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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

PROJECT PAPER
THE PHILIPPINES
LOCAL RESOURCE MANAGEMENT
492-0358

AUGUST 1982

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LRM PROJECT PAPER
No. 492-0358
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LIST OF ACRONYMS

ADB	Asian Development Bank
AIM	Asian Institute of Management
AUDP	Antique Upland Development Program
BFAR	Bureau of Fisheries and Aquatic Resources
BIR	Bureau of Internal Revenue
BWP	Barangay Water Project
CDAP	City Development Assistance Program
CDSS	Country Development Strategy Statement
CES	Career Executive Service
CESDP	Career Executive Service Development Program
CPA	College of Public Administration
DA	Development Associates, Inc.
DAP	Development Academy of the Philippines
DBCC	Development Budget Coordinating Committee
ESF	Economic Support Fund
ESIA/WID	Economic and Social Impact Analysis/Women in Development
FAR	Fixed Amount Reimbursement
FPHC	Financing of Primary Health Care Projects
FSDC	Farm Systems Development Corporation
GOP	Government of the Philippines
IBRD	International Bank for Reconstruction and Development
IIRR	International Institute for Rural Reconstruction
ILO	International Labor Organization
IRIS	Integrated Regional Information Syst
IRP	Integrated Reorganization Plan
KKK	<u>Kilusang Kabuhayan at Kaunlaran</u>
LDP	Local Development Project
LGC	Local Government Center
LRM	Local Resource Management
MDF	Municipal Development Fund
MHS	Ministry of Human Settlements
MLG	Ministry of Local Government
MPWH	Ministry of Public Works and Highways
NEDA	National Economic and Development Authority
NIA	National Irrigation Authority
NRO	NEDA Regional Office
OBM	Office of Budget and Management
ORAD	Office of Rural and Agricultural Development
PBSP	Philippine Business for Social Progress
PCRD	Philippine Center for Regional Development
PDAP	Provincial Development Assistance Project
PDIP	Provincial Development Investment Plan
PDP	Provincial Development Project
PDS	Provincial Development Staff
PIDS	Philippine Institute for Development Studies
PRRM	Philippine Rural Reconstruction Movement
PUSH	Panay Unified Services for Health
PVO	Private Voluntary Organization

RDC	Regional Development Council
RDF	Regional Development Fund
RDIP	Regional Development Investment Program
RDMP	Rural Development Management Program
RDP	Regional Development Plan
REDP	Rural Enterprise Development Project
RPMS	Regional Project Monitoring System
RPTA	Real Property Tax Administration
RRD	Rainfed Resources Development Project
RRP	Rural Roads Project
RSC	Rural Service Center Project
RDS	Regional Development Staff
SIP	Special Infrastructure Program
SPREAD	Systematic Programming for Rural Economic Assistance
UNDP	United Nations Development Program
UP	University of the Philippines

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET	1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete <input checked="" type="checkbox"/> A	Amendment Number _____	DOCUMENT CODE 3
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2. COUNTRY/ENTITY Philippines	3. PROJECT NUMBER 492-0358
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4. BUREAU/OFFICE Asia 04	5. PROJECT TITLE (maximum 40 characters) Local Resource Management
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6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 08 31 89	7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY 82 B. Quarter 4 C. Final FY 83
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8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 83			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(10)	(600)	(610)	(50)	(1,450)	(1,500)
(Loan)	(300)	(800)	(1,100)	(710)	(3,790)	(4,500)
Other U.S.	1.					
	2.					
Host Country		400	400		4,540	4,540
Other Donor(s)						
TOTALS	310	1,800	2,110	760	9,780	10,540

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPRO. PRTN	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) 03	250	240	240	0	0	437	4,500	1,500	4,500
(2)									
(3)									
(4)									
TOTALS				0	0	437	4,500	1,500	4,500

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each) 220 250	11. SECONDARY PURPOSE CODE _____
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12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each) A. Code BR	B. Amount _____
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13. PROJECT PURPOSE (maximum 480 characters)

To identify replicable, targeted approaches to local development in six provinces which can be extended and institutionalized throughout the CDSS regions in subsequent phases.

