). These programs have been implemented efficiently. The report on the project summative evaluation which has been completed by the University of the Philippines' Institute of Mass Communication, contains informative data on the use of radio for the improvement of education. The Educational Communications Office is now formulating follow-up plans incorporating this data into the forthcoming Elementary Education project. A separate evaluation of the Communication Technology for Rural Education will be completed towards the end of 1981.

Loan No. 1786-PH Fisheries Training Project; \$38.0 Million Loan of February 1, 1980; Date of Effectiveness: May 19, 1980; Closing Date: June 30, 1985

Although the loan became effective in May 1980, funds were released by the Government only in November, which resulted in some implementation delays. Physical implementation, however, is on schedule. Contract awards for the first 13 packages were expected in the first quarter of 1981. By December 1980, site acquisition was practically completed and equipment lists were nearing completion. The first of five planned RIFT/RCFT staff training workshops was conducted in November 1980. EDPITAF's devolution of major responsibility and funds for implementation to recipient institutions is a major policy change which will require, among other things, the introduction of complex accounting practices. The proposed UPVCF Fellowship program is not consistent with project objectives and will require rigorous review by UPV, EDPITAF and the Bank.

Urban Sector

Loan No. 1272T Manila Urban Development Project; \$10.0 Million and
Loan No. 1282 \$22.0 Million Loans of June 9, 1976; Date of Effectiveness: December 9, 1976; Closing Date: September 30, 1981

Overall construction on the Tondo project is about 65% complete. In spite of implementation delays in two key components - construction of major roads and the sewer outfall - overall management of the project has improved: key staff vacancies in the Tondo office have been filled, and NHA's General Manager is increasingly devoting his personal supervision to the project. All but two infrastructure contracts have been awarded and are currently in various stages of mobilization. The Dagat-Dagatan component is 98% complete, and about 1,317 of the 1,501 completed units have been occupied. The shortfall of 499 units will be constructed under the Second Urban Project. The progress of the first package of the road component has been held up due to price adjustment problems in the contract, and implementation of the sewer outfall component has been delayed due to design modifications. However, the contractor has now been selected, and implementation of this component is now expected to proceed smoothly.

Loan 1415-PH Provincial Cities Water Supply Project; \$23 Million Loan of May 13, 1977; Date of Effectiveness: September 9, 1977; Closing Date: March 31, 1982.

Overall project implementation is about one year behind schedule. Major contracts have been awarded; however, due to unforeseen delays in well drilling and late deliveries of pipes, progress is slow. Work has started in four of the six project cities, and contractors are mobilizing in the remaining two. The construction cost is expected to be close to appraisal estimates and project completion is expected to be on target.

Loan 1615-PH Second Manila Water Supply Project; \$88 Million Loan of July 26, 1978; Date of Effectiveness: December 21, 1978; Closing Date: December 31, 1983.

Delays in contract approvals in the ADB-financed components of the project (source and treatment works) have resulted in similar delays in IBRD-financed parts of the project (distribution system). Nevertheless, according to rescheduling prepared by consultants, it is expected that the original target of completing the project by June 1983 will be met with no further slippage. Water rates were increased by 25 centavos in May 1980 and a 10% water rate surcharge was implemented at the end of 1980. A further water rate increase is expected to be implemented in June 1981.

Loan No. 1647-PH Second Urban Development Project; \$32.0 Million Loan of January 26, 1979; Date of Effectiveness: April 26, 1979; Closing Date: June 30, 1984

Since the loan became effective in April 1979, implementation has been in progress on earthworks, sewerage and drainage contracts in Dagat-Dagatan and on the SIR program in the regional cities. An action program to remedy the drainage problem of the Dagat-Dagatan area and to provide adequate fill materials has been initiated through MPW and contracts for major earthworks and infrastructure are now being let. This should considerably accelerate disbursements on the Dagat-Dagatan component. Overall loan disbursement improved during FY80. Due to fill deficiency problems at the Dagat-Dagatan site and general price escalations, the total project costs have increased to approximately \$95 million, reflecting a 38% increase over the appraisal estimate. It is likely that the overall project will be completed on schedule by the end of 1983.

Credit 920-PH Second Provincial Cities Water Supply Project; \$22 Million
Loan 1710-PH Credit and \$16 Million Loan of June 27, 1979; Date of Effectiveness: November 30, 1979; Closing Date: December 31, 1985.

