

file

**PROJECT PAPER AMENDMENT
(PP)**

Draft



RURAL SERVICE CENTER

(492-0304)

USAID/Philippines

JULY 1983

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number <u>7</u>	DOCUMENT CODE <u>3</u>
--	---	------------------------------	----------------------------------

2. COUNTRY/ENTITY PHILIPPINES	3. PROJECT NUMBER <u>492-0304</u>
---	---

4. BUREAU/OFFICE ASIA <input type="checkbox"/> 04	5. PROJECT TITLE (maximum 40 characters) <input type="checkbox"/> RURAL SERVICE CENTER <input type="checkbox"/>
--	---

6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>06/30/85</u>	7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY <u>78</u> B. Quarter <input type="checkbox"/> C. Final FY <u>85</u>
--	---

8. COSTS (\$000 OR EQUIVALENT \$1 = ₱11.00)						
A. FUNDING SOURCE	FIRST FY <u>78</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	490		490	2,435	552	2,987
(Grant)	(490)	()	(490)	(2,435)	(552)	(2,987)
(Loan)	()	()	()	()	()	()
Other U.S.	1.					
	2.					
Host Country		1,286	1,286		8,844	8,844
Other Donor(s)						
TOTALS	490	1,286	1,776	2,435	9,396	11,831

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) FN	260	240		1,687		1,300		2,987	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) <u>220</u> <u>250</u> <u>110</u>	11. SECONDARY PURPOSE CODE
--	-----------------------------------

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)							
A. Code	BR	WID					
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

Creation of working administrative capacity in selected cities to serve the social and human needs of the most disadvantaged citizens within their areas of influence.

14. SCHEDULED EVALUATIONS Interim MM YY <u>09/84</u> Final MM YY <u>06/85</u>	15. SOURCE/ORIGIN OF GOODS AND SERVICES <input type="checkbox"/> 000 <input checked="" type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)
---	---

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

To institutionalize the participatory programming processes developed under the first phase of the project and to expand the project to additional chartered cities, provincial capitals, and other municipalities.

17. APPROVED BY	Signature <u>Anthony M. Schwarzwald</u> Anthony M. Schwarzwald	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY _____
	Title Mission Director	

RURAL SERVICE CENTER PROJECT
PROJECT PAPER AMENDMENT

	<u>PAGE</u>
Summary	1
Table I: Project Financing	2
I. Background	3
A. Project Objectives	3
B. Organizational Arrangements	4
II. Phase I Project Operations	4
A. Planning Approach and Scope	5
B. Project Evaluations	6
III. Phase II Project	8
A. Purpose	8
B. Project Outputs	8
IV. Feasibility Analysis	9
A. Institutional Considerations	9
B. Technical Considerations	10
C. Economic Analysis	11
D. Social Soundness Analysis	11
E. Conclusion	11
V. Alternatives to RSC Extension	11
VI. Estimated Budget	13
A. U.S. Grant Assistance	13
B. GRP Inputs	15
Table 2: Projected Budget Flow	16
VII. Issues	17
A. The Role of MLG	17
B. MLG Budget	17
C. Relationship to LRM	17
D. Linkage to KKK	18
VII. Project Evaluation Plan	18
IX. Project Implementation Plan	20
ANNEX I	Discussion of Target Outputs
ANNEX II	MLG Circular 83-2 Decentralization of Special Project Implementation
ANNEX III	Guidelines on the Implementation of Decentralization of Special Projects

A -

Project Paper Amendment

PHASE II
RURAL SERVICE CENTER PROJECT

SUMMARY

The Rural Service Center (RSC) Project is in its third year of actual field implementation and currently is scheduled to terminate on June 30, 1983. The project is a pilot effort which seeks to build the capabilities of chartered cities (commercial centers with large rural populations) to plan and implement development activities which benefit the poor. Two key features of the project are (a) its emphasis on beneficiary participation in small income-generating subprojects and (b) its focus on processes and systems which strengthen local governments' capacity to undertake and sustain programs.

USAID project inputs (\$1.562 million in Grant)^{1/} have consisted primarily of technical assistance. GRP contributions, which exceed US\$5.0 million, have financed the major portion of beneficiary subproject costs (cities fund twenty-five percent), in-country training of city officials, and project-related operating costs (salaries, per diem, travel, and local technical assistance).

While annual evaluations have commented favorably on the effectiveness of the processes developed under RSC and have consistently praised its socio-economic impact on beneficiaries, they have also pointed out certain weaknesses in the central management of the project.

Based on the results of the May 1982 evaluation which recommended continuation of AID assistance, the GRP is now requesting that USAID extend the RSC for an additional two years (Phase II) and provide approximately US\$1.3 million in financial assistance. Most of the requested USAID funds would support technical assistance for:

- (a) Refinement of RSC systems in the 22 pilot cities and replication of the tested processes in several other chartered cities, as well as in a small number of selected provincial capitals and other municipalities located primarily in the CDSS Regions V, VI and VIII.
- (b) Strengthening the administrative structure of the implementing agency at the central and regional levels.
- (c) Assisting MLG/RSC explore alternative means of mobilizing private and other non-governmental resources in support of local income-generating subprojects.

^{1/} In addition, \$125,000 was allocated against this project for Direct Hire Technical Assistance costs in 1978 for a total of \$1.687 million now shown in Controller's reports.

The GRP will continue to provide for project operating costs and will finance the major portion of subproject costs which are estimated at \$3.8 million over the 2-year extension (see Table 1).

RSC Project experience has provided an important basis for the recently approved institution building Local Resource Management (LRM) Project, which focuses on improving the capacity of provincial governments to undertake poverty oriented development activities. Phase II of the RSC Project will complement and parallel the 1983-84 LRM mobilization and initial implementation period. It is expected that by the end of RSC Phase II (6/30/85), the LRM Project will have reached a point where it can integrate and financially support RSC activities as a sub-element. Under such an integration it is expected that RSC will continue to be implemented by the Ministry of Local Government (MLG), while the LRM program will be coordinated by the National Economic Development Authority (NEDA).

The following discussion gives a brief background of the RSC project under Phase I and describes activities to institutionalize and expand the Phase I program, as well as to test new approaches, during Phase II. As mentioned above, evaluations indicate that the RSC approach is a good model for local development. Institutionalization and replication of RSC, however, are not likely to proceed in a smooth and orderly manner from one phase to another without additional USAID technical assistance and support.

Table 1

<u>Project Financing</u>	<u>5 Years Phase I (ongoing) (6/78-6/83)</u>	<u>2 Years Phase II (Proposed) (6/83-6/85)</u>
A. <u>USAID Grant Financed Inputs</u>		
1. Technical Assistance	\$1,238,000	\$950,000
2. Commodity Support	198,000	70,000
3. Training/Workshops	251,000	180,000
4. Subproject Studies and Feasibility Analyses	-	100,000
	<u>\$1,687,000</u>	<u>\$1,300,000</u>
B. <u>GOP Inputs</u>		
1. Operating expense	2,000,000	\$1,000,000
2. Subproject financing	\$2,174,000	\$1,000,000
C. <u>Participating Cities Input</u>		
1. Operating expense/in kind contribution	570,000	\$1,400,000
2. Counterpart subproject cost-share	<u>\$300,000</u>	<u>\$ 400,000</u>
TOTAL	<u>\$6,731,000</u>	<u>\$5,100,000</u>

I. BACKGROUND

The USAID program in the Philippines has provided considerable support for developing strong local government institutions to plan and implement local development activities. The 1974-80 Provincial Development Assistance Project (PDAP) demonstrated that if local governments are provided the necessary technical assistance and financial resources, they can design and implement development projects responsive to local needs. Implementing institutional change of this type, however, requires considerable time and effort. Based on PDAP experience, the RSC Phase I Project was developed in 1978 to assist chartered cities which were not included in the PDAP program.^{2/} Chartered cities, of which there are approximately 64, are important commercial centers with large rural populations and land areas.^{3/} They are politically autonomous from surrounding provinces but have a strong influence on provincial economic activity.

