

No. 10128

**UNITED STATES OF AMERICA
and
PHILIPPINES**

**Exchange of notes constituting an agreement on the use of
the Special Fund for Education for the Cultural Develop-
ment Project (with annexes and related notes of 26 April
1966). Manila, 11 August 1967**

Authentic text: English.

Registered by the United States of America on 5 January 1970.

**ÉTATS-UNIS D'AMÉRIQUE
et
PHILIPPINES**

**Échange de notes constituant un accord relatif à l'utilisation
du Fonds spécial pour l'éducation aux fins du Projet de
développement culturel (avec annexes et notes connexes
du 26 avril 1966). Manille, 11 août 1967**

Texte authentique: anglais.

Enregistré par les États-Unis d'Amérique le 5 janvier 1970.

EXCHANGE OF NOTES CONSTITUTING AN AGREEMENT¹
BETWEEN THE UNITED STATES OF AMERICA AND
THE PHILIPPINES ON THE USE OF THE SPECIAL FUND
FOR EDUCATION FOR THE CULTURAL DEVELOP-
MENT PROJECT

I

*The American Chargé d'Affaires ad interim to the Acting Secretary
of Foreign Affairs of the Philippines*

No. 113

Manila, August 11, 1967

Excellency :

I have the honor to refer to our April 26, 1966², exchange of notes concerning the Special Fund for Education authorized by Public Law 88-94, approved August 12, 1963, as an amendment to the Philippine War Damage legislation of 1962, and to the recent discussions about the Cultural Development Fund project, formally proposed by Your Excellency's Government on February 24, 1967, and attached as Annex A to this note. As indicated in the proposal of Your Excellency's Government, this project calls for the establishment of a 15 million peso permanent trust fund, the earnings of which shall be used solely for financing the programs and operations of the Cultural Center of the Philippines. The Cultural Development Fund, in financing the various activities of the Center's theatre for the performing arts, museum and art gallery, art and music library, and open amphitheatre, will on a national basis through programs of information, training and education promote and nurture Filipino culture and the creativity of the Filipino artist.

I now have the honor on behalf of my Government to inform Your Excellency that this project has been approved, and for this purpose three million five hundred thousand dollars (\$3,500,000) will be made available from the Special Fund for Education. I have the further honor to propose the following undertakings, drawn up in accordance with our April 26, 1966 exchange of notes, govern the implementation of this project :

1. The dollar disbursement for the project shall be made within two weeks after the date of this exchange of notes by the United States Government for deposit in

¹ Came into force on 11 August 1967 by the exchange of the said notes.

² See page (162) of this volume.

depository banks designated by the Chairman of the National Economic Council of the Government of the Republic of the Philippines to the credit of the said National Economic Council.

2. The enduring character of the Cultural Development Fund is ensured by the undertaking of Your Excellency's Government to maintain the principal of the Fund intact, using only its investment portfolio earnings to finance the Center's activities, and by the intention to enlarge the Fund through the accrual of future cash donations and surpluses arising from the Cultural Center's operations.

3. Materials descriptive of the origin of the Cultural Development Fund and its income will contain appropriate reference to the contribution of the Special Fund for Education, which was made available by the people of the United States of America in recognition of the common efforts of the Philippines and the United States during World War II.

4. Your Excellency's Government shall provide the Government of the United States with a copy of the Cultural Center's regular annual reports of activities and finances.

Upon receipt of a note from Your Excellency indicating that the foregoing understandings are acceptable to the Government of the Philippines, the Government of the United States of America will consider that this note with its annex and Your Excellency's reply thereto constitute an agreement between our two Governments on the use of the Special Fund for the Cultural Development Project.

Accept, Excellency, the assurances of my highest consideration.

James M. WILSON, Jr.

Annex :

A. Cultural Development Fund Project Proposal.

His Excellency José D. Ingles
Acting Secretary of Foreign Affairs
Manila

ANNEX A

CULTURAL DEVELOPMENT FUND

A Project Proposal

OFFICE OF THE PRESIDENT
CULTURAL CENTER OF THE PHILIPPINES
MANILA

SPECIAL FUND FOR EDUCATION PROJECT STUDY AND PROPOSAL

I. SUMMARY

1.1 *Project Title*

CULTURAL DEVELOPMENT FUND

1.2 *Brief Description*

This project involves the establishment of a ₱ 15 million trust fund, to be known as the Cultural Development Fund, the earnings of which shall be used for financing the programs and operations of the Cultural Center of the Philippines.

