

October 02, 1997

**RIDER NO 1 TO THE FINANCING AGREEMENT ALA/PHI/92/38 BETWEEN
THE COMMISSION OF THE EUROPEAN COMMUNITIES AND THE REPUBLIC
OF THE PHILIPPINES**

CATANDUANES AGRICULTURAL SUPPORT PROGRAMME (CATAG)

The Commission of the European Communities, hereinafter referred to as "The Commission";, acting for and on behalf of the European Community, hereinafter referred to as THE COMMUNITY"

of the one part, and

the Government of the Republic of the Philippines, hereafter referred to as "THE RECIPIENT"

of the other part,

HAVE AGREED AS FOLLOWS:

Further to the recommendations of a review mission and without changing the content of the Financing Agreement for the above project, the 'specific objectives' have been focused and the funds concerning the EC grant have been adapted to the introduction of more specific objectives. Since there are many minor changes both parties have decided to revise the Technical and Administrative Provisions (TAP) in a way that these changes are incorporated in the new TAP as per in annex A.

Signatures

Done at Brussels

Done at
on October 2, 1997

(Sgd.) **DOMINGO L. SIAZON,
JR.**

Secretary of Foreign Affairs
For the recipient

For the Commission of the European Communities
Enrico CIOFFI
Director General IB

Annex A: Technical and Administrative Provisions
Annex B: Logical Framework Matrix

ANNEX A

TECHNICAL AND ADMINISTRATIVE PROVISIONS

Recipient	:	The Republic of the Philippines
Project Title	:	Catanduanes Agricultural Support Programme (CatAg)
Executing Agency	:	Department of Agriculture (DA)
Project Number	:	ALA / PHI / 9238

**CHAPTER 1
PROJECT DETAILS**

1.1 Overall objectives and location

The overall project objective is to assist rural communities in the province of Catanduanes to initiate and sustain increases in output from farming and fishing, thereby enabling such communities to raise their subsistence incomes and to generate cash surpluses. The programme will help to alleviate poverty, generate employment, promote growth with equity, and develop environmentally sustainable economic activity.

This will be achieved through a rural development programme, serving rural communities throughout the province. The programme shall emphasize a community-based, bottom-up sustainable development strategy, linked to the development of viable market-led economic opportunities. The programme is aimed in particular at:

the improvement of rural production and productivity in the agricultural development (incorporating crops, livestock, fisheries, environment and marketing) and

the community organization strengthening for sustained development, through establishment of savings and loans systems

The project will be implemented under the responsibility of the Department of Agriculture (DA) as executing agency, and will work closely with local farmers' and fishermen's organizations and LGUs.

The project will serve rural communities in the province of Catanduanes, in the southern part of Luzon (Region V). It will be implemented through a Project Office to be established in Virac, the provincial capital. To assist in field operations, four small zone offices shall be established, under the Project Office, in appropriate locations throughout the island.

1.2 Specific objectives

The general objectives summarized above shall be achieved through the implementation of a programme of financial and technical assistance aimed at:

the strengthening of agricultural production and the improvement of agricultural subsistence and agricultural incomes, through a coordinated programme of micro-businesses in the fields of:

- agriculture, including the intensification and diversification of agricultural production, the introduction of sustainable agricultural practices, the improvement of irrigation facilities, and the strengthening of agricultural extension and training services and farmers' associations;
- livestock, including the spreading and intensification of livestock production, the improvement of livestock-related infrastructure and the strengthening of agricultural extension and training services and farmers' associations;
- fisheries (both capture and culture), including the enhancement of fish stocks (through a community resource management approach), the improvement of marine fisheries production, the development of small-scale aqua-culture production, the reduction of post-harvest losses, the development of small-scale processing operations, and the strengthening of extension and training services and of fishermen's associations;
- the development of viable marketing opportunities for rural producers, through an integrated marketing programme including the execution of market studies and pilot project, the improvement of market infrastructure, the establishment of simple processing activities, the promotion of market-related small enterprises, the strengthening of extension and training services related to marketing and enterprise-development, and the establishment of financing systems;

- the establishment of the developmental capabilities of local institutions, guarantee groups and savings and loans systems to be actively participated in by the rural women and agrarian reform beneficiaries;
- the assurance of environmental sustainability, in terms of arresting environmental degradation and promoting sustainable resource management, through the preparation of a sustainable environmental developmental plan for the province, the implementation of specific environmental protection and enhancement measures in marine, coastal and upland areas.

To support these programme objectives, assistance will also be given for the establishment and operation of the Project Office, which will carry out the overall implementation and planning of the project, and the preparation and implementation of individual project actions.

1.3 Costs and financing

The total cost of the project, over a 5-year period, is estimated at 11,200,000 Ecu. Of this, the EU grant will cover 10,000,000 Ecu, while the Government of the Philippines will cover the remaining costs of the project from its national budget.