The RSC Project, which emphasizes beneficiary participation in the development process, was designed as a pilot effort to be tested in six chartered cities. The program was expanded almost immediately to 15 cities, then 16 and by 1982 to 22 cities. Actual intensive field work by the GRP and U.S. consultants, however, was not initiated until about mid-1980 because of difficulties in selecting and negotiating a technical assistance contract. Even after contractors were finally in place, the project suffered additional delays because the implementing agency had difficulties in securing adequate operating budget to support field operations. Despite these initial contracting and budget delays the project has registered impressive progress, which has been noted not only by evaluators but by AID/W visitors (e.g. members of the recent Local Government Study Team).

A. Project Objectives:

A distinctive feature of the RSC is its explicit focus on the rural poor living within the boundaries of chartered cities. The project's objectives as stated in the 1978 Project Agreement are to:

- create a working administrative capacity in selected cities;

^{2/}The PDAP and RSC project experience provided the relevant experience for development of the follow-on Local Resource Management Project which will further test, promote and institutionalize local government programming approaches responsive to the needs of selected poverty groups. The LRM Project is now in its organization and mobilization stage, with implementation of subprojects expected to begin in early 1984.

^{3/}This notion of a commercial center serving the needs of a large rural population gave rise to the name of the RSC project. Although initially targetted on chartered cities, the concept of a rural service center of course is also applicable to provincial capitals, municipalities and market towns, areas to which the RSC project plans to expand experimentally under the Phase II amendment.

- involve the poor in the decision-making process on matters directly affecting them;
- establish systems to plan and implement social action projects;
- establish a sustained commitment by local governments and the national government to issues and problems relating to the poor.

B. Organizational Arrangements

The Ministry of Local Government (MLG) through its City Development Assistance Program (CDAP) is the implementing agency of the RSC Project.^{4/} The present 35-person RSC staff is experienced and competent and has the potential to manage a broader national program. At the chartered city level, the Mayor and the City Planning and Development Staff (CPDS) coordinate and implement RSC and other development programs.^{5/} They are assisted by a City Development Council consisting of elected officials and private sector representatives.

The U.S. \$1.6 million grant has financed most of the technical assistance, U.S. and in-country training, and commodity support. U.S. technical assistance has focused on building local government capacity and developing processes to sustain development programs. Assistance has been in the areas of financial administration, community organization, monitoring and evaluation, and general management. Training programs in community organization, planning, and management have been conducted for groups ranging from the national to the village level.

The Philippine counterpart support from both national and local governments has totalled about \$5.0 million, which has been primarily for operating expenses and subproject financing.

II. PHASE I PROJECT OPERATIONS

22 chartered cities are currently involved with the RSC. The last group of six cities recently completed its orientation and initial training, and several subprojects have already been implemented. A city's implementation of subprojects, however, is only one step in the overall capacity building process. Considerable additional effort is required to reorient city officials to RSC's participatory approach, as well as other financial, administrative, and organizational processes. It should be noted that almost

^{4/}The MLG structure has positive advantages for such a program since it has representatives at each level of local government, (i.e., regional, provincial, city and municipal); it also has significant potential for influencing other line agency activities given its mandate to coordinate, monitor, and evaluate all local development activities.

^{5/}As a pre-condition to participation in the RSC program, the City must agree to support the RSC program, provide a core staff of at least six professionals headed by a City Development Coordinator, and fund 25% of the cost of RSC subprojects.

all pre-RSC local development activities, administered nationally, have been of an infrastructure nature with minimal direct participation by the beneficiaries in the identification, planning, and management of local activities.

A. Planning Approach and Scope:

After city officials and CPDS learn the basic concepts of the RSC approach, one of the first tasks is to conduct socio-economic surveys to identify clusters of poor households. CPDS field workers organize these households into local associations which identify development needs, problems and possible solutions. Once the association agrees on a program, the CPDS assists them in identifying those activities which they can accomplish on their own and those which require outside assistance. Those activities that are "packaged" for RSC financing must meet basic feasibility criteria, be endorsed and approved by CPDS and local Councils and forwarded to the RSC Project Management Office (RSC/PMO) for approval. The RSC/PMO then issues a letter of commitment stating that the city will be reimbursed for 75 percent of the subproject costs if implementation is carried out according to the approved plan. Once the project is implemented and inspected by the RSC/PMO, the city is reimbursed. In addition to the 25 percent contribution by the participating city, beneficiaries are expected to contribute land, labor, and materials for subproject implementation.

Most subprojects proposed in the initial period of RSC operations were of a small infrastructure nature. With increased experience and confidence, however, more difficult income and/or employment generating projects were undertaken, and about 75 percent of the more than 200 subprojects which have been implemented are now of this type. Activities include cattle or swine raising, sewing and needlecraft, furniture manufacturing and other handicrafts, fishing activities, poultry raising, bicycle manufacturing, rice milling, and cement block making. The subprojects cost between \$8,000-\$35,000. Average association membership is about 25, but some associations have as many as 120 members.

In 1982 the MLG changed from providing straight grants for subprojects to providing loan financing (four-year repayment at four percent interest). GRP support to individual cities is now limited to four years at which time cities are considered graduates from the program and capable of continuing their development efforts with financing from local resources or the private sector; it is expected also that after four years, a city's subprojects would be viable enough to secure financing from the commercial sector, if needed.^{6/} In the case of income-generating projects, some of the more mature city programs have now initiated procedures which require repayment of project costs by beneficiaries. The proceeds are deposited in a city revolving

^{6/}At least five chartered cities are now in a position to be considered graduates. In Phase II, as cities graduate from the program new cities will be invited to participate.

trust account for the continuation of other "people's social action" projects.

B. Project Evaluation:

A special evaluation of the RSC program was conducted in May 1982 following previous annual evaluations. The evaluation centered on:

1. MLG capacity to manage and expand the RSC program and to provide the needed technical services to participating cities;
2. The capacity of city governments to: (a) utilize effectively RSC resources including training, technical assistance and commodity support, and (b) respond to poverty needs by developing peoples' participatory development programs; and
3. Socio-economic impact of the RSC subprojects on the beneficiaries in terms of increased employment, income, and quality of life.

The evaluation team concluded that the processes promoted under the RSC were effective and that the project was having a very favorable socio-economic impact on the intended beneficiaries. The evaluation also noted that the administration of RSC within MLG needed to be strengthened, i.e., the "special project" status of RSC had to be reconsidered.^{//} The recommendation was to place the management of RSC within the regular MLG Bureau for Local Development Administration. Notwithstanding RSC's administrative and budgeting problems, the evaluation report was very favorable overall and recommended that USAID continue support with a focus on:

1. Assistance in institutionalizing the RSC program within MLG central and regional offices.
2. Refinement, replication and expansion of the program.

^{//}A special project is usually a foreign assisted project which is organized with special authorities to address a specific issue or activity and is not fully integrated within the permanent bureaucratic structure of a ministry. Most of the employees are on contract and are not civil service. Special projects usually receive their operating and capital outlay budgets from the parent ministry and not directly from the treasury. RSC's status as a "special project" within the MLG has resulted in bureaucratic problems such as delays in release of budgets for RSC staff salary and travel which impacts adversely on staff morale and extension work to the cities; there have also been unnecessary delays in the granting of administrative approvals by MLG personnel for RSC activities (e.g., travel and training).