The Culturel Center of the Philippines is a government-sponsored but independently managed organization. It was established for the development, propagation and conservation of Philippine art and culture. The Center's physical facilities, consisting of (1) a theatre for the performing arts, (2) a museum and art gallery, (3) an art and music library, and (4) an open amphitheatre for outdoor performances, are presently under construction on a 21-hectare reclaimed area projecting into Manila Bay. The land is a donation of the Philippine Government while funds for the preparation of the site and construction of all buildings were raised from private contributions. Construction is on an overlapping schedule starting with the theatre which will be completed in December 1968. All facilities will be operational by July 1969.

In addition to performances and exhibits, the Center will also engage in research and training which will be integrated with the educational system. Educational activities will include fellowship, scholarship and research grants, publications and technical and financial assistance to community sponsored programs.

1.3 *Implementing Agency*

This project will be implemented by the Cultural Center of the Philippines, an institution created by the Executive Order No. 30, series of 1966. Policy formulation and determination is exercised by a Board of Trustees composed of leading private citizens appointed by the President of the Philippines. At present this Board is assisted by an executive staff which will be expanded into an appropriate organization consistent with the activities of the Center. The Board of Trustees will assume responsibility for the investment and management of the Cultural Development Fund and its income.

1.4 *Funding*

	<i>Capital</i>	<i>Operating</i>	<i>Total</i>
4.1 Special Fund for Education . . .	\$3,500,000	\$ —	\$3,500,000
4.2 Cultural Center of the Philippines .	₱1,700,000	₱100,000	₱1,800,000

4.3 Duration : No specific period can be given to this project. The Cultural Development Fund is a permanent trust fund.

II. PURPOSE AND DESCRIPTION

Background and History

The Cultural Center of the Philippines was created by Executive Order No. 30 of the President of the Philippines on June 25, 1966 (Annex "A"). The Order also transferred to the Center a parcel of land which had been previously set aside by Proclamation No. 20 of March 12, 1966 for the physical facilities of the Center (Annex "A 1"). Shortly thereafter the Center's Board of Trustees, with the First Lady of the Philippines as Chairman and prominent civic and business leaders as members, was constituted by the President (Annex "B").*

In the meantime the services of the well-known architectural firm of Leandro V. Locsin & Associates were obtained to design the cultural complex and to supervise its construction. The firm has submitted its preliminary studies for the entire complex, including detailed plans for the construction of the National Theatre which is the first phase of the project. The Board of Trustees has accepted and approved these designs.

A series of fund drives—solicitations, benefit performances by local and foreign artists, opera and dance companies, benefit showings of selected motion pictures—was sponsored by the Center to raise its initial capital requirements. The corner stone of the Center was laid on April 17, 1966 and the construction of the National Theatre began in June 1966 (Annex "C").* Target date for the completion of the theatre is December 1968.

Pledges of donations mainly from the private sector are expected to provide the full amount of ₱ 35 million for the completion of the entire complex. Construction is on an overlapping schedule such that the complementary structures for the museum, open theatre and art gallery-library are expected to be completed by June 1969. These facilities are described in the attached brochure (Annex "B").

While sufficient provisions have been made for funding the construction of the Center, there remains the problem of financing its programs and activities. It goes without saying that the Center is a non-profit institution. It is precisely because of this indispensable feature of such an enterprise that financing its activities becomes a special problem.

In anticipation of this problem, the Board of Trustees, on January 30, 1967, passed Resolution No. 1, series of 1967, establishing a special investment fund the proceeds of which shall be used in financing programs and activities of the Center (Annex "D").* The Philippine Government, through this project proposal, seeks to utilize \$3.5 M from the Special Fund for Education to establish this fund beginning July 1, 1967.

Justification

The need for a cultural center is explained in the attached brochure* as follows :

* Not printed.

"A nation and a people must have firm roots, a base from which to grow. When history and circumstances cause a blurring of the past, the result is a confusion of tradition and values. A people with national amnesia suffers a lack of balance and sense of direction. Rootless and purposeless, they must find firm traditions or ideals, and grasp a solid sedimentation of ancestral aspirations or they will wither and die.

"The physical destruction of museums, libraries, theatres, churches, artifacts and works of art during the last war has seriously hampered the growth of a rich cultural life for the present generation of Filipinos. The war dislocated traditional Filipino values: while foreign values, often times in conflict with the nation's cultural background, led the Filipino to a cultural predicament and an inevitable chasm.