14. SCHEDULED EVALUATIONS Interim MM YY MM YY Final MM YY 01 84 01 85	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) _____
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16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment)

N. A.

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

PHILIPPINES

Local Resource Management
Project No. 492-0358

1. Pursuant to Section 103 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Local Resources Management Project for the Republic of the Philippines (Cooperating Country) involving planned obligations of not to exceed \$4,500,000 in loan funds and \$1,500,000 in grant funds over a two-year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the Project.
2. The Project will assist in the identification of replicable, targeted approaches to local development in approximately six provinces which can be extended and institutionalized in other provinces in subsequent phases. In this first phase, the Project consists of three components: provincial strategy and local project development, improvement of local financial administration and initiation of beneficiary participation in the development process. Loan funds will finance technical assistance for the improvement of local financial administrative systems and technical assistance, commodity procurement and performance payments in connection with the institutionalization of the process of development and implementation of provincial strategies targeted on specific beneficiary groups. Grant funds will finance technical assistance and efforts in organizing beneficiaries in development activities that support provincial target group strategies, as well as training and evaluation for each component of the Project.
3. The Project Agreement which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.
4. a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in U.S. Dollars within forty (40) years from the date of first disbursement of the Loan, including a grace period of not to

exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in U.S. Dollars interest from the date of first disbursement of the Loan at the rate of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Loan-financed goods and services under the Project shall have their source and origin in the Cooperating Country or in countries included in A.I.D. Geographic Code 941, except as A.I.D. may otherwise agree in writing. Grant-financed goods and services, except for ocean shipping, shall have their source and origin in the Cooperating Country or in the United States, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall be only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

c. Conditions Precedent to Disbursement

1. Prior to the first disbursement of funds by A.I.D. under the Project, or to the issuance of documentation pursuant to which such disbursement shall be made, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D., the formal designation of the project director, a statement of specific responsibilities and authorities for day-to-day management of the Project, and a listing of project management and technical staff at the coordinating agency responsible for the Project.

2. Prior to the first annual disbursement of funds by A.I.D. for performance payments, or to the issuance of documentation pursuant to which such disbursement shall be made, the Cooperating Country shall furnish the following to A.I.D., in form and substance satisfactory to A.I.D.:

(a) A copy of the executed protocols between the appropriate agencies of the Cooperating Country establishing agreed procedures to channel the flow of resources from the Cooperating Country to the selected provinces for local subprojects.

(b) A copy of the executed directive by the appropriate agencies of the Cooperating Country establishing accounting procedures for local subprojects which ensure that

appropriate reserve accounts for approved subprojects are established and that those accounts are not to be available for any other purpose.

(c) Evidence that the review and approval process of the Cooperating Country for provincial strategies, annual program plan, and first round of subproject proposals has been completed and is consistent with the criteria mutually agreed by the Cooperating Country and A.I.D. for the Project, and that pesos for approved subprojects have been released by the Cooperating Country and deposited in the province's accounts for subprojects under this Project.

Clearance:	Date	Initial
Larry Smucker, Asia/DP	<u>8/19</u>	<u>[Signature]</u>
G.R. Van Raalte, Asia/PD	<u>8/19</u>	<u>[Signature]</u>
Dennis Barrett, Asia/PTB	<u>8/19</u>	<u>[Signature]</u>

Signature

Eugene S. Staples
Acting Assistant Administrator
Bureau for Asia

Date

GC/Asia:STisa:hp:8/4/82

LRM PROJECT PAPER

PART I: SUMMARY AND RECOMMENDATIONS

A. Fiscal Data

Summary fiscal data are provided in the Project Data Sheet on the preceding page. The U.S. share of costs for the three-year Phase I of the project is \$5.0 million. The Project Identification Document (PID) for this proposal was approved June 17, 1981. The AID/ cable approving the PID is included as Annex A.

B. Purpose

The purpose of the first phase of the Local Resource Management Project (LRM) is the identification of replicable, targeted approaches^{1/} to local development in six provinces of the CDSS regions^{2/} which can be extended and institutionalized throughout these regions in subsequent phases. As the project evolves, its later phases will be characterized by the development of working partnerships among provincial and municipal governments, the private sector^{3/}, and poverty groups such that the group members are assisted in organizing their efforts, defining their own needs, establishing priorities, and launching initiatives to obtain additional resources to supplement those resources available to them locally. These working partnerships will necessarily develop at differing paces in different localities due to variations in the capacities, willingness, and determination of provincial and municipal government officials, the private sector, and poverty group members.

C. Cooperating Country

The Cooperating Country is the Philippines, as represented by the Government of the Philippines (GOP). The lead agency for project

1/ The term "targeted" approaches will be used throughout the paper as shorthand for a set of systems and processes which seek to establish productive, self-reliant activities focused on poor households within an identified poverty group (e.g. upland, coconut, and landless farmers; subsistence fishermen, etc.).

2/ These currently include Regions V (Bicol), VI (Western Visayas), and VIII (Eastern Visayas). Regions I and II will be added during the next few years.

3/ For purposes of this PP, "private sector" refers to private business concerns and nonprofit civic, religious, and educational organizations, including private voluntary organizations (PVO's). Although part of the private sector, beneficiary households are treated separately in the discussion.

implementation will be the National Economic and Development Authority (NEDA). Within NEDA, the Office of the Deputy Director General for Planning and Policy will be responsible for providing overall leadership and monitoring implementation progress.