USAID and MLG officials agree with the evaluation findings. There is also consensus that the project should no longer remain as a pilot project serving only 22 cities but should begin a nationwide program. The MLG in fact has already declared that the RSC is now a national program and plans to expand it as such. In regard to the issue of integrating the RSC project into the Bureau for Local Development Administration, the Deputy Minister directed that plans be prepared for the immediate integration of all special projects.^{8/} The MLG Minister took the plans a step further by issuing a directive that special projects should be integrated through decentralization, with MLG Regional Directors playing a central role in coordination, implementation, monitoring, and evaluation (See MLG Circular No. 83-2, in Annex II). This action is welcomed by USAID because it supports the CDSS decentralization strategy. Several meetings have been held with Regional Directors to implement the directives and RSC will be the first special project to be decentralized. As for the integration, it is expected that serious budgetary difficulties will be minimized since coordination will be improved and documentation should flow much easier through Bureau offices responsible for budget resource allocations.^{9/}

The Personnel issue has been one obstacle to institutionalization. Most RSC personnel are contract employees and not government civil servants, and their conversion to civil servant status has been opposed by both themselves and the MLG's permanent employees. The former are not in favor of becoming civil servants because they would receive lower salaries (but higher benefits); and the latter are opposed because new entries would compete for promotions and positions, especially since the RSC staff are well educated and relatively well-trained. Current MLG plans are to integrate the RSC by means of decentralizing special project implementation, with MLG regional and provincial field offices taking full operational responsibility for the special projects. The special project central staffs will be retained only as long as it takes to orient and train the field staff to manage special project activities. Special project personnel will be offered civil service positions in the regional and provincial offices; those who refuse to accept these field positions will be released.

^{8/}Special projects now operating outside of the regular MLG Bureau for Local Development Administration include: Rural Roads, Barangay Water, Barangay Roads, and Rural Service Center.

^{9/}Full integration or institutionalization of RSC within the permanent bureaucratic structure of the MLG means that RSC activities will become an integral part of the total MLG program. Most important, it means that the operating budget for RSC is included annually in MLG's budget submission to the Office of Budget and Management; that allotments of operating expenses and funds for capital outlays are made in a timely fashion for RSC activities in the same way they are made to every other MLG office or division; and that the majority of personnel responsible for managing the RSC program are permanent government employees.

III. Phase II Project (Two Year Extension)

Phase II of the RSC entails certain refinements in the earlier Phase I design, most of these refinements are based upon experience gained at both the central and city level over the past two years. The purpose, outputs and inputs of Phase II are as follows:

- A. Purpose: To institutionalize participatory programming processes developed under the first phase of the project and to expand the project to additional chartered cities, provincial capitals, and other municipalities.

The project purpose parallels the LRM Project objective. LRM, however, focuses on the province and selected poverty groups (in Regions V, VI and VIII), while RSC concentrates most of the activities in chartered cities, which are not included in the LRM Project. Also the RSC model targets poverty areas rather than poverty groups. As stated above, the MLG has already decided to expand the RSC program to additional chartered cities and other local government units such as provincial capitals, municipalities and market towns. USAID is anxious to assist in this because such expansion would contribute to the institutionalization of the RSC program and processes. Expansion to provincial capitals, municipalities, and market towns is viewed by USAID as a pilot activity which will also provide useful lessons for LRM.^{10/} The following represents a refinement of original objectives as given on page 6.

B. Project Outputs:

1. Local, regional and national organizations with trained staff capable of sustaining and expanding the RSC program.
2. Systems in place to: (a) analyze poverty area constraints to social and economic development, (b) organize beneficiaries, and (c) prepare programs to address critical poverty needs;
3. Processes for improving financial administration and revenue generation to finance and sustain local development programs;
4. Mechanisms to involve private sector in dialogue on development issues and to mobilize local, non-governmental resources to address poverty needs.

^{10/}The expansion of RSC during Phase II to additional cities will provide coverage to nearly one-half of the nation's chartered cities. Of those not planned for coverage, many such as Davao, Baguio, and Cebu would not be good candidates for RSC financial assistance given their existing wealth and overwhelming urban orientation, though they could advantageously utilize some of the planning processes developed under RSC and will be encouraged to do so. By introducing RSC concepts to provincial capitals and other municipalities, MLG plans to test RSC processes in a different politico-economic environment.

5. A core of GOP funded subprojects which test innovative approaches to local bank financing, increased beneficiary contributions, private sector involvement, and availment of funding from other GRP programs (e.g., KKK) and which can serve as models for replication.

The 1982 evaluation report and our own analysis indicate that significant progress has been made and much has been learned. In each output area, though, there is still work to be done in order to institutionalize the processes. The refined targets discussed in Annex 1 address the 1982 evaluation recommendations and aim to establish firmly the processes initiated under Phase I.

IV. FEASIBILITY ANALYSIS

A. Institutional Consideration

1. MLG now faces a challenging situation whereby the RSC Project will be the test case for decentralization and integration of "special projects". The decentralization policy is in full agreement with the recently approved Local Government Code^{11/} and our own CDSS. GRP documents and pronouncements such as MLG Circular No. 83-2 (see Annex II) indicate commitment to devolution of authority and control to the local level. Both the RSC Phase II and the new LRM program will test this commitment. At this point we have no reason to doubt that this decentralization and integration will be fully supported by the GRP. Orientation and planning have already begun, and we expect that certain initial activities of the decentralization and integration program (e.g., orientation and training of MLG field staff) will have begun by the time the proposed RSC Project amendment is adopted (see Annex III, MLG Guidelines for Decentralization of Special Project Implementation).

From recent discussions with MLG regional directors it is clear that they welcome the additional responsibility. There will, undoubtedly, be some reluctance by certain offices to relinquish their control over planning processes and budgetary resources. It is also recognized that achieving decentralization and integration will require time. We have reason to believe, however, that there is potential institutional capacity at the central, regional, and local levels of the MLG structure to undertake administration, planning, and implementation of the expanded RSC project, and that through additional technical assistance the system can be strengthened and reoriented to become more responsive to local needs.

^{11/}The Local Government Code defines the allocation of powers, responsibilities and resources among local government units and espouses the continuing growth of a responsive local government system in an atmosphere of local autonomy. The Code is described as an organic law second only to the Constitution.

2. The planned integration of RSC should eliminate most of the previous Phase I budget problems. Timely and adequate budget for reimbursements to local governments and for RSC staff salaries and travel are critical. Under its program to integrate special projects in the ministry, the MLG is devising schemes to finance RSC and other special projects permanently. While the CY 84 operational expenses and capital outlay budget request for RSC is now being submitted as a foreign-assisted project, we seek to have the RSC CY 1985 budget submitted as a fully integrated component of the MLG's overall budget. This will be the litmus test as to whether or not integration has been achieved. Nevertheless, to guarantee that adequate counterpart funds for 1984 are in place, we are planning to link our disbursements for subproject support to key benchmarks in the GRP budget process (budget sub-committee reviews, draft budget presented to the President, and to Congress, and the publication of the 1984 Budget Appropriation). At any of these key points in the process, we can tell with reasonable certainty whether or not the RSC budget is tracking properly; and if we suspect that adequate funding might not be forthcoming we are prepared to argue for GRP support to RSC with high Office of Budget and Management and other GRP officials.
3. NEDA, the implementing agency for the LRM project, concurs in the extension of RSC and will be responsible for coordinating the RSC and LRM programs. NEDA's coordinating role will be facilitated by the devolution of RSC implementing responsibility to the MLG field offices, since both projects will have their operational centers at the regional level and NEDA, as the staff office of the Regional Development Councils, has responsibility for coordinating all development activity of line agencies, including MLG, at the regional level. Further, NEDA favors the decentralization of MLG special project implementation and is likely to support the MLG field offices' requirements for rapid and extensive decentralization of RSC Project implementation.

