

- This is part of the statement of Wesley C. Haraldson before the American Congress showing how U.S. Aid to the Philippines has not had much success. It provoked some indignation and criticism from politicians in the Philippines. It received favorable comment from non-political observers.

AMERICAN AID TO THE PHILIPPINES A FAILURE

United States assistance to the Philippines must be viewed within the context of the history of this young Republic. The Philippines was occupied by the Japanese from '42 to '45; thousands of its people were killed, property and institutions destroyed. In the military reconquest of the country, additional thousands of people were killed and property damage and destruction ran into the hundreds of millions of dollars.

One year after liberation the country acquired political independence.

Under the circumstances, the first phase of US assistance had to concern itself with the physical rehabilitation.

A second-phase began in 1952 under the Quirino-Foster foreign aid agreement which was largely concerned with nation building. This

phase gave emphasis to the development of national agencies of government, education institutions, the training of administrative, professional and technical people to carry out the functions of government. During this period we helped to create such national institutions as the Agriculture Extension Service, farm cooperatives, agricultural credit agencies, the National Irrigation Administration, the Bureaus of Animal and Plant Industry, the Bureaus of Soils and Forestry and a rural banking system. Particular emphasis was given to fostering democratic, private and government institutions, trade unions, farm organizations and civic groups. In 1956 during President Magsaysay's administration, we actively sponsored land reform and were instrumental in the creation of a national community development pro-

gram which we supported for the next ten years.

By 1965 we had completed this second phase of our assistance.

As we look back over the changes that have transpired in the Philippines since World War II we can, I feel, find satisfaction in the fact that a democratically, freely elected government is well established, that a large body of trained and competent technicians and administrators are available, that the College of Agriculture in Los Baños is the best in Asia, that literacy is widespread, that public health has been improved, and that freedom of speech, freedom of assembly, freedom of worship, and the pursuit of private enterprise are highly cherished values in the Philippines.

Mr. Gaud said on March 9, 1967: "The problem in the Philippines is not so much the creation of new democratic institutions, but the strengthening and improvement of existing ones."

The Philippines has one of the highest rates of population growth in the world and has one of the lowest per acre yields of any major rice producing country. As a re-

sult the food gap is widening every year, in turn necessitating huge imports — two years ago nearly 600 thousand tons, last year over 100 thousand tons, and this year 350 thousand tons — if they are able to buy rice in this quantity. And this is a big "if". The Philippine Government for the past six months has been frantically trying to buy rice and is currently negotiating at arm's length with Red China.

Agriculture in the Philippines — except for plantation crops aimed at export — is a product of almost studied neglect — inadequate transportation, limited irrigation, insufficient farm credit programs, price policies aimed at cheap food for urban areas which discourage farm production, high rate of tenancy, absentee land ownership, poorly organized markets and high interest rates. The average rice farmer in Central Luzon makes about 800 pesos a year from his farming operation — this is roughly \$200 — and the average family has six members. His condition has not changed appreciably in the last fifty years.

Perhaps more critical than the actual condition of the

rural inhabitant of the Philippines today is the ever increasing gap between urban and rural living. Many cities are experiencing building booms — large government buildings, elegant banks and commercial complexes and sumptuous, if not extravagant, residential suburbs. In the past ten years the rich have become richer and the poor have become poorer.

That political unrest, cynicism toward government and threats to established law and order are prevalent is readily understandable.

About eighteen months ago we made a critical appraisal of past successes and failures, of potentials and barriers to rural development. Advice and counsel were solicited, experiences in other countries studied.

This critical appraisal led to a number of compelling conclusions. We had in the past obviously depended too much on government — government credit, government supply organizations, government marketing, government irrigation — extension — seed development — fertilizer imports, etc. The government was expected to do almost everything. And we had

worked almost exclusively the national government; the state and local governments became involved only incidentally. Also we had worked on individual projects at different times — more irrigation, more fertilizers, more credit, community development or cooperatives — depending to a large degree on the particular specialized interest or bias of our senior agricultural officers, assuming that somehow these different activities would converge in serving the farmer. But they didn't. Philippine farming remained largely untouched. Productivity in 1965 was no higher than in 1945.

Stemming from this reappraisal, we, in cooperation with the Philippine Government, designed an experimental pilot program of rural development which we tried out in two separate provinces, Laguna and Tarlac, selected because they represented important rice-producing provinces and because they had progressive, active and cooperative Governors. This program was called SPREAD — Systematic Program for Rural Economic Assistance and Development.