The 50 Water Districts required under the project have been formed. Detailed designs for 12 of the project cities are nearing completion. Work has started on the development of a financial planning and control system, and consultants have started the preparation of a comprehensive management assistance and training proposal. A new institution, the Rural Water Supply Development Corporation, has been created, and is now preparing a list of materials to be procured for rural water supply.

Loan 1814-PH Manila Sewerage and Sanitation Project: \$63.0 million Loan of March 28, 1980; Date of Effectiveness: September 10, 1980; Closing Date: December 31, 1984.

The project is proceeding well, with no major problems. Detailed designs for the Tondo Pumping Station have been completed, and tenders for sanitary sewers in Dagupan and Pandacan called. The organization for the combined sewer program is in place; staffing and training plans are being prepared; and equipment for the water quality monitoring program has been approved for procurement. Disbursements are ahead of appraisal estimates, due mainly to faster improvement in MWSS's management than anticipated.

Loan 1821-PH Third Urban Development Project; \$72 Million Loan of June 2, 1980; Date of Effectiveness: September 25, 1980; Closing Date: December 31, 1984.

With satisfactory organizational and staffing arrangements now established, physical implementation of this project is generally on schedule in spite of procedural delays in budgetary releases. Second phase programs in community upgrading, serviced sites, basic municipal infrastructure and employment promotion are already being identified for inclusion.

Power Sector

Loan No. 1034 Sixth Power; \$61.0 Million Loan of July 31, 1974; Date of Effectiveness: November 15, 1974; Closing Date: June 30, 1981

The generating plant was commissioned in April 1977, and the transmission facilities are now expected to be completed by mid-1981, more than three years behind schedule. The revised cost of the project is estimated at \$124.2 million, an increase of about 35% over the original estimate (\$92 million). The closing date of the loan has been postponed from December 31, 1978 to June 30, 1981 to allow additional time for completion of the transmission systems and payment of the retention money.

Loan No. 1460 Seventh Power Project; \$58.0 Million Loan of August 9, 1977; Date of Effectiveness: January 6, 1978; Closing Date: June 30, 1982

Project implementation is behind schedule, and is expected to be completed one year later than estimated. The foreign exchange component is now estimated at \$57.1 million (including additional works) compared with the original estimate of \$58.0 million; surplus funds will be used to expand substations to increase the reliability of the system. Due to delays in procurement and because of additional works authorized by the Bank, the closing date of the loan will need to be extended to mid-1983. NPC has still been unable to meet the 8% rate of return target provided in the Loan Agreement and the Government has yet to provide specific assurances that appropriate action will be taken to remedy this. This problem is being followed up by the Bank.

Loan No. 1547 Rural Electrification; \$60.0 Million Loan of May 10, 1978; Date of Effectiveness: August 17, 1978; Closing Date: December 31, 1981

After earlier improvements in implementation, the project is now behind schedule. About 300,000 house connections were made in 1980, compared with NEA's target of 487,000. NEA's financial performance in 1979 was good, but adjustments to the audited accounts for 1978 resulted in a net loss of P10.3 million (\$1.4 million). The Bank has now made a number of recommendations to improve the audit reports prepared by the Commission on Audit. NEA is making efforts to monitor the financial performance of the cooperatives and for the first time has published the financial results of the cooperatives as a supplement to its 1979 report.

Industrial Sector

Loan No. 998 Industrial Investment and Smallholder Tree-Farming; \$50.0 Million Loan of June 12, 1974; Date of Effectiveness: September 9, 1974; Closing Date: December 31, 1981

The industrial portion of the Loan (\$48 million) has been almost fully drawn down by DBP to finance medium and relatively large industrial projects. DBP is using the balance (\$2 million) to finance about 1,300 smallholders in a pilot tree-farming project in Mindanao; this part of the loan is also substantially disbursed.

Loan No. 1052 Private Development Corporation of the Philippines; \$30 Million Loan of November 12, 1974; Date of Effectiveness: February 7, 1975; Closing Date: June 30, 1981

After some slowdown in commitments and disbursements experienced in 1976 and 1977 the loan has now been fully committed. Overall progress is satisfactory.

Loan No. 1190 Industrial Investment; \$75.0 Million Loan of January 28, 1976; Date of Effectiveness: April 6, 1976; Closing Date: September 30, 1981

Commitments of funds, which were initially much slower than expected due to a slowdown of investment in the industrial sector as a whole, improved in 1978 and 1979. The loan has since been fully committed by DBP for subprojects. Disbursements are now proceeding satisfactorily.