B. Technical Considerations

Evaluations and our own assessment indicate that the RSC technical approach is sound and that processes developed are appropriate. There is, however, continuing need for training in social-oriented planning, finance, and management. It is evident that with technical assistance and training local governments can manage the processes and systems. Recent experience in selected provincial capitals and municipalities also indicates the feasibility of replicating RSC processes and systems in non-chartered cities.^{12/}

^{12/}The RSC Consultant on financial management and budgeting on a pilot basis introduced the LRM province capitals and about a dozen municipalities to the financial management procedures developed under RSC for chartered cities. It was found that with some modification all these processes could be utilized effectively in these non-chartered cities. Mayors, treasurers, and budget officers all expressed satisfaction with the experiment and requested additional assistance in financial management and budgeting.

C. Economic Analysis

Employment and income impact of RSC have been documented in various evaluations. Subprojects such as the hollow block making and the fishing activities provide full time productive employment and higher incomes to hundreds of beneficiaries. Home oriented projects such as swine fattening, cattle raising, poultry, and sewing and needlecraft supplement incomes of hundreds of other beneficiaries. The choice of subproject activities continues to be based on criteria of productive employment, job creation, improvement of livelihood, and sustainability. Cost per direct beneficiary is moderate, while economic spread effects are large. Few alternative uses of USAID resources result in such widespread direct and indirect benefits.

D. Social Soundness Analysis

Although the RSC program is basically a capacity building project, the activities are aimed at addressing poverty needs. The beneficiaries of this project are the landless laborers, subsistence fishermen, marginal farmers, and other low income households. These beneficiaries lack skills, education, and employment opportunities. The project has developed programs to improve their living conditions by expanding employment opportunities and improving access to certain basic social services such as water and sanitation. (As noted earlier, each subproject undertakes a social soundness analysis which assesses the likely impact on the poverty area.)

E. CONCLUSION

Evaluations indicate that the RSC approach is a good model for local development, and that in general the program has a positive impact on income, employment, and social well-being. Additional Phase II technical assistance and training efforts, however, are necessary if the processes and systems developed to date are to be self-sustaining and expanded nationwide. It is the combined judgment of the MLG and USAID that added technical assistance and training will result in strong central, regional, and local institutions that can manage effectively an expanded national program providing the same positive socio-economic impact as that of Phase I. Although continued investments by national government are required to establish the program in new areas and stimulate the rural economy, the RSC planning and financial administration components aim at refining local government investment (subproject selection) criteria to assure that these resources are used effectively. Also, RSC's emphasis on revenue-generation is directed at sustaining local development activity with minimal financial assistance from the central level.

V. ALTERNATIVES TO RSC EXTENSION

USAID considered several options other than the two year extension cum \$1.3 million Grant amendment. For many of the reasons cited above, the simple option of terminating our assistance to the RSC altogether was quickly dismissed. One option was to extend the project for one year and provide only that amount of technical assistance and financial support needed by the RSC to institutionalize certain organizational, financial, and administrative processes that are further along. This approach was also rejected because it did not allow USAID sufficient opportunity to assist and influence the MLG in its expanded role in local development.

Another option was a two year extension to the project, focused on refining and improving the RSC approach in the current chartered cities without expanding it to other chartered cities or to provincial capitals. Since it requires 2 - 3 years for new cities to reach the point where they can sustain the RSC approach on their own, this option has some advantages in regard to its avoidance of start-up costs and pre-implementation delays. This option was rejected, however, because both GRP and USAID feel that the RSC has already demonstrated the effectiveness of its processes and that it is time now to expand nationally. Further refinement and improvement can occur simultaneously with such expansion.

Other options centered around the relationship, both present and future, between RSC and the LRM project. Merging RSC and LRM immediately was seen as an expedient but largely unviable alternative given that LRM is not yet operationalized and is complex enough without adding another component. Moreover, RSC commitment is primarily to assist chartered cities which LRM at this point chooses to exclude.^{13/}

Mergence with LRM before the LRM program has been mobilized would endanger all that RSC had achieved in the past few years. Finally, time will be needed both for the implementation of MLG's decentralization program and for the establishment of working relationships between NEDA and the MLG for the convergence of LRM and RSC. While all agree that the two agencies and their respective programs nicely complement and support each other, it will take more than a year before agreement can be reached regarding how their convergence will occur and what will be the financial, operational, and hierarchical relationships between the two agencies.

^{13/}LRM avoids the issue of trying to work with chartered cities in the CDSS regions by stating that these autonomous local governments may be provided resources by presenting programs as part of the provincial strategy. It is also recognized by most observers that politically cities and provinces will remain separate planning entities each jealous of their own authorities.

VI. ESTIMATED BUDGET

U.S. Inputs:

<u>Item</u>	<u>Grant</u>
1. Technical Assistance	\$950,000
3 U.S. Consultants (72 person-months @ \$11,000/mo., under host country contract)	
Local Consultants (48 person-months @ \$1,200)	
2. Excess Property (Transportation Rehabilitation, etc.)	70,000
3. Training, seminars, and workshops	180,000
4. Sub-project studies and feasibility studies	<u>100,000</u>
TOTALS	\$1,300,000

A. U.S. Grant Assistance:

1. Technical Assistance

To undertake the activities of an amended RSC project, technical assistance in the following fields will be required: (a) general planning, information management, and monitoring and evaluation; (b) management and development administration; and (c) financial management and budgeting. An outline of scopes of work for U.S. technical consultants is presented below.

- a. General Planner/Team Leader - The development planner and team leader will assist MLG in: (1) planning all near and long-term activities; (2) scheduling, organizing and conducting training and orientation courses for local government personnel in participatory planning and beneficiary organization; (3) coordinating the activities of both local and foreign consultants; (4) operationalizing a management information system for monitoring and evaluation of project activity; and (5) conceptualizing, developing, and operationalizing certain innovations and modifications in the existing RSC program in regard to the use of private and other non-governmental support to RSC subprojects.
- b. Management and Development Administration Specialist - The consultant's role would be to (1) assist in establishing procedures for integrating RSC and other special projects within the MLG; and (2) train Ministry and regional level MLG officials in necessary skills to manage the integrated

special projects and to assume the broader coordinating/supervisory role of the MLG vis-a-vis other line agencies.

- c. Financial Management and Budgeting Specialist - This consultant will continue the institutionalization of financial administration techniques and procedures (e.g., financial trend analysis, revenue and expenditure forecasting, and budgeting) which will assist local government units to improve the management of their financial resources for development purposes.

2. Excess Property:

A small fund will be established to finance offshore procurement (transport and rehabilitation) of needed items such as office equipment and utility vehicles as they become available for the support of local development staff.

3. Training, Seminars, and Workshop:

A fund will be established to help finance in-country training, seminars, and workshops. Some of the training will be a continuation of earlier Phase I training of local government officials; new training will be undertaken to improve management skills of MLG bureau, regional, and provincial staff as part of the project's contribution to MLG efforts to decentralize and integrate its special projects. Training for beneficiaries in product marketing and management of their subprojects has already been identified as necessary for subproject success, and as knowledge and experience are gained in a city workshops or special training seminars will be held to spread this to other cities so they too may benefit. It is likely that the number of these will increase as the project attempts to disseminate the experience it gains in regard to subprojects using innovative approaches (See below). All training will be on a share basis with the Grant providing for those costs which are critical and for which no other funds are available.

4. Sub-Project Studies and Feasibility Analyses:

The project plans to develop and test new approaches to mobilize additional resources for local development. Among the possibilities to be explored and studied are: (a) use of RSC money as a guarantee to local banks which would actually fund the subprojects under their existing commercial loan programs; (b) generating increased contributions in cash or kind from the beneficiaries themselves; (c) greater involvement of the private sector in organizing and training beneficiaries, assisting in

subproject planning, implementation, and management; and financially supporting local development activities targetted on the poor; and (d) linking resources from other government programs with RSC planning systems. The end result of the above described activities should be an improved environment for the development of the private sector, of which RSC associations, cooperatives, and other beneficiary groups are an increasingly important part. AID inputs will support feasibility analyses and other studies related to the developing, testing, and operationalizing these innovative approaches to subproject support.