D. Project Description

This project is Phase I of a 10-year multi-phased program of institutional development.^{1/} The project intends to identify replicable, targeted approaches to local development in six provinces. If these innovative approaches prove responsive to local residents' needs and can be absorbed into the existing planning and budgeting systems, they will be replicated and institutionalized within the CDSS regions in subsequent phases. The ultimate (goal) objective of the program is to promote greater self-reliance, productive employment, and real income among disadvantaged residents in rural areas.

The Local Resource Management Project builds on over a decade of government efforts to strengthen provincial and regional capabilities to plan and implement development programs. Recognizing that decentralization alone is no guarantee to more responsive local development, the project has taken on the ambitious task of helping the GOP reform local development policy and programming. It aims to reorient existing provincial capacities toward promoting and supporting the efforts of local people to help themselves. It is hoped that this project will initiate a dialogue on policies dealing with local responsibilities for development. This dialogue will begin in Phase I at modest cost to AID and the GOP. It will make possible initial efforts in this critical area without long-term or expensive a priori commitments to untried innovative or experimental development approaches.

To initiate the process, Phase I will operate along three separate implementation tracks: 1) provincial strategy and local project development, 2) local financial administration, and 3) beneficiary participation.

The first track will absorb the greatest share of project attention and resources. It will work with the participating provinces on developing strategies for assisting defined target groups, based on an understanding of the needs and potentials of their members for self-help development. It will also assist provinces in identifying and developing feasible subprojects to implement approved strategies. It will stress improved subproject monitoring and evaluation along with more flexible budgeting procedures to permit subproject implementation adjustments in response to local conditions and beneficiary inputs.

The second track will center on developing financial monitoring systems to enable provinces and municipalities to increase local revenues

^{1/} Phase I will be evaluated as a three-year initial effort in order to provide the basis for a Phase II funding decision. However, the PACD of the Project shall be initially set at seven years in order to allow for multi-year subprojects to be approved even in year three of Phase I.

through improved administration of local finances and collection of taxes, including real property, business, amusement, slaughterhouse, market, and other taxes.

The third track will test approaches for linking private sector beneficiary organization efforts more closely to municipal and provincial development activities related to a selected target group.

USAID and NEDA will monitor and evaluate the extent to which the three Phase I tracks are mutually supportive and reinforcing. In later phases the three tracks should come together. The pace of integration will depend on local capacities. For example, beneficiary participation in strategy formulation and subproject development should progress relatively quickly in provinces with a history of cooperative development such as in Antique. Integration of these activities in Region VIII provinces, where cooperatives and associations are less developed, may take much longer.

Phase I will require \$6.0 million in technical and financial assistance in support of these activities. These assistance resources are to be provided in a flexible way to meet needs as they are identified during pilot testing and to promote the institutional learning needed for subsequent expansion. For example, a portion of the AID loan funds will be disbursed to the GOP in the form of performance payments for the GOP's testing of planning and budgetary innovations. Performance against which initial disbursements will be made includes the preparation of sound provincial strategies, regional approval of feasible and reasonable subproject proposals, and GOP budget releases directly to the provinces for subproject implementation. Further performance payments related to these provinces will be made only if they are effectively implementing previously approved subprojects. AID will use these payments to leverage development of more autonomous and responsive systems of planning and budgeting.

Authorization for Phase II will be on the basis of Phase I evaluation findings and related recommendations. The expectation is that Phase II authorization will be delegated to the USAID Mission Director and that he will be expected to exercise such authority on the basis of this paper and the Phase I evaluations. This follows the emerging A.I.D. policy favoring simplified approval procedures and greater field authority for incremental funding of long-term programs.

Phase I will be implemented by NEDA working through its regional offices and relying on the Regional Development Councils (RDC's) and the participating provinces for the actual operations. NEDA's role will be as manager and supporter of overall development of local systems and capacities at the provincial level. The project will draw extensively on local resource institutions (private and public) to facilitate and document Phase I implementation. Initial project activities will center on three provinces, one each from Regions V, VI, and VIII, and gradually move to six provinces as experience is gained and the requisite management support systems are developed.

Evaluation is an integral and continuous function of Phase I. It will supply the information needed by project implementors and management staff for problem diagnosis, adaptation, and learning what works, what does not, and why. This information will be the basis for determining which approaches to local development are worth replicating and devising a strategy for replication in Phase II.