CHAPTER II PROJECT COMPOSITION

2.1 Project components

Individual project components will include the following:

2.1.1 The strengthening of agricultural production and the improvement of agricultural subsistence and agricultural incomes, through a coordinated programme of micro-businesses in the fields of:

Productive Activities

- the rehabilitation of abaca production
- the upgrading and intensification of rice production (including irrigation dams and canals)
- the promotion of crop diversification, including vegetables, legumes, rootcrops and non-traditional crops as appropriate
- the promotion of fruit tree production
- the promotion of nursery tree production including the utilization of environmentally-sound upland agricultural technology and community-based agro-forestry production
- the expansion of swine production
- the promotion of chicken and duck production
- the promotion of increased capture-fisheries production
- the promotion of increased culture-fisheries production
- the promotion of fish (fingerling) culture (on/off-shore)

Processing Activities

- the upgrading of abaca processing activities
- the upgrading of rice post-harvest facilities

- the promotion of improved coconut processing activities
- the promotion of processing of vegetables, fruits and other potential crops
- the expansion of lasa processing
- the promotion and upgrading of meat processing
- the promotion and upgrading of fish processing

Marketing and Distribution Activities

- the establishment of farm-input and market stalls
- the improvement of transport facilities
- the execution of market studies and pilot marketing activities

2.1.2 The community organization strengthening and training

provision of practical training for guarantee groups and savings and loans systems

provision of technology promotion, extension services and other technical assistance for farmers and fishermen

provision of GG/SLS Manual/Charts and Technology tips

promotion of micro-businesses ideas and guides

2.1.3 The provision of the necessary facilities for project planning, operation and management. In addition to providing for the investment and operating of the necessary facilities and equipment, and for the personnel and recurrent costs of the Project Office, provision is also made for a substantial technical assistance input, which will be fully associated with the national project staff through a joint responsibility arrangement.

2.2 Project inputs

Project inputs will include the following;

land, buildings and facilities for the Project Office in Virac, and for small field offices in each of the 4 zones to be served by the project. This will include office buildings, staff housing and other project facilities (workshops, training and demonstration facilities, nurseries etc.);

transport facilities, including approximately 12 4WD station-wagon or pick-ups, as well as an appropriate number of motorcycles for extension staff;

other equipment as necessary, including office equipment and furniture, communications equipment; microcomputers, survey equipment, agricultural and fisheries equipment, small items of construction equipment, workshop equipment and tools;

micro-business funding for start-up or for pump-priming of the savings and loan systems of farmers and fishermen;

micro-business studies and promotion chargeable against the component, shall be undertaken by the Project Office together with the users;

grant funds for promotion, extension and other technical support services;

grant funds for community organization strengthening and training;

personnel and recurrent costs, including fuel and materials, spare parts, staff salaries and allowance, and operating costs for the project as a whole;

technical assistance, amounting to some 255 man/months of expatriate technical assistance inputs, together with an appropriate input of local technical staff services as necessary, and an appropriate modest provision for consulting services to assist with project monitoring on behalf of the Commission.

2.3 Time schedule

The project will be implemented over a period of 5 years, calculated from the date of signature of the technical assistance contract. It is foreseen that the first 12 months of the 5-year implementation period will largely be concerned with inception activities.

2.4 Financial and other contributions

2.4.1 The EU grant will cover the entire costs of works, buildings, equipment, materials, micro-business operations, credit, training and communications, research and studies, and technical assistance, as well as a proportion of personnel and recurrent costs. This contribution to personnel and recurrent costs will be progressively reduced starting from the third year of project implementation.

2.4.2 The Philippine Government contribution will cover the entire cost of the land required for the project (including any compensation for rights of way), as well as personnel and recurrent costs. The Government's budgetary contribution will start from the third year of project implementation and increase progressively thereafter. In addition, the Government will make an in-kind contribution to cover the office facilities to be provided for the project, and the normal salary costs of permanent government personnel assigned to the project. The specific coverage and annual scheduling of the Government contribution, in line with the requirements of this Financing Memorandum, will be set out in the first detailed workplan. .

2.4.3 In addition to the contributions to be made by the EU and by the Government of the Philippines, it is expected that the project beneficiaries will also make a significant contribution to the costs of the programme. This contribution has not been specifically costed, since it will generally be made on an in-kind basis (labour or materials, for micro-projects to the benefit of the particular community concerned). However, it is expected that this beneficiary equity will not normally be less than 20% of micro-business costs (though this figure may fall to 5% in the case of agro-forestry projects).

2.5 Cost Estimates

2.5.1 EU Grant

	ECU
Productive activities & micro-business	3,000,000
Equipment	500,000
Staff	1,800,000
Operation expenses	1,000,000
Technical Assistance	3,100,000
Sub-total	9,400,000
<u>Contingencies</u>	<u>600,000</u>
TOTAL	10,000,000

2.5.2 Philippine Government contribution

Project Office:

Personnel & recurrent costs: 1,200,000 Ecu