B. GRP Inputs

On the GRP side, it is expected that inputs will be approximately US\$3.8 million. About \$1.0 million of this is for RSC project operating expenses (salaries, per diem, travel, and training.), which include the cost of some local technical assistance. Another US\$1.0 million will be for financing sub-projects in the cities. The balance of approximately US\$1.8 million represents the local governments' growing share of sub-project support and other project-related expenses.

As the schedule below shows, GRP contributions to the RSC project have consistently outmatched USAID inputs by a ratio of about three-to-one. Total GRP inputs for the period covered by the proposed RSC amendment will increase slightly. RSC in general has fared rather well in its budget allocations as compared to other foreign-assisted projects during this period of GRP belt-tightening, reflecting we believe the GRP's commitment to the RSC program and planning concepts.

USAID and GRP Contributions
as Percentage of Totals
(in millions)

	<u>1978 to 1983</u>		<u>1983 to 1985</u>		<u>1978 to 1985</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>
USAID	US\$1.7	25	US\$1.3	24	US\$3.0	25
GRP	US\$5.0	75	US\$3.8	76	US\$ 8.8	75
TOTAL	US\$6.7	100	US\$5.0	100	US\$11.7	100

Table 2
 PROJECTED BUDGET FLOW
 RSC PROJECT
 07/01/83 - 06/30/85
 (\$000)

COMPONENT	07/83-12/83		01/84-06/84		07/84-12/84		01/85-06/85		ALL YEARS		TOTAL
	USAID	GOP	USAID	GOP	USAID	GOP	USAID	GOP	USAID	GOP	
1. Technical Assistance	237		237		238		238		950		950
2. Subproject Studies and Feasibility Analyses	20		25		30		25		100		100
3. Training	20	100	25	100	30	100	25	100	100	400	500
4. Workshops/seminars	20		20		20		20		80		80
5. Commodities	15		20		20		15		70		70
6. Subprojects		300		300		400		400		1400	1400
7. Operating Expenses		450		450		550		550		2000	2000
TOTAL	312	850	327	850	338	1050	323	1050	1300*	3800	5100

* Only \$500 is obligated under this project agreement. Remaining \$800 is subject to availability of funds.

VII. Issues

Several issues need to be addressed during Phase II, the most important of which are institutional. These issues are recognized by the MLG authorities and are now receiving attention (see for example MLG Circular No. 83-2 in Annex II).

A. The Role of MLG in Local Development:

This issue concerns the MLG's capacity to take on new responsibilities and effectively administer development programs such as RSC. The recently approved Local Government Code strengthens the MLG's local development coordinating and supervisory role vis-a-vis other Ministries and line agencies at the regional, provincial, and municipal levels. Local officials are also given additional authority to manage their own affairs.

MLG's capacity to operationalize this important expanded role is still to be tested, but it is important to note that the official channel for all local government officials is through the MLG. Thus, this ministry is an important actor and is in a key position to influence local planning and policy. RSC Phase II offers an immediate opportunity to influence MLG policy and planning through technical assistance. The MLG is taking its role seriously and is requesting assistance through RSC to improve its coordinating skills and management capabilities.

B. MLG Budget to Support RSC:

A critical constraint to smooth operations during Phase I was the uneven budget flow to support field operations including salaries and travel of RSC personnel. In 1983-84 the GRP is under strict budgetary restrictions which can exacerbate the problem. MLG is responsible for securing RSC's 1984 operating and capital outlay budgets and in fact is preparing plans to finance all special projects under the ministry's budget appropriation request (see MLG Circular 83-2, Annex II). Integration of the RSC within the MLG proper should eliminate the previous budget flow problem and other administrative delays.

C. Relationship to LRM

There is no philosophical or operational conflict between the RSC and LRM projects. The RSC, by virtue of its prior experience in the field of beneficiary organization, participatory planning, and local-level budgeting and financial management, can provide important support to LRM. Under LRM, provincial governments will work with poverty groups (upland farmers, fishermen, coconut farmers, landless laborers). Systems or processes to organize these target groups, however, have not yet been developed. The RSC model although devised initially for chartered cities can offer useful experience to those tasked with developing participatory approaches and organizing beneficiaries under LRM.

D. Linkage to KKK

Possible linkages between RSC and the GRP's KKK livelihood program might be considered an issue. The KKK program is a centralized program working at the municipal and barangay level which aims to stimulate economic and social development through the establishment of livelihood projects. A distinct difference between the KKK and the RSC is that KKK in attempting to achieve quick impact tends to support on-going enterprises and existing organizations, while RSC has more of a capacity-building approach whereby beneficiaries are organized, trained, and provided with technical assistance as well as funds to implement a particular income-generating activity. RSC can offer some assistance in general planning and beneficiary organization which will permit KKK to operate more effectively.

In regard to grant and subsidized loan financing, KKK faces the same problem which RSC is still trying to solve, i.e., long-term sustainability. Again, it would be better if many of the more viable livelihood projects were encouraged to rely more on private sector banking institutions for their financial support rather than on the government. KKK and local government officials recognize these problems and are searching for solutions and models.

USAID is also exploring the potential linkages between its portfolio and the KKK program in order to take advantage of the KKK's substantial resources for local development. RSC could possibly avail of such resources if it had something to offer KKK in terms of suggested improvements in the KKK operation. To the extent that we can point to viable and successful subproject models, processes, and systems, such as those developed under RSC, we can be more successful in these efforts. Under the Phase II project we can begin experimenting also with joint USAID/KKK programming. RSC thus can serve as a testing ground for exploring ways the GRP can improve the effectiveness of its KKK program.

VIII. Evaluation Plan

Continuous, intensive monitoring, self-evaluation, and redesign are features towards which the RSC shall strive. Under Phase I a Monitoring and Evaluation Unit was established at RSC central. This unit's responsibility is to monitor and evaluate implementation of the RSC project at the local level. A monitoring and evaluation system has been developed and tested and will be established in each participating city. The system will allow both the cities themselves and RSC central staff to monitor and assess project performance in promoting greater self-reliance, productive employment, and increased income and well-being of the beneficiaries. The system also attempts to measure the degree of participation of beneficiaries in the development process. All of this in turn is a good indicator of a city's capacity to undertake development activities responsive to the needs of the rural poor.

Another internal monitoring and evaluation system is contained within the financial management system that was also developed and tested under Phase I and is now being implemented in each city. This system allows city officials to monitor their flow of revenues and expenses on a month by month basis and to use this data to evaluate past performance as well as to plan for the future. An adjunct to this system, which will be developed and tested under Phase II of the project, is the generation of increased/additional resources to support local development activities.

Both the subproject and financial monitoring and evaluation systems will provide continuous information to RSC central and city officials in regard to the progress and performance of the program at the local level. Both systems have been constructed to provide this information in a timely fashion in order to allow decision-makers to undertake corrective actions whenever necessary. This positive feed-back process will facilitate successful project implementation.

In addition to this continuous monitoring and evaluation, the project will continue holding the periodic workshops and consultative conferences that began under Phase I. These are useful forums which allow the exchange of ideas and information both laterally between the cities and vertically between cities and MLG/RSC officials. Again, this type of exchange and feed-back permits corrective action and contributes to project success.

At least one large outside evaluation is contemplated, probably during the project's eighteenth month. This evaluation will examine a range of critical items regarding the progress and success of the project. Among these are: MLG's success in making the RSC a national program; MLG's progress in integrating RSC and other special projects within the mainstream structure of the bureaucracy; MLG's success in decentralizing the activities and programs of the MLG and special projects to its regional and provincial offices; continued positive socio-economic impact of RSC subprojects on beneficiaries; progress toward institutionalizing certain innovative approaches to subproject financing and support; progress in involving the private sector in the design, implementation, and management of the subprojects; and success in getting cities to undertake RSC-type development activities independently of MLG/RSC financial assistance.