<u>E. Project Costs</u>	<u>(\$ Thousand)</u>			
	<u>Loan</u>	<u>AID Grant</u>	<u>GOP</u>	<u>Total</u>
Technical Assistance	2,175	525	-	2,700
Training	-	170	140	310
Commodities	200	-	20	220
Research	-	320	260	580
Evaluations	-	35	-	35
Subprojects	-	-	3,250 ^{2/}	3,250 ^{2/}
Performance Payments	2,125 ^{2/}	-	-	2,125 ^{2/}
Community Projects	-	450	-	450
GOP Salaries, Allowances and Operating Expenses	-	-	870	870
Total	4,500	1,500	4,500 ^{1/2/} (Net 2,400)	10,500 ^{1/2/} (8,400) ^{2/}

F. Beneficiaries

Primary beneficiaries will be the upland farmers, artisanal fishermen, and landless agricultural workers in the six participating provinces selected for targetted assistance, estimated to number 90,000 families.

G. Summary of Project Analyses

The feasibility analyses contained in Annex E and summarized in Part IV indicate that Phase I is technically, institutionally, economically, socially, and environmentally sound. Moreover, LRM is consistent with the findings worldwide as well as in the Philippines that local development projects which involve significant community participation are better designed and more likely to be sustainable than those which lack such participation.

H. Waivers

No waivers are anticipated under this project.

I. Issues

Since the PID was approved, five policy issues have been raised in connection with LRM which reflect current AID/W concerns:

1/ Rounded.

2/ GOP budgeted funds for subprojects will be offset by AID's performance payments of \$2,125 (\$ Thousand). This leaves a balance of GOP resource inputs shown by the "net" figures.

1. Resource Transfer The PID proposed a \$30.5 million project over 5 years. This PP proposes a \$6.0 million Phase I, wherein assistance resources are to be used for institutional development purposes. This significant reduction in project cost reflects design considerations and a deliberate effort both to reduce AID funds earmarked for resource transfer and to reduce risk.

2. Strengthening Central Government Through Local Governments: The effect of decentralization is often to simply extend the reach of central government. LRM is concerned with enlarging the provinces' scope of discretion over centrally allocated budget resources and enabling them to increase local resource mobilization. Both Tracks One and Two are designed to assist in these areas. If successful, the effect would be to create the counterweight of an elected governmental unit to offset the strength of central line ministries.

3. Creation of New Bureaucracies: LRM has made a conscious decision to work within the existing provincial and regional administrative structure, staffing, and planning and budgeting systems to ensure project sustainability and institutionalization over time.

4. Lessons from 12 Years of Local Government Investments in the Philippines: The issue here is what does LRM propose that is different from USAID's already substantial investment in local government development. Annex C specifically documents the experience and lessons from PDAP as well as the issues which have been taken into account in the LRM design. LRM is clearly a logical next step along the path to more decentralized and responsive local development.

5. LRM as an Integral Element of the CDSS: This issue was raised during the Administrator's Country Review and the FY 1983 CDSS. The Mission views LRM, with its emphasis on provincial governments, as the horizontal underpinning to the other more vertical USAID assisted programs working through the line agencies. Section E of Part II provides further discussion on this point.

The feasibility issues raised in the PID approval cable have all been addressed in the course of project design and their resolution is reflected in the PP.

J. Recommendations

USAID and the GOP have collaborated closely in the design of LRM. This Project Paper, with its problem definition, analyses, and proposed course of action, is the product of that joint design effort. USAID finds the proposed project both feasible and consistent with GOP and AID priorities. USAID recommends, therefore, that \$6.0 million, including \$4.5 million in loan funds and \$1.5 million in grant funds, be made available during FY 82 and FY 83 to support implementation of LRM Phase I over a seven-year period. The GOP's official request for assistance is provided as Annex B.

PART II. BACKGROUND AND DETAILED DESCRIPTION OF THE PROJECT

A. Problem

This project is an outgrowth of the Mission's multi-year CDSS process. Analyses carried out in support of the CDSS have documented the pervasiveness and severity of poverty among rural residents of the CDSS regions (V, VI, and VIII), particularly among landless agricultural workers, small farmers in rainfed, especially upland areas, and traditional fishermen.^{1/} The most critical problem these people face is their inability to find productive, full-time employment. This, in turn, is caused by rising population pressure on an eroding resource base and the inability of the country's capital intensive and urban concentrated industry to absorb excess rural labor. As the FY 84 CDSS states, "Expanding the opportunities for more productive employment is the crux of the development problem in the Philippines."^{2/}

The Philippine Government recognizes the importance of alleviating poverty in rural areas and, in fact, for the past decade has been investing its resources in programs aimed at achieving broadly based development. Yet, while impressive gains against aggregate economic growth targets have been realized in several sectors, income distribution remains highly skewed, and the level of development of several regions, including the CDSS regions, lags far behind that of Metro Manila and the surrounding area.

3. Rationale

The case for LRM is based upon three fundamental premises. The first is that the Government of the Philippines has a legitimate, indeed necessary, role to play in stimulating the creation of productive employment and improved welfare among the rural poor. The second is that the GOP can carry out this function effectively only if local government is given sufficient authority and has the capacity and commitment to identify and respond to the priority needs and potentials of its poor constituents. The third is that local government, in responding to these needs and potentials, must learn to act as a catalyst to create the kind of environment at the municipal and barangay levels necessary to encourage the development and expansion of economic activities led by the private sector, including the poor themselves.