"... the Cultural Center of the Philippines is far from a mere repository conserving disappearing artifacts, since as envisioned, research materials will be available to scholars and artists. The artifacts thereby serve as raw materials; direct inspiration from which creative minds may build, or perhaps even deviate, from conscious sources that make up our culture. The use of workshops, lecture halls, a theatre for the performing arts, and an art gallery are to nurture this creativity in the contemporary artist. Ethnic Filipino recorded music and artifacts, are not just conserved but becomes a source from which contemporary imagination may bring to fruition the modern Filipino cultural identity. Design and style elements from the rich Filipino legacy may thereby gain new meaning and life. In this way cultural growth would have social and psychological stability provided by tradition."

This need is recognized by the guidelines adopted by the Philippine Committee for the Special Fund for Education. They specifically include projects which promote the Filipino culture as among these which shall be considered in allocating the Special Fund for Education.

An important element of promotion, however, is education. The activities of the Cultural Center include an extensive program of information and education consisting of seminars, teacher-training, publications, scholarship, fellowship and research grants, and community programs. The Cultural Development Fund is primarily intended to support these activities.

The Fund will enable the Center to operate with a higher degree of independence and efficiency than if it were to depend on government appropriations and donations for financing its operations. The income of the fund can be projected and thus allow the Center to formulate long-term plans and maximize the utilization of its facilities and resources.

The "Enduring character" of the project, desired in projects to be financed by the Special Fund for Education, is assured. As a trust fund, the Cultural Development

Fund shall remain intact and shall even increase. All future cash donations and surpluses which may occur from the operations of the Center's facilities, particularly the National Theatre, shall accrue to the Cultural Development Fund as provided by Resolution No. 1 (Annex "D").

Objectives

The general objective of the Cultural Center of the Philippines is to promote and conserve the Filipino culture. In support of this objective, the Cultural Development Fund is being established to provide a continuing source of financing for the programs and activities of the Center. This will insure continuous and gradually expanding operations without having to depend on simple government support with its restraints, or on donations and fund drives which usually fall short of goals.

Procedure

The following procedure shall be observed in implementing this Project :

1. The Cultural Center of the Philippines, on or before July 1, 1967, shall open an account in a local banking institution in the name of the Cultural Development Fund, Cultural Center of the Philippines with an initial deposit of ₱ 200,000;
2. The government of the United States of America, on or before July 15, 1967, shall release to the Philippine Government the amount of \$3,500,000 from the Special Fund for Education by depositing this amount in the same account;
3. Within fifteen days thereafter, the Cultural Center of the Philippines shall deposit the balance of its contribution in the amount of ₱ 1,500,000 in the same account :
4. Within 45 days after July 15, 1967, the Board of Trustees shall invest the fund according to an investment portfolio copy of which shall be submitted to the National Economic Council;
5. At the beginning of the last quarter of each fiscal year the Executive Director of the Center shall prepare and submit the Center's program of activities and its corresponding budget to the Board of Trustees for its approval. The budget shall reflect, in addition to expected earnings of the Fund, projected income from the operation of the Center's facilities and other sources such as rentals and donations;
6. The Board of Trustees shall assume full responsibility for the investment and administration of the Fund and its income, and shall submit an annual financial report to the National Economic Council;
7. Initial expenditures for the administration of the Fund shall be advanced by the Cultural Center of the Philippines until the Fund is able to support itself.

III. ORGANIZATION AND STAFFING

General supervision over the Cultural Center of the Philippines is exercised by the Office of the President (Annex "E").* Policy formulation and general program direction

* Not printed.

belongs to a Board of Trustees. The execution of these policies and programs, including program planning, evaluation and coordination, shall be the responsibility of an Executive Director. He shall be assisted by an administrative staff and a management staff for program planning and coordination. The Executive Director shall also exercise direct supervision over the operating units of the Center consisting of the theatre, museum, library and a composite department for research and education. Appropriate advisory groups, representative of the areas of activity of the Center, will assist the Executive Director in planning and programming the Center's activities.

The Cultural Development Fund shall be directly supervised by the Board of Trustees through its Treasurer. Staff support, however, will be provided by the Executive Director's financial staff mainly for reasons of economy and better coordination with other management units. All releases from the Fund shall be subject to the approval of the Board either through the Chairman or the Treasurer.

The organizational set-up depicted in Annex "E" will be gradually established to correspond with the completion of the Center's physical facilities and the expansion of the Center's activities. During the first year of operations only a skeletal staff consisting of the Executive Director, the program planning and coordination units and a small clerical pool will be maintained. The other units will be set up as the need arises.

All key personnel shall be recruited and appointed by the Board of Trustees in consultation with private cultural groups concerned. All other appointments shall be made by the Executive Director with the consent of the Board of Trustees.

Scholarships in theatre management, stage craft, light design, library science, museology and other fields related to the management of the Center shall be made available at appropriate periods preceding the implementation of each project. In-service training programs for the general staff shall also be instituted before and during the operation of the Center's facilities.