Loan No. 1514 Private Development Corporation of the Philippines (PDCP); \$30 Million Loan of February 9, 1978; Date of Effectiveness: June 23, 1978; Closing Date: September 30, 1982

As of January 31, 1981 commitments under the loan amounted to \$25.6 million. The project progress is satisfactory.

Loan No. 1555 Philippines Investments Systems Organization (PISO);
\$15 Million Loan of May 8, 1978; Date of Effectiveness:
May 12, 1978; Closing Date: December 31, 1982

The loan is now fully committed and disbursements are proceeding at a satisfactory rate.

Loan No. 1572 Third Industrial Investment Credit Project through the
Development Bank of the Philippines: \$80 Million Loan
of June 6, 1978; Date of Effectiveness: September 15,
1978; Closing Date: June 30, 1982

DBP's SMI program is operating satisfactorily and the loan allocation for this component has been fully committed. However, cancellation/withdrawal of some subloans earlier committed under the loan has left an uncommitted balance of \$6.5 million under the loan allocation (\$50 million) for medium/large industry financing. The overall progress of loan commitment and disbursement is satisfactory.

Loan No. 1727 Second Small and Medium Industries Development Project;
\$25 Million Loan of June 27, 1979; Date of Effectiveness:
November 9, 1979; Closing Date: June 30, 1983

After the introduction of policy changes in IGLF in late 1979, IGLF's loan commitment rate has accelerated. As a result, disbursements under the IGLF component (\$24.5 million) amounted to \$10.4 million as of January 31, 1981 and are expected to be completed before the loan closing date. The reorganization within the Ministry of Industry has considerably slowed down disbursements under the MASICAP component (\$500,000). Overall progress of the project is satisfactory.

Loan No. 1984 Industrial Finance Project; \$150 million Loan of May 28,
1981; Proposed Date of Effectiveness: July 28, 1981;
Closing Date: June 30, 1985.

This loan was signed on May 28, 1981, and is not yet effective.

Structural Adjustment Lending

Loan No. 1903 Structural Adjustment Loan; \$200.0 million Loan of
September 25, 1980; Date of Effectiveness: November 14,
1980; Closing Date: June 30, 1985

Considerable progress has been made in implementing the Government's industrial development program in support of which the loan was made. The first stage of the Government's five year program of tariff reform and trade liberalization became effective on January 1, 1981; studies are under way to review and improve the Government's industrial incentives and promotion system; and subsector development programs are under preparation to assist

domestic industries to adjust to the tariff reform and trade liberalization measures. The first tranche of \$100 million has now been fully drawn down and the Government has entered into commitments to utilize nearly half of the \$5 million technical assistance component to help formulate and implement various industrial policy measures. The availability of the second tranche of \$95 million has been temporarily delayed to allow the Government additional time to finalize and adopt the final phase of the tariff reform and trade liberalization program.

Population Sector

Loan No. 1035 Population; \$25.0 Million Loan of July 31, 1974;
Date of Effectiveness: November 13, 1974; Closing
Date: June 30, 1981

As of November 1980, 198 of the 219 training centers and rural health units and about 93% of all construction work had been completed. Procurement of furniture and vehicles has been completed, with some items of equipment still remaining. Problems associated with the phasing out of the old Project Management Staff with the resultant loss of continuity and coordination, and with continuing delays in budget release and austerity measures have severely restricted project activities, and the closing date of June 30, 1981 will not be met. Before agreeing to an extension to the closing date, the Bank is requiring, among other conditions, that the required budget funds be released to the Ministry of Health and that a suitably qualified person be hired as a consultant to coordinate project activities. If these conditions are met, it is expected that the project will close by December 1982, three years behind schedule.

Credit No. 923 Second Population Project; \$40.0 Million Credit of
June 27, 1979; Date of Effectiveness: October 15, 1979;
Closing Date: June 30, 1985

All sites for POPCOM's offices, warehouses and vehicle maintenance workshops and 126 of the 158 sites for the Ministry of Health's health centers and barangay health stations required for the 1981 construction program have been acquired and surveyed, and the remaining 32 sites are being obtained. Operation research and communication production works are on schedule and procurement documents are being processed for vehicles and equipment. The National Primary Health Care policy paper, implementation guidelines and primers for health workers have been finalized, and orientation and training workshops for intersectoral development and health staff have been conducted in six regions. With the exception of the primary health care component, overall progress has been slow, and as of December 1980 disbursements had barely started. The Bank has provided the Government with a list of recommended actions designed to improve the project management capacity of POPCOM and MOH; however, initial delays in budget release and recent changes in project management may cause slippage in the project completion date.