This outside evaluation will also provide recommendations on merging the RSC program with the USAID Local Resource Management (LRM) Program. It will examine the current working relationships between NEDA, the implementing agency of LRM, and the MLG and will attempt to assess what modifications are necessary before the two projects can be combined. Particular attention will be given to the current financial, operational, and hierarchical relationships between NEDA and LRM and the long-term trends.

In addition, the project will from time to time undertake short-term single-focus evaluations and assessments of particular activities or components of the program. Such evaluations were successfully performed under RSC Phase I, where it was found that if the RSC and city staffs are fully involved in

the evaluation and participate in the post-evaluation discussions and corrective decision-making that this is an effective management tool which is conducive to project success. Under RSC II we expect to have similar short-term evaluations, particularly as they relate to innovative approaches to subproject financing, integration of RSC in the MLG bureaucratic structure, and the MLG's decentralization program.

Finally, continuous and periodic evaluation of the performance of the Technical Consultants will be conducted to assess their achievement of planned project objectives. These objectives and goals are set forth briefly in Section VI-A, U.S. Grant Assistance, and will be described more fully in the detailed Implementation Plan that is required under Conditions Precedent to Disbursement according to the terms of the Project Agreement (Article 4).

IX. Implementation Plan

MLG/CDAP/RSC working closely with a USAID counterpart project officer will have prime responsibility to implement the project in selected chartered cities, provincial capitals, and municipalities. The RSC Project Management Office (PMO) will provide management support, technical services, and coordination/liaison between selected cities and other authorized cooperating GOP agencies.

MLG shall work closely with RSC/PMO, consultants, and USAID in the planning and implementation of decentralization of MLG activities and the integration of RSC and other special projects within the MLG national and regional offices.

Selected chartered cities, provincial capitals, and other municipalities will make available services needed for the successful implementation of any activity or project within the scope of the Social Action Plan.

The principal project input by USAID is a team of technical consultants. Funding is also available for training, special studies, and commodity procurement.

The following is a general plan giving only major benchmarks. The Project Agreement will provide, as a condition precedent, the requirement that a detailed project implementation plan be prepared in collaboration with the technical assistance contractor every six months.

<u>PROJECT ACTIVITY</u>	<u>COMPLETION DATE</u>
1. Project Agreement Signed.	July 31, 1983
2. Technical Assistance Contract Signed.	August 15, 1983
3. Technical Consultants in Place.	September 1, 1983
4. Implementation Plan for CY 83 prepared.	October 1, 1983
5. Schedule and cost estimates of training, workshops/seminars, and special studies completed.	October 1, 1983
6. Special Implementation Plan for Integration of RSC in MLG central and regional offices drafted.	October 1, 1983

<u>PROJECT ACTIVITY</u>	<u>COMPLETION DATE</u>
7. Development of plan to test innovative approaches to subproject support in selected chartered cities during 1984.	December 31, 1983
8. Development of financial plan to assist local governments generate additional resources to support their development activities.	December 31, 1983
9. Study of MLG organizational structure and recommendations for changes to facilitate decentralization and integration of special projects.	December 31, 1983
10. Assessment of MLG staff management skill level and recommendation for training in regard to decentralization plans and integration of special projects.	December 31, 1983
11. Training of MLG central and regional staff in management skills underway.	March 31, 1984
12. Plan developed for extending RSC concepts to non-chartered cities.	March 31, 1984
13. Core of experimental subprojects begun which employ innovative approaches to subproject financing and support.	June 30, 1984
14. Certain RSC management functions now responsibility of MLG central and regional offices.	June 30, 1984
15. Financial Management System developed under RSC Phase I now operating in all RSC cities.	June 30, 1984
16. Monitoring and Evaluation System developed under RSC Phase I now operating in all RSC cities.	June 30, 1984
17. Six non-chartered cities are invited to join RSC program and undergo training.	June 30, 1984
18. Six non-chartered cities complete RSC training.	December 31, 1984
19. Half of RSC cities now following consultants' recommendations for generating additional revenues for support of development activities.	December 31, 1984
20. Fifty percent of training for MLG central and regional staff completed.	December 31, 1984
21. Most routine functions and responsibilities of RSC office turned over to MLG central and regional offices.	December 31, 1984
22. First evaluation of RSC II	December 31, 1984
23. At least 6 of original 22 RSC cities phased out of program	December 31, 1984
24. Plan developed and approved for integration of RSC project with Local Resource Management Project	March 31, 1985
25. New non-chartered cities begin RSC subprojects	March 31, 1985
26. Innovative approaches to subproject support institutionalized and extended to all RSC cities; fifty percent of cities now employing one or more such approaches in their subprojects.	March 31, 1985

<u>PROJECT ACTIVITY</u>	<u>COMPLETION DATE</u>
27. Financial Management System institutionalized.	March 31, 1985
28. Necessary arrangements for absorption of RSC within LRM are completed,	March 31, 1985
29. Training completed for MLG central and regional staff.	June 30, 1985
30. All routine functions and responsibilities of RSC office now handled by MLG central and regional staff; certain substantive RSC responsibilities are now shared or completely the responsibility of MLG.	June 30, 1985
31. Final Evaluation completed and reviewed by USAID/MLG/RSC.	June 30, 1985

DISCUSSION OF TARGET OUTPUTS

1. Local, regional and national organizations with trained staff capable of sustaining and expanding the RSC program;

There has been significant progress in training and organizing City Development staffs in the 22 cities through technical assistance, training, workshops and seminars. Their level of effectiveness varies depending on the date of their active entry into the program and the timing of the technical assistance and training. There has been less success in establishing a permanent trained staff at the national level primarily because of administrative weaknesses of the "special project" structure. As noted above, the MLG has taken steps to integrate the RSC into the regular MLG structure and will now decentralize the program. This decentralization offers a good opportunity to move the administration closer to the beneficiaries which should result in an organization more responsive to the needs of cities. Decentralization also adds a new technical assistance, training, and organizational dimension that Phase II operations must now undertake.

Inputs Required: Continuation of technical assistance and training with a focus on management and development administration.

2. Systems in place to: (a) analyze poverty area constraints to social and economic development, (b) organize beneficiaries, and (b) prepare comprehensive programs to address critical poverty needs.

Phase I has undertaken extensive work in developing "peoples participation processes" through technical assistance and training. Manuals and procedural guidelines have been prepared but reorientation of city officials to the participatory development approach is time-consuming and some of the more recent RSC cities have yet to internalize completely this new approach. Hands-on training and continual reinforcement of the concepts are still needed. Evaluation of the RSC have shown, however, that the results of such long-term efforts are very favorable in terms of impact on the beneficiaries.

Inputs Required: Continued technical assistance and training focusing on community organization, planning, monitoring and evaluation.

3. Processes for improving financial administration and revenue generation to finance and sustain local development programs.

Though not explicitly identified as objectives in the Project Agreement for Phase I, financial administration and revenue generation were recognized early as critical factors to the success of RSC and received considerable attention during Phase I. Financial administration

processes have been tested and introduced in all of the 22 cities. Experience indicates that learning and operationalizing these processes requires extensive on-the-job training of a city finance team composed of the Mayor, members of the Local Council, Budget Officer, Treasurer, and CPDS personnel.

The first step in this process is to develop a data series which describes the financial condition of the city and identifies trends. The city's finance team then reviews the trends with the assistance of an external finance advisor. Team analysis of trends helps increase awareness of financial conditions, and improves teamwork; it also opens discussion on weaknesses and potentials for improvements in budgeting, planning, revenue generation in support of for RSC subprojects, and other local development programs. Experience from other USAID-assisted projects demonstrates the importance of continuing this type of activity, especially since current budgetary constraints have reduced the central government's internal revenue sharing with local governments.