IV. IMPLEMENTING SCHEDULE

The following schedule applies only to the establishment of the Cultural Development Fund. A separate schedule for the cultural Center itself is appended (Annex "F").*

1. Recruitment and appointment of key personnel . . April 1 to May 1, 1967
2. Preparation of investment portfolio May 1 to June 15, 1967
3. Board review and approval of investment portfolio . June 16-30, 1967
4. Opening of account for the Cultural Development
Fund July 1, 1967
5. Implementation of investment program July 16 to Aug. 31, 1967

* Not printed.

This schedule is designed to allow ample time for the investment of the fund that it may generate the income necessary to meet the initial requirements of the Center. These requirements, amounting to approximately ₱ 2 million between July 1, 1967 and the completion of the National Theatre in December 1968, are indicated in the Center's three-year program of activities (Annex "G").*

V. PROJECT BUDGET

This Project involves a total outlay of ₱ 15,100,000 of which \$3,500,000 shall be provided by the Special Fund for Education and ₱ 1,800,000 by the Cultural Center of the Philippines. Of the total amount, ₱ 15 million shall constitute capital outlays, or the capital of the Cultural Development Fund. The amount of ₱ 100,000 shall be advanced by the Center to defray administration costs until December 31, 1967. Breakdown is as follows :

	<i>S.F.E.</i>	<i>Agency</i>
Capital Outlays	\$3,500,000	₱1,700,000
Capitalization of the Cultural Development Fund . .	\$3,500,000	₱1,700,000
Operating Expenditures :	—	100,000
Salaries		56,000
Equipment		25,000
Supplies		15,000
Miscellaneous		9,000
TOTAL	\$3,500,000	₱1,800,000

In the future, a separate budget for the Cultural Development Fund shall not be maintained since the Fund shall be serviced by the Center. (See Organization and Staffing).

VI. PROJECT CONTINUITY

The continuity of this Project is inherent in the nature of the Cultural Development Fund which, as a trust fund, shall remain intact. Moreover, provisions have been made for the growth of the Fund by requiring that all future donations to the Center, as well as surpluses from the operation of the Center's facilities, shall accrue to the Fund.

* Not printed.

ANNEX "A"

MALACAÑANG
RESIDENCE OF THE PRESIDENT
OF THE PHILIPPINES
MANILA

EXECUTIVE ORDER No. 30

CREATING THE CULTURAL CENTER OF THE PHILIPPINES

WHEREAS, the preservation and promotion of Philippine culture in all its varied aspects and phases is a vital concern of the State;

WHEREAS, valuable donations have been received and financial commitments have been made by civic-spirited individuals, groups, associations and other persons for the preservation, promotion, enhancement and development of Philippine culture and for the establishment of a Cultural Center, and

WHEREAS, it is imperative that an effective organization be provided to take over and to receive such donations and commitments and to carry out the will of the donors for the enduring benefit of the Filipino people;

NOW, THEREFORE, I, Ferdinand E. MARCOS, President of the Philippines, for and in the name of the Republic of the Philippines, and by virtue of the powers vested in me by law, do hereby create a trust, for the benefit of the Filipino people, under the name and style of Cultural Center of the Philippines hereinafter referred to as the "Center" with a Board of Trustees composed of seven (7) members to be appointed by the President of the Philippines.

The estate of the Center shall consist of such real, personal, and other types of property, now owned or reserved for, or may hereafter be given, donated, acquired, transferred or conveyed to, the Center in order to carry out its purposes and objectives as set forth herein by the Philippine government, its branches and instrumentalities, any foreign government as well as trust, foundations, corporations, or persons, alien or domestic. Without in any way limiting the generality of the preceding sentence, the estate of the Center shall include :

- (1) The parcel of land reserved for the Center under Proclamation No. 20 dated March 12, 1966;
- (2) Donations, monetary or otherwise already received, and those to be received by the Government or by the Center for, or in furtherance of the purpose of, the Cultural Center of the Philippines.

The purposes and objectives of the Center are :

1. To construct, establish and maintain in a single site a national theater, a national music hall, an art and such other buildings and facilities as are necessary or desirable for the holding of conferences, seminars, concerts and the like;

2. To awaken the consciousness of our people to our cultural heritage, and to encourage them to assist in its preservation, promotion, enhancement and development;

3. To cultivate and enhance public interest in, and appreciation of, distinctive Philippine arts in various fields;

4. To discover, assist and develop talents connected with Philippine cultural pursuits and create greater opportunities for individual and national self-expression in cultural affairs; and

5. To encourage the organization of cultural groups, associations or societies and the holding or staging of cultural exhibitions, performances and similar activities.