PHILIPPINES

SECTOR PROGRAM FOR ELEMENTARY EDUCATION

Supplementary Data Sheet

Section I: Timetable of Key Events

- (a) Time taken to prepare the program : 9 months
- (b) Agencies which prepared the program : MEC and EDPITAF
- (c) Dates of first presentation to the Bank and of first Bank mission to consider the project : October 1979, December 1979
- (d) Date of departure of appraisal mission : September 1980
- (e) Date of completion of negotiations : May 5, 1981
- (f) Planned date of effectiveness : October 1981

Section II: Special Bank Implementation Actions

A Special Account would be established in the Central Bank of the Philippines to finance small local currency payments (para. 77).

Section III: Special Conditions

The Government would:

- (a) consult with the Bank if major changes in policies or other components of the development program are required (para. 47);
- (b) establish the Instructional Materials Corporation and Council with authority, responsibilities, staff, and resources satisfactory to the Bank by October 31, 1981 (paras. 54 and 55);
- (c) select and implement subprojects in accordance with criteria, guidelines and procedures satisfactory to the Bank (para. 68).
- (d) make use of the expertise and staff of EDPITAF or other agencies of the MEC to provide assistance in implementing the development program under terms of reference satisfactory to the Bank (para. 70);

- (e) appoint and retain suitably qualified staff in adequate numbers in the MEC for implementing the development program effectively (para. 70):
- (f) furnish to the Bank for review and comment, not less than three months before the scheduled start of implementation, subproject proposals requested by the Bank (para. 71).

May 5, 1981

World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Sirs:

I hereby submit the "Program and Policy Statement for the
Development of Elementary Education in the Philippines."

Very truly yours,



Onofre D. Corpuz
Minister of Education and Culture

PROGRAM AND POLICY STATEMENT FOR THE DEVELOPMENT OF ELEMENTARY
EDUCATION IN THE PHILIPPINES

Introduction

1. The Government's ten-year development program for elementary education (1981-90) is integral to the overall objectives for national development to achieve widespread provision of basic services, to support rural development and increased productivity. To support this strategy, a strengthening of basic education, with emphasis on reaching large numbers of rural and disadvantaged children, is required. Within this context, the development program for elementary education addresses the major sector issues, namely: (a) policy constraints, (b) management constraints and (c) performance problems.

Objective

2. The main objectives of the program are to raise student participation and achievement with particular emphasis on the regions with low performance standings, and to improve the efficiency of the Ministry of Education and Culture's operations. In pursuit of these objectives, the Government would: (a) introduce revised policies for sector financing and management to raise quality and reduce disparities, (b) effect institutional changes to strengthen sector management, and (c) provide revised instructional programs and improved distribution of teachers and facilities to strengthen performance at the school level.

Sector Policy Measures Undertaken

3. Under the sector development program, the following policies will be introduced to strengthen elementary education in particular and the entire educational system in general: (a) funds will be allocated in relation to needs; (b) recurrent expenditure will be apportioned to achieve an appropriate balance among the educational inputs, (c) teacher utilization will be improved through intensified use of subject matter teachers, and (d) revised procedures for student intake and progression will be introduced to increase productivity and participation rates.

4. Regional Expenditure Allocation. Guidelines for the allocation of funds will be adopted to give priority to regions with below average performance. Special incentives will be provided to ensure continued improvement in regions with above average performance.

5. Apportionment of Recurrent Expenditures. Allocations for recurrent expenditure will be reapportioned to achieve an appropriate balance between salary and nonsalary items. To improve quality and efficiency, the share for nonsalary items will be increased from about 2% to 7% of recurrent expenditures between 1981 to 1990 subject to increases in teachers salaries.