Traditionally, the central government has used a markedly top-down approach in planning and implementing development programs. Insufficient attention has been paid in the process either to the wide diversity of local conditions found in a country of 7,000 islands or the need to mobilize local private as well as public resources to sustain development.

^{1/} There are an estimated 630,000 households in the three regions within these major poverty groups. Detailed information on their condition is provided in the USAID Poverty Profiles and CDSS's for FY 82, 83, and 84.

^{2/} See page 13, FY 84 CDSS.

In recent years, the GOP has become aware of the need for greater decentralization of development activities. As a result, it has invested substantially in building provincial government capacities and in establishing a regional framework for guiding development. This effort began in 1966 with an AID assisted program to develop provincial capacities to effectively plan and implement infrastructure programs. By 1978 the Provincial Development Assistance Program (PDAP) had succeeded in institutionalizing the role of governor as the key executive for local development supported by a professional development staff. This was the case not only in PDAP provinces but throughout the country. (See Annex C for a full discussion of the PDAP experience and the lessons learned.) In the mid-seventies the World Bank began assisting the Government in developing regional planning frameworks and the supporting organizational structures and capacities. As a consequence of both programs, considerable capacity now exists at the regional and provincial levels to formulate and carry out local infrastructure programs and implement line agency programs. (See Annex E for an analysis of institutional capacities and planning systems.) Furthermore, the GOP is extending the regional planning process to the provincial and municipal levels, and linking it to the budget cycle.

Despite these positive moves toward greater decentralization, additional changes are necessary in order to most effectively address the pressing problem of poverty at the local level. As the PDAP experience suggests, decentralization alone does not permit development actions which are fully responsive to local needs. And while the development of infrastructure is certainly necessary, it too is insufficient to stimulate productive employment and sustainable growth.

The critical missing element in the GOP's decentralization program which this project seeks to add, is the active involvement of local governments,^{1/} the private sector, and poverty group members themselves. Local government must engage the creative efforts and resources of people and the market place by assuming the role of development catalyst. This in turn will mean avoiding the tendency to assume that presently unavailable services or resource gaps must be met by government without first considering whether they can be met by private enterprise or private voluntary effort. Such a reorientation will require that local governments develop a greater understanding of existing resources and resource management capabilities within local communities and how they are used and learn to assist these communities in strengthening their capacities to help themselves.

^{1/} As applied to LRM, and unless otherwise noted, "local government" refers to both provincial and municipal governments. However, it should be understood that the principal leadership in any given province, at least initially, will come from the provincial rather than municipal government for reasons explained in the following section of this part of the paper.

LRM is designed expressly to promote such institutional development by testing and identifying more effective approaches to local development. While success in this enterprise is by no means assured, the need is so great that the attempt must be made.

C. The Provincial Focus

Project designers were faced with the basic issue of whether LRM should focus on working directly with municipal governments or with provincial governments. The choice was to work through the provincial government, with the expectation that over time the role of municipal governments in any given province would expand but not supplant that of the provincial government.

While municipal governments would at first glance seem a more logical focus for LRM, given their closer ties to the community and project beneficiaries, most municipalities at present simply do not have the minimum staff, technical competence, or access to resources needed to successfully carry out the responsibilities of local government as foreseen under LRM. In contrast, provinces, after more than a decade of PDAP efforts, are now in a position to use LRM to gain a greater measure of discretion in addressing local priorities. Moreover, the province can serve as the vertical link between the municipality and the regional government, especially by supporting municipal level development efforts and by providing an additional channel for articulating municipal priorities upward in the system. In addition, the province is well placed to improve horizontal links to line agencies, which control the bulk of development resources, and thereby, should, be able to influence these agencies' budgetary allocations. LRM's interest in expanding local government influence over the resource allocation process can best be served at the provincial level, where the governor and his Provincial Development Staff (PDS) carry considerable clout. Finally, from a project administrative viewpoint, provinces represent a more manageable number of units for LRM to work with and provide a means for reaching more municipalities than if the project attempted to work directly with municipalities.

D. Project Description

The Local Resource Management Project is Phase I of a 10-year multi-phased program designed to help local governments become more responsive to the needs of their more disadvantaged constituents. The program entails a long-term institutional development effort aimed at gradually reorienting existing provincial development capacities toward supporting the self-help efforts of specific target groups, e.g. upland and coconut farmers, fishermen, and landless rural workers. Through the development, replication, and institutionalization of innovative approaches to local development, the program will support GOP efforts to reform its policies and institutions to achieve more decentralized and locally responsive development action.