For the accomplishment of the above purposes and objectives, the Center, acting through its Board of Trustees, shall have the power and is authorized;

1. To acquire and hold property of whatever nature and description, and to dispose of such property;

2. To enter into such contract or contracts as are deemed necessary by its Board of Trustees to carry out or accomplish the purposes and objectives of the Center;

3. To solicit donations and funds in the form of contributions, whether in cash or in property, from both the public and private sectors;

4. To open such accounts in and with banks and other financial institutions, and to disburse such funds or invest the same as the Board may direct to accomplish or advance the purposes of the Center;

5. To invite foreign artists and concert and cultural troupes to perform or hold exhibits in the Philippines;

6. To sponsor or assist in the sponsorship of foreign performances by local artists and cultural groups;

7. To adopt rules and regulations consistent with law and the provisions hereof to govern the administration and operation of the affairs of the Center; and

8. To do all such other acts and things as are or may be necessary for the accomplishment of the purposes and objectives of the Center.

The members of the Board of Trustees shall serve without compensation for a period of four (4) years and until their successors shall have been appointed and qualified. Any vacancy in the Board shall be filled by another suitable person, who shall serve for the unexpired term, with the right to hold over. The Board of Trustees of the Center shall elect a Chairman who must be one of its members, and who shall be the presiding officer of the Board of Trustees, act as the Chief Executive Officer of the Center with authority, among others, to appoint, remove, and fix the number and compensation of the personnel thereof, subject to the approval of the Board of Trustees.

Four (4) members of the Board of Trustees shall constitute a quorum for the transaction of business of the Center, and any decision of such four members on any matter duly presented to the Board of Trustees shall constitute a valid and binding act of the Center.

The Center may call upon any department, bureau, office, agency or instrumentality of the government including government-owned or controlled corporations, for such assistance as it may need in the pursuit of its purposes and objectives.

The books and accounts of the Center shall be subject to periodical auditing by the Auditor General or his authorized representative.

The Center shall render to the President of the Philippines an annual report of its activities and recommendations.

If for any reason the Center is terminated, the estate or any residual assets of the Center remaining at the time of such termination shall revert to the State for disposition in accordance with law.

DONE in the City of Manila, this 25th day of June, in the year of Our Lord, nineteen hundred and sixty-six.

Ferdinand E. MARCOS
President of the Philippines

By the President :
Rafael M. Salas
Executive Secretary

ANNEX "A 1"

MALACAÑANG
MANILA

PROCLAMATION No. 20

REVOKING PROCLAMATION No. 27 DATED JUNE 27, 1947, RESERVING FOR NAVAL PURPOSES A PARCEL OF THE PUBLIC DOMAIN SITUATED IN THE DISTRICT OF MALATE, CITY OF MANILA, AND RESERVING THE AREA EMBRACED THEREIN FOR THE PHILIPPINE CULTURAL CENTER

By virtue of the powers vested in me by law, I, Ferdinand E. MARCOS, President of the Philippines, do hereby revoke Proclamation No. 27 dated June 27, 1947, establishing the naval reservation in the District of Malate, City of Manila, and reserve the area embraced therein as site for the Philippine Cultural Center, minus the portion excluded therefrom under Proclamation No. 508 dated May 9, 1958.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

DONE in the City of Manila, this 12th day of March, in the year of Our Lord, nineteen hundred and sixty-six.

Ferdinand E. MARCOS
President of the Philippines

By the President :
Rafael M. Salas
Executive Secretary

(True Copy)

No. 10128

II

*The Acting Secretary of Foreign Affairs of the Philippines
to the American Chargé d'Affaires ad interim*

No. 17961

Manila, August 11, 1967

Sir :

I have the honor to acknowledge the receipt of your Note No. 113 dated August 11, 1967 concerning the Special Fund for Education authorized by Public Law 88-94, approved August 12, 1963, as an amendment to the Philippine War Damage legislation of 1962 and the recent discussions about the Cultural Development Fund project which reads as follows :

[See note I]

I wish to inform you that the foregoing understandings are acceptable to the Government of the Philippines and will consider your note with its annexes and this note as constituting an agreement between our two Governments on the use of the Special Fund for Education for the Cultural Development project.

Accept, Sir, the assurances of my high consideration.

José D. INGLES
Acting Secretary of Foreign Affairs

The Honorable James M. Wilson, Jr.
Chargé d'Affaires
Embassy of the United States of America
Manila

RELATED NOTES

(of 26 April 1966)

[As under No. 10126; see p. 110 of this volume.]