6. Teacher Utilization. Improved utilization of subject teachers (in Grades V and VI) will be pursued to the end that the class-pupil ratio will be improved from about 2 to targeted 1.2 per class. To ensure a related increase in the pupil-teacher ratio, from 31:1 in 1981 to about 36:1 by 1990, enrolment of 40-45 children per class will be pursued. Whenever enrolment does not warrant the organization of single classes, combination and multigrade classes will be used. In cases where subject teachers are not available, one teacher will be used for each class.

7. Student Intake and Progression. To increase the proportion of the school aged population entering school from 73% to about 91% over the period 1981-1990, a policy to admit children at age 7, or 6-1/2 for those who will reach 7 years of age within the first half of school year, will be observed. An accompanying policy to accelerate overaged children who have the capacity for work in the next grade will be selectively implemented. To raise cohort survival rate from 76% to about 82% over the period 1981-1990 innovative approaches will be utilized to encourage children to remain in school. To reduce repetition rates, a simplified curriculum with emphasis on achieving competence in basic skills, will be used to improve quality and to improve the progression rate.

B. Management Changes

8. Modifications in structure, functions and staffing will be introduced in the principal agencies involved in elementary education to improve sector management and planning.

9. Bureau of Elementary Education (BEE). The BEE has been assigned line authority for technical supervision in the regions to enable it to guide the development and management of elementary education effectively.

10. Regional Offices. The Regional Offices of the Ministry of Education and Culture will be held responsible for monitoring the implementation of sector policies and programs in accordance with BEE criteria and standards and for providing related assistance to the provincial and district authorities.

11. Office of Planning Service (OPS). The OPS will retain its responsibilities for coordinating regional planning and preparing national plans and budget requests for education. In order to strengthen its contribution, the OPS will also maintain a comprehensive information system based on regional statistics, conduct systematic monitoring of sector performance and assist the regions in sector planning.

12. Regional Planning Units. Permanent planning units will be organized in every regional office to replace ad hoc units.

13. The Instructional Materials Corporation (IMC). The IMC will replace the Textbook Agency. In consonance with this change, revised publishing responsibilities and changes in the organization and financing arrangements for textbook publishing by the Government will be introduced. This change is consistent with the Government's long term policy of providing effective textbooks for students in public elementary and secondary schools. The IMC will thus be charged with the formulation and implementation of plans and programs for the development, production or procurement and distribution of sufficient instructional materials in accordance with this policy.

C. Performance

14. Improved performance at the school level will be achieved through the policy and management changes described above and through the introduction of revised learning programs, an improved distribution of facilities and teachers, staff development and systematic evaluation.

15. Achievement. Increased achievement scores on standard achievement tests are targeted. Towards this end, a new curriculum (para. 7) supported by revised teaching techniques and instructional materials is being finalized and related staff development packages are being devised to ensure that objectives are met.

16. Materials. The Government's targeted ratio of one textbook for every two elementary pupils will be reached by 1985/86 and maintained thereafter. This target will be realized through the ten-year publishing program of the IMC which plans to produce and distribute approximately 120 million basic textbooks for the elementary level between 1981 and 1990.

17. Facilities. School facilities and equipment will be provided in accordance with needs based on systematic facilities planning criteria. On the average, 11,000 new classrooms will be provided annually between 1981 and 1990 in order to meet enrolment growth and replacement needs.

18. Teachers. In order to reduce disparities in the availability of teachers, a scheme for monitoring demand and supply will be established at the regional level.

19. Staff Development. Staff upgrading will be a continuing program for MEC and IMC staff. Systematic upgrading will be provided through workshops, fellowships and expert services in selected fields.

20. Evaluation. To support the regular review and updating of sector policies and guidelines, systematic evaluation of sector performance has been built into the development program and includes: (a) monitoring of regional data or sector performance on an annual basis; (b) an in-depth evaluation on determinants of student participation and achievement and regular achievement testing over the ten year development period; and (c) research on selected topics related to sector performance.

PHILIPPINES ELEMENTARY EDUCATION SECTOR PROGRAM

This map has been prepared by the World Bank's staff exclusively for the convenience of the readers of the report to which it is attached. The denominations used and the boundaries shown on this map do not imply, on the part of the World Bank and its affiliates, any judgment on the legal status of any territory or any endorsement or acceptance of such boundaries.

DISPARITIES AMONG THE REGIONS

-  ABOVE AVERAGE PERFORMANCE
-  AVERAGE PERFORMANCE
-  BELOW PERFORMANCE

-  REGIONAL BOUNDARIES
-  INTERNATIONAL BOUNDARIES