LRM will require provincial governments to move beyond their current top-down, "blueprint" approach to a more open, flexible, and adaptive mode of planning and local project implementation. The program will also promote

greater self-reliance among provincial governments by helping them increase their influence over the allocation of central government financial resources and improve their ability to effectively mobilize local financial and human resources in support of locally identified programs. In the process, provincial governments are expected to assume increasingly the role of catalyst in local development, encouraging greater participation by private business, civic, religious, and educational organizations, municipal governments, and beneficiaries at the municipal and barangay levels.

Phase I of the program initiates the process of identifying new, more responsive approaches that can be replicated and sustained over time and across different localities. It will focus on helping six provinces develop and install locally appropriate approaches to planning, evaluation, budgeting, financial administration, and beneficiary participation. Phase I will emphasize systems development and institutional learning within existing local government structures. It will entail continual experimentation, incremental adjustment, and evaluation of new approaches and processes. To support implementation, the project will rely on local private and public resource institutions to provide a combination of services involving systems development, technical assistance, and training while increasing their own capacities to better serve the country's development needs.

As local governments and other local institutions, both private and public, develop sufficient capacities and reorient their priorities more towards meeting beneficiary group needs, project activities in those provinces can move more fully into the key aspect of the process. This next stage will involve the development of full working partnerships between provincial and municipal government officials, the private sector, and members of targeted beneficiary groups. Through these arrangements, poor groups will be assisted to identify their own needs, organize for self-help action, and develop basic business skills related to negotiation, financial management, legal requirements, and other areas. By maintaining a sustained dialogue with them, provincial and municipal government officials can further assist disadvantaged groups establish priorities acceptable to them, develop appropriate initiatives responsive to these priorities, and gain access to additional resources to help them attain their objective(s).

It is assumed that the process will result in an increased use of locally available human, financial, and physical resources as evidence of local commitment, to be supplemented and complemented with additional resources available from higher levels of government, line agencies, and other organizations, including international donors. Clearly, this evolution toward a strong working partnership will move at different speeds in each province and even among municipalities within provinces. Thus, some provinces and municipalities may reach this stage by the end of financing of Phase I or early in Phase II, while others will not do so until well into Phase II or even later in the LRM program.

Phase I will require \$6.0 million in AID funds (\$4.5 million in loan and \$1.5 million in grant). Based on Phase I success, authorization will be given by the USAID Mission Director for expansion in up to an additional nine

provinces in Phase II (beginning in FY 85) at an indicative cost of \$10 million in AID funds. Funds for Phase II (and any subsequent phase) will be programmed for a suitable authorization period, thus in effect extending the overall Project Assistance Completion Date. We would propose to amend this PP to incorporate Phase II.

The project will be directed at Regions V (Bicol), VI (Western Visayas) and VIII (Eastern Visayas). One province in each of these regions will serve as a pilot province to begin developing workable systems and approaches within the existing local government structure. Selection of the first three provinces will be based in part on their governments' proven capacity and commitment to LRM concepts.^{1/} The pilot approach will facilitate the early learning essential to expansion to other less prepared provinces. Three other provinces will be phased in as experience is accumulated, methodologies are field tested, and capacity to provide effective technical and training backstopping is developed. By the end of Phase II, up to 15 provinces in all three regions are expected to be participating fully in LRM.

Phase I assistance resources will be used to carry out activities under three discrete project implementation tracks: (1) provincial strategy and local project development, (2) local financial administration, and (3) beneficiary participation.

1. Provincial Strategy and Local Project Development

This is the central component of the project. It seeks to find a workable balance between bottom-up and top-down planning processes. It proposes a focus on poverty groups as the basis for strategy development. (A poverty group is defined in terms of its size relative to the total population, the incidence of poverty within the group, and its access to land and water resources.) The strategy will be the vehicle for reorienting provincial planning toward helping people help themselves. The concept of a strategy represents an evolution over the current project listing approach. LRM's interest in supporting the formulation of a strategy is to enable provinces to explicitly define broad intervention areas in support of a target group as a framework for project identification and priority resource allocation.

LRM will enhance the capacities of the staffs of selected provinces to (a) define and manage a cost-effective and project-relevant research program to understand the problems and potentials of major target groups found in the province;^{2/} (b) develop provincial strategies and subprojects for addressing the specific needs of selected target groups; and (c) encourage

^{1/} The project design team has ascertained that the government of at least one province in the three regions--Antique in Region VI--is already engaged in some of the kinds of activities that are planned under LRM.

^{2/} Problem identification will be carried out in collaboration with target group representatives.

private sector involvement in building a healthy economic environment at local levels. LRM will be especially concerned with developing appropriate planning approaches for translating research findings and staff analysis into sensible provincial strategies for assisting selected target groups, given available resources and provincial development priorities. In support of provincial strategies, the project will encourage utilization of research institutions and available statistical and analytical information found within the region.