At least five cities now have well established financial teams that can carry on the needed analysis and financial administration improvements. Other cities are in various stages of readiness with most requiring additional assistance. The Phase II program intends to utilize Phase I trained local government officials to assist other cities improve their financial administration.

Inputs Required: Continued technical assistance with emphasis on finance and budget; close collaboration with LRM local financial administration contractor from the Local Government Center, University of the Philippines.

4. Mechanisms to involve the private sector in dialogue on local development issues local, non-governmental and to mobilize resources to address poverty needs:

During Phase I a system was developed to survey the community and identify local resources which could participate in the city's local development program. Most of the first sixteen cities have undertaken the surveys which give basic data on private and public sector resources and assistance that can be mobilized. Once they understand the RSC's objectives, civic and social organizations have generally been willing to volunteer assistance. For example, the City of Butuan's Bankers Association offered to provide training to the CPDS and beneficiary associations in basic accounting and finance, and the city's Population Council donated ₱800 to help finance a training program. While there are other examples, much more is required by the cities to tap available resources, including the funds provided for financing livelihood projects under the GRP's KKK program.

Under Phase I, city and barangay officials and social action project association members received training in small scale enterprise organization and management from the Institute of Small Scale Industry, University of the Philippines. This type of technical assistance and training, which gives the local private sector improved skills in

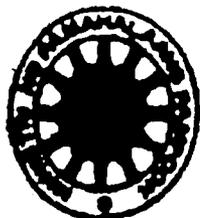
management, budgeting and planning, and marketing, has been very successful and will be continued.

Inputs Required: Continued technical assistance and training with emphasis on small scale enterprise management, planning, monitoring and evaluation.

5. A core of innovative subprojects that will serve as a models for national replication.

- a) The development, financing and implementation of subprojects is an effective way to test, promote, and institutionalize participatory programming processes. As noted above, some 200 subprojects have already been financed by the GRP and the cities on a cost-share basis. The failure rate has been about 30 percent, which is quite acceptable for this type of program. Project and city officials, however, need to have a means of monitoring and analyzing the progress of these subprojects to understand why certain projects are successful and others not and to offer assistance to projects that are in trouble. Monitoring and evaluation systems have been developed for a few pilot cities, and the progress and experience of several subprojects is being documented and analyzed. This incipient management information system next needs to be operationalized and extended to all participatory cities. The results of Phase I monitoring and evaluation will be used to train planners and the beneficiaries themselves in better design and procedures during Phase II.
- b) Under Phase II a complementary activity is proposed which will develop and test innovative methods of obtaining private sector financing of subprojects. For example, MLG/RSC funds might be provided to rural banks to serve as guarantees for subprojects which meet feasibility criteria but lack a proven record. Private enterprises might contribute financial resources or managerial skill training to certain RSC subprojects; or experimental programs will also involve RSC technical assistance and training for other governmental programs and activities (e.g., KKK). This subproject experience and the results of studies will be valuable for other programs such as LRM.

Inputs Required: Technical assistance and training in planning, design, monitoring, evaluation, and rural credit/finance; studies and feasibility analyses related to the development and operationalization of subprojects which employ innovative approaches to financial support.



Republic of the Philippines
MINISTRY OF LOCAL GOVERNMENT
 Quezon City

OFFICE OF THE MINISTER

26 January 1983

C I R C U L A R
 NO. 83 - 2

SUBJECT : DECENTRALIZATION OF SPECIAL PROJECT
 IMPLEMENTATION

Pursuant to national policy and Presidential pronouncement on effective decentralization, the Ministry of Local Government hereby directs that all special projects, both Government of the Philippines (GOP) funded as well as foreign-assisted, shall be implemented by the recipient local government units. The responsibility of providing technical assistance, monitoring, evaluation, and supervision of special projects shall be assumed by the regional and field offices of the Ministry.

The purpose of this decentralization scheme is to build and strengthen the capabilities of local government units to administer, implement and manage projects for development. Essentially, it shall address itself toward developing administrative and technical capability for: a) planning, b) fiscal administration, c) organization and management, d) engineering and project implementation, e) local economic and entrepreneurial development, and f) for monitoring and evaluation. Hence, whenever possible and appropriate, the concepts and processes in capability building which were already developed through the Provincial Development Assistance Project (PDAP) shall be utilized.

For the initial year 1983, the MLG shall establish a classification scheme to determine the level of administrative capability of provinces, cities and municipalities. This shall be used as the basis for the formulation of programs, projects, and activities responsive to local government needs.

For the attainment of the above-stated objective, it is hereby directed:

1. That local government units shall implement all nationally assisted projects such as, Rural Roads

Program (RFP); the construction, rehabilitation, betterment and improvement of barangay roads (CRBI); the school building program, both repair and construction, including those administered by the MIG as well as those coming from the 50% of MPWH school building appropriations; and, the maintenance of all roads and other projects envisioned under Executive Order No. 767.

2. That in order to ensure continuity for nationwide implementation of foreign-assisted special projects such as: BWP, RSC, RRIP AND TRIP, the Ministry shall develop appropriate financing schemes for their eventual transfer to GCP.

To hasten the decentralization process, it is hereby directed that:

1. The Special Projects Offices at the Central Office shall henceforth, devolve appropriate functional responsibilities to the regional and field offices.
2. The Ministry regional and field offices shall provide technical assistance, monitor and evaluate all special projects. Likewise, the regional offices shall identify and develop the appropriate units to handle such function. Meanwhile, the appropriate Central Special Projects Offices shall provide the necessary technical and financial assistance to regional and field offices to develop their capabilities.
3. All retained Central Special Projects Offices shall continue to be responsible directly to, and under the over-all supervision by the Office of the Deputy Minister for Local Government Development. In coordination with the Ministry Staff Services concerned, the Deputy Minister shall effect the adjustment of the appropriations in the authorized P/F/As to be apportioned to the Regional Offices on the basis of needs and activities.
4. The Provincial Development Assistance Project (PDAP) Staff shall now be integrated with the Ministry and shall function as technical staff to the Deputy Minister for Local Government Development.

Page 3/

This Ministry Circular shall take effect immediately and detailed implementing guidelines and office orders shall be issued accordingly.

For compliance.

(SGD) JOSE A. ROFO
Minister

A True Copy
2 March '83

28



REPUBLIC OF THE PHILIPPINES
MINISTRY OF LOCAL GOVERNMENT
OFFICE OF THE MINISTER

March 9, 1983

MINISTRY CIRCULAR

NO. 83-5

TO : ALL CONCERNED

SUBJECT : GUIDELINES ON THE IMPLEMENTATION OF
CIRCULAR NO. 83-2 DATED JANUARY 26,
1983 RELATIVE TO THE DECENTRALIZATION
OF SPECIAL PROJECTS

Pursuant to Circular No. 83-2 which provides for the decentralization of Special Projects and in order to attain efficient implementation thereof, the following guidelines are hereby defined and enunciated for the information, guidance and compliance of all concerned:

- A. Coverage: This Circular covers special projects particularly, RSC, BWP and RRP.
- B. Roles and Responsibilities:
 1. The Special Projects shall:
 - a. Through their staff and in consultation and coordination with the Regional Offices, conduct an orientation for field personnel on concepts and approaches in capability building during the second quarter of CY 1983.

A handwritten mark, possibly a signature or initials, located at the bottom right of the page.