The key word was "systematic." We were interested in the totality of rural life — not just credit or fertilizer or irrigation — but all the major factors involved in farming operations.

The program content was developed around four major criteria:

1. The farmer must become more productive. If this didn't happen all else was for naught. He could be given wells, screens, toilets, barrio halls — but if he didn't become more productive these would rust and decay.

2. The program must pay its way — no subsidies, no grants, no special prices. The only thing free was advice. An individual can be helped by charity, but three fourths of the population cannot be so helped.

3. To the greatest extent possible the program was to depend upon private enterprise — private banks, fertilizer companies, seed companies — private producers and distributors.

4. To the greatest extent possible the program was to involve the farmers themselves, the local and provincial governments, the local

business and civic leaders. Local resources must be mobilized. Development must involve all the people.

The program had three major parts:

1. Improved capability of provincial and local government to administer and govern. This included such diverse activities as (a) assisting the provincial government to improve equipment pools — graders, trucks, bulldozers, etc. and the repair and maintenance facilities so that it could better maintain roads, build new feeder roads and repair dams, dikes and ditches; (b) tax mapping and land classification; (c) improved planning and training capability.

2. Expanded and improved technical service to the farmer. This included such things as seed demonstration plots, rat eradication programs, training of local officials in modern farm technology and upgrading the competence of regular extension workers.

3. Supervised credit. As we have learned in the U.S., this is an excellent vehicle for linking together the credit and technical advice ne-

necessary to bring about modern farm practices.

After one year — two crops for irrigated land — the results of these two pilot programs were so impressive that the Philippine Government officially adopted the same technique for its national rice self-sufficiency program. This covers a total of eleven provinces — Tarlac and Laguna plus nine others selected because they have the highest concentration of irrigated land. We are, naturally, supporting this expanded effort.

The crux of modernizing traditional agriculture is to convince the simple farmer that he can in fact be a scientific farmer and can have at his command the necessary inputs to accomplish this end. It is of no avail to convince the farmer of the profitability of fertilizer if no fertilizer is available, or he cannot find credit with which to buy it. It is useless to preach modern agriculture to him unless the institutions are available to support him in this new role.

The farmer in a traditional society is a pretty sensible person. He has learned to live with and adjust to the

raw forces of nature. Sometimes it rains too much or too little, too early or too late. The rats and insects take their annual toll. Typhoons strike all too frequently — usually just before harvest. Good seed, fertilizer, pesticides are available sometimes not at all. In these circumstances the farmer plays it safe. His traditional practices won't make him rich, but he'll get by.

I frequently ask my Philippine colleagues — officials and businessmen who complain about the indolence of the Philippine farmer — what kind of a steel industry or chemical industry would they have if the management couldn't depend upon a firm supply of raw materials, couldn't depend upon transportation, or labor, or price or markets. The answer is obvious — a very primitive and backward industry. So too with farming.

What is needed in the Philippines and other traditional societies is the institutional support which will dependably and adequately backstop modern farming methods. This involves technical advice, credit, supply and distribution of fertilizers,

markets, etc. These plus incentives of an adequate price and reasonable security will usually insure dynamic and progressive farming.

I want to back up a bit and describe more fully several of the major efforts under our SPREAD Program.

1 *Supervised Credit* — it is critically important to link together technical advice and credit. Either one without the other is for the most part wasted. As part of our SPREAD experiment, we cooperated with the Central Bank and private rural banks to test out the effectiveness of supervised credit in the Philippines. We deposited ₱125,000.00 in each two banks, drawing 4-1/2 per cent per annum on our deposit. The banks were authorized to lend out the money as production credit to rice

farmers at 12 per cent, provided each loan was approved by a farm credit technician supplied by the Central Bank. This specially trained technician would help the farmer draw up a farm plan — seeds, fertilizer pesticides, amounts, costs and work schedules. No collateral was required — the farm plan was the security. These credit technicians would visit the farmer clients, advising them on problems and checking the observance of the farm plan. Almost to a man, all participating farmers increased their yields by three to four times over previous years. To a man, they paid off their loans fully — some even before maturity. — *Wesley C. Haraldson, Part of his Statement before the U.S. Congress, April 25, 1967.*