The capacities of provincial staffs will be expanded to develop feasible and innovative local subprojects on behalf of the province and municipalities in support of approved strategies. These subprojects will be approved against the criteria spelled out in Part V B. Given the present technical capacities at the provincial level, early subprojects are likely to involve small-scale, labor-intensive infrastructure in support of a given target group. As experience is gained, provincial subprojects should increasingly be of an employment and income generating type. Examples of the types of subprojects which LRM will support are:

- minor public works of a labor-intensive character such as wharf rehabilitation, short feeder roads, and upland trails;
- small-scale agro-industrial activities that have a low capital input such as simple food processing, agricultural implement manufacturing, building-materials manufacture, and backyard livestock raising;
- community self-help activities that require technical assistance and seed money.

Provincial staffs will be particularly encouraged to develop and test approaches which will actively involve the private sector in local development. This will include, among other things, taking an inventory of the capabilities and interests of local business concerns and service organizations and seeking ways to maximize their participation in subproject implementation. It is likely, for example, to be less costly and more stimulative to the local economy to contract with local firms for road construction and even maintenance than to have the provincial government carry out these functions. As a means of attracting new private investment to the area, it may also be appropriate to consider incentives such as tax breaks.

Subprojects during Phase I will provide the opportunity for the provincial staffs to pilot test interventions directed at supporting the selected target group. An important objective of early subproject implementation will be to learn which interventions work, which do not, and why, and build this knowledge into the development of subsequent subprojects.^{1/} Thus, an informed trial and error approach at the outset will serve as a means

^{1/} The project will rely heavily on monitoring and evaluation to provide this information. Part VI, Evaluation Plan, deals with the subject in detail.

to identify weaknesses and build up provincial staff capacities in those areas through on-the-job, tailored workshops and training sessions. The subprojects will also serve to demonstrate whether the programming processes evolving from LRM result in responsive development activities.

This component will also test more flexible budgeting procedures to support local subproject implementation, in particular the allocation of central government financial resources directly to the provinces for their use in developing increasingly more innovative employment and income generating subprojects. This new GOP procedure will be a major step in devolving real authority to provinces for local development.

2. Local Financial Administration

This component will be concerned with developing a broad range of skills and procedures within local governments which they require in order to effectively manage financial resources. These relate to better monitoring of revenues and expenditures, establishing a sound tax base, and otherwise maximizing revenues from existing sources. For example, this component will assist provinces and municipalities in developing relatively simple procedures for forecasting revenues by major source and for comparing such forecasts with actual receipts as a basis for improving fiscal performance. It will also explore various local government credit financing schemes as a means to mobilize additional resources for local development activities. (Local governments may borrow for development needs. However, credit financing is rarely used, mainly because local governments lack information and the capacity to package loan proposals.)

LRM will also support research on local financial policies and procedures. This research will build on extensive studies undertaken by Syracuse University in collaboration with the Philippine Institute for Development Studies, the National Tax Research Center, and the Ministry of Finance.^{1/} As policy constraints are identified, they will be documented and raised at regional and central levels of government with a view to policy and regulatory reform.

Other aspects of this component include working with provincial and municipal financial officers to develop approaches and related skills necessary to improve taxpayers' knowledge of their tax related rights and obligations, plan and implement low-cost tax collection campaigns, and effectively expand throughout the province improved systems for real property tax administration, pilot tested under the USAID supported Real Property Tax Administration (RPTA) Project. In addition, the component will deal with broadening the revenue base by improving collection of other important taxes such as those on business, amusement, markets, slaughterhouses, etc. All of these activities should lead to greater mobilization of local financial resources to support local development.

^{1/} See Roy Bahl et al. Strengthening the Fiscal Performance of Philippine Local Governments: Analysis and Recommendations. (Maxwell School, Syracuse University, June 1981).

Technical assistance and training will be directed at improving financial management procedures and practices tailored to the particular needs of participating provinces and municipalities. These will also include working with the Provincial Development Staff on subproject costing and other local government activities to help bring about cost savings that can further serve to increase local revenues.

3. Beneficiary Participation

This component will link successful private sector^{1/} efforts in organizing beneficiaries to municipal level development activities which support provincial target group strategies. The main purpose of this component will be to test the feasibility of integrating bottom-up planning approaches with provincial and regional planning and budgeting systems. Successful approaches can then be incorporated into municipal and provincial subproject planning and implementation systems.

There are many local private sector organizations with substantial experience in community organizing activities throughout the Philippines. One study has identified approximately one thousand such entities, ranging from major national organizations such as Philippine Business for Social Progress (PBSP), sponsored by the country's leading business firms, to small organizations sponsored by local church groups that may have a staff of only two or three volunteer workers. An example of the latter is ANCORES, a diocese sponsored organization which has worked with fishermen in Antique Province (Region VI) to establish credit unions.