- b. Identify expertise/manpower and training requirements of their program/project at each level of implementation which shall serve as bases for designing and scheduling training programs.
- c. Unload the following activities/tasks to the concerned field personnel immediately after the training:
 - 1. Recertification for continued participation of provinces/cities in the program/project.
 - 2. Review of AIP and PDIP/LDIP/CDIP.
 - 3. Progress inspection.
- d. Provide/technical and consultative services to field offices for decentralized responsibilities.
- e. Undertake monitoring and evaluation of decentralized activities in support to program or project policy formulation and standards development.
- f. In appropriate cases, undertake final project inspection in coordination with responsible field personnel.
- g. In consultation and coordination with Regional Offices, undertake a continuing training program for concerned field personnel.
- h. Turn over to the Regional offices the specific Special Project decentralized activities before the second quarter, CY 1983.



2. The Regional Directors shall:
 - a. Be responsible for providing technical assistance, monitoring, evaluation and supervision of decentralized special project/activities to LGUs.
 - b. In coordination with Special Projects concerned, identify the expertise/manpower requirements and training needs for such other activities/responsibilities where these are necessary for effective and efficient program/project implementation.
 - c. Identify the unit/personnel who shall be responsible in the technical supervision of the implementation of projects by local government units.
 - d. Cause the immediate implementation of decentralized functional responsibilities after turn-over by Special Projects to Regional Offices.
 - e. In appropriate case, review and approve:
 - a. recertification for continued participation of cities/provinces in Special Projects;
 - b. feasibility studies.
 - f. Review and recommend the approval of PDIP/LDIP CDIP/AIP to the Deputy Minister for Local Government Development.
 - g. Cause the immediate submission of inspection reports to the Deputy Minister for Local Government Development.
 - h. Submit periodic accomplishment reports to the Assistant Secretary for Planning, thru the Planning Service, for analysis and integration in the Ministry periodic accomplishment report; and
- 
- 31

- i. Perform such other duties and functions as embodied in annexes "A, B, and C" which are hereby made as integral part of this Circular.
3. The Office of the Minister shall:
- a. Retain responsibility over policy formulation, standards development and monitoring and evaluation of decentralized Special Projects/Activities through the Deputy Minister for Local Government Development. Support for these activities shall be provided by appropriate Special Project staff which are now integrated into the Ministry under the Deputy Minister for Local Government Development.
 - b. Determine the necessary financial support for decentralized activities and responsibilities, through the Deputy Minister for Local Government Development in coordination with the Regional Directors.
 - c. Cause the release of administrative and operational funds to regional offices in support of special projects/activities, through the Deputy Minister for Local Government Development.

This Circular shall take effect immediately.

For compliance.


JOSE A. RONO
Minister

Encl: Annex A, B, and C

Annex A

Decentralization of Rural Service Centers
Project Activities

<u>ASPECTS/ACTIVITIES</u>	<u>RSCO</u>	<u>REGIONAL</u>
1. Program Development	Develop Framework Plan. Formulate Guidelines	Recommend participation of LGUs in plan implementation
2. Action Research	Design/formulate research projects	Implement research project with LGU; may initiate and/or recommend.
3. Training	Capability building	Train and assist LGUs
4. Monitoring	Develop monitoring forms, consolidate reports	Cause submission of reports
5. Evaluation	Formulate design/format, criteria for project evaluation	Assist RSCO, evaluate project/activities
6. Completed Projects	Compile Certification of project completion	Execute turnover of completed projects

65

2

DECENTRALIZATION OF BWP ACTIVITIES

<u>ASPECTS</u>	<u>CENTRAL RESPONSIBILITIES(PMO)</u>	<u>REGIONAL OFFICE RESPONSIBILITIES</u>
1. TECHNICAL	Capability building for Regional offices.	
1.1 Project Identification	Provides guidelines	Implement guidelines. Work with LGU and assist in completion of LDIP, Water Resource Inventory, 5-Year WRDP, AIP.
1.2 Technical Assistance	Project progress inspection jointly with Regional Office. Corrects infra deficiencies. Develops operations handbooks, manuals.	Project progress inspection in coordination with BWP office. Recommends correction to infra deficiencies.
1.3 Supervision of Local Evaluation Teams	Provide guidelines	Work with and monitor activities of the local evaluation teams that go about assessing the status of completed projects.
1.4 Operational Project Monitoring	Provide guidelines; consolidates reports.	Monitor status of operational projects and submit regular reports.
1.5 Recertification	Provide the procedures/policies	Conducts actual assessment of LGUs and recertifies eligibility for continuance of participation in the Program.
1.6 Completed Projects	Compiles turn-over certificates	Execute turn-over of completed projects.
2. TRAINING & INFORMATION		
2.1 Initial orientation of LGU	Provide the mechanics	Conducts the orientation activity and certify to LGUs compliance with pre-conditions to participation.

ASPECTS

CENTRAL RESPONSIBILITIES(PMO) REGIONAL OFFICE RESPONSIBILITIES

- | | | |
|--|---|---|
| 2.2 Nat'l. Level Trainings | Build capability of regional offices to plan and administer the activities, provide technical assistance. | Conduct trainings at the Regional level. |
| 2.3 Community training | Provide guidelines; may assist regional offices. | Work with LGUs in planning and implementing training activities. |
| 2.4 Coordination with Task Forces/Committees | Provide guidelines | Coordinate and work with LGU water Resources Dev't. TFs and Committees in formulating water supply initiatives. |

3. FINANCIAL

- | | | |
|---------------------------------|--|--|
| 3.1 Tech. Assistance activities | Provide technical assistance in the preparation of plans and budget. | Assist LGUs in the preparation of plans and budget. |
| 3.2 Capital activities | Provides FAR funds, per USAID Loan No. 492-U-059 | Administrative coordination at LGU levels and allocate funds to approved projects. |

4. MONITORING & EVALUATION

- | | | |
|---------------------|---|--|
| 4.1 Documentation | Provide procedure and establish M & E system; collects/compiles all documents. | Cause the prompt delivery by and response of all LGUs concerned shall also establish a region based data bank. |
| 4.2 Project/Program | Schedules & designs projects and program evaluation and administers the same, per USAID loan No. 492-U-059. | Assist in conduct of and data gathering for all type of pertinent evaluations. |

27

2

**ROLES/RESPONSIBILITIES OF REGIONAL OFFICES
ON RURAL ROADS PROGRAM**

<u>ASPECTS/ACTIVITIES</u>	<u>CENTRAL RRP OFFICE</u>	<u>REGIONAL OFFICE</u>
A. Technical		
1. Recertification	Capability building of Regional Offices	Review and approval of recertification requirements except on cost standards, EPDP and RNDP where Regions, should undertake initial review.
- PDIP/LDIP/CIP		
- AIP		
-- AIP Agreement		
- Annual Budget		
- Maintenance Program		
- Cost Standard		
- Source Map	Final approval	Review and recommend approval
- ERDP	-do-	-do-
- RNDP	-do-	-do-
2. Feasibility Studies	Capability building.	Review, approval and certification of economic feasibility of projects.
3. Plans & Specifications	Capability building; final review and approval of projects above ₱500,000.	Review and approval of projects costing not more than ₱500,000; initial review and recommendation for projects above said ceiling.
4. Project inspection	Capability building; inspects jointly with Regional Engineer.	Regional engineer inspect jointly with RRP Engineer.

2/6

A

5. Final inspection	Accepts projects above ₱500,000 jointly with Region.	Accepts projects costing ₱500,000 or below; coordinate with RRP for projects costing above ₱500,000.
6. Turn-over of projects	Compiles Turn Over Certificates	Execute Turn Over of completed project.
B. Financial Support	Provides financial support	Receives and allocates financial support.
C. Monitoring	Capability building; compiles/analyze reports	Prepare/submit monitoring reports
D. Evaluation	Capability building; prescribes evaluation formats, design/criteria; conduct final evaluation	Conducts evaluation in accordance with designs, formats/criteria; submit report/recommendation.

27

2