An important constraint to the effectiveness of these organizations is that there is no link to the government sector, the private agencies preferring almost universally to work quite independently. Consequently, most private sector efforts have had limited spread effect and only localized impact. Government, for its part, has seldom looked to these organizations as an important development resource, despite its own general lack of capacity in beneficiary organization.

LRM will provide resources to private sector organizations to test approaches for building cost-effective, collaborative linkages for development between local government and beneficiaries. The approaches should have potential for expanded application throughout each province participating in LRM. Building an effective public-private sector partnership in local development action will not be easy given the mutual suspicions involved. This effort must be considered highly experimental and requiring substantial flexibility. It will also involve developing an institutional capacity in the provinces to support extension of the approach to new communities and to other private agencies, and to facilitate transfer of experience and methods.

^{1/} The component will rely principally on private voluntary organizations registered with both the GOP and USAID. However, other types of private sector entities such as civic and social organizations may also be involved if project implementation experience suggests the desirability of so doing.

Greater specification of project outputs and the assumptions linking outputs to achievement of the project purpose, as well as the indicators which will signal achievement of the purpose, are found in Part III A and in the Logical Framework at Annex D.

E. Relation to AID Strategy and Other Projects

The Mission's assistance strategy is aimed at generating more productive rural employment in selected regions for target groups such as upland farmers, landless agricultural workers, and artisanal fishermen. Together, these groups represent a majority of rural Filipinos. The magnitude, diversity, and location-specific nature of poverty in the Philippines suggests that local responses are needed to solve local problems.

LRM is a direct outgrowth of the Mission's strategy. It is designed expressly to help local governments in the three core CDSS regions (V, VI, and VIII) better understand and support the livelihood efforts of the identified poverty groups. It seeks to promote greater independence of action on the part of local governments to respond to local priorities at the same time as they support nationally mandated programs.

LRM is integral to the Mission's strategy. It is the horizontal underpinning to other more vertical, regionally-focussed programs that are working through the line agencies, i.e. the Rainfed Resources Development Program (RRD) through the Ministry of Natural Resources and Ministry of Agriculture and the Rural Enterprise Development Project (REDP) through the Ministry of Trade and Industry. LRM proposes to work directly with provinces through Regional NEDA and the Regional Development Councils. Line agency activities are coordinated at provincial levels by the Provincial Development Staff, with the assistance of the provincial MLG representative. Thus, LRM's assistance to provinces will help ensure more responsive programs at the provincial level. Also, as RRD, REDP, and LRM will not be relying on the same government agencies, there is no risk of overburdening regional administrative capacities.

The RRD, now in the PP design stage, is intended to increase agricultural productivity in rainfed and coastal areas through improved natural resources management and diversified technologies adapted to local needs. The site-specific agro-forestry and farming systems activities of this program will be located in the same regions as those where LRM operates. The REDP, scheduled for FY 83 start-up, seeks to develop small and medium-scale, labor-intensive private enterprises in these same regions. Both projects will be working through line agencies, which will be coordinating their efforts with many of the same provincial governments that LRM proposes to assist. Thus, LRM can reinforce RRD and REDP through employment-generating activities in provinces focussing on a common target group, e.g. traditional fishermen. Moreover, provinces carry on general development activities (e.g., provincial roads, potable water systems, minihydros) which can provide supporting infrastructure to these programs if strategically planned to do so. Likewise, RRD and REDP can provide important technical support to the provinces for

small-scale activities relating to community management of natural resources or small-scale industrial development. LRM fully intends to maximize these opportunities for mutual reinforcement.

The Financing of Primary Health Care Project (FPHC), scheduled for initial obligation in FY 83, and LRM have a direct relationship, although there is less geographic overlap. FPHC will strive for increased use of selected primary health care services on a financially viable basis. FPHC will be implemented selectively in CDSS Regions, including I and II as well as V and VI, drawing and building on lessons and experience from the integrated health-nutrition-population projects USAID is supporting in Bicol (Region V) and Panay (Region VI). The fact that both LRM and FPHC are concerned with local financial mobilization suggests opportunities for coordination. Furthermore, both projects will look to the RDC to play an active role in their implementation. Similarly, both projects will work with PVO's. Where the projects are operating in different regions, there is no immediate concern for overburdening administrative capacities. In Region V, with the ongoing Bicol Integrated Health, Nutrition, Population project, there already exists a project organizational structure that relies on the Ministry of Health rather than the Regional NEDA Office as proposed under LRM. Only in Region VI will LRM rely on the same entity as FPHC. Even there, however, the PUSH project has an established project organization and implementing capacity. LRM will have its own small staff within the NEDA Regional Office to handle LRM implementation needs and, therefore, the NEDA Regional Office in Region VI should be able to manage both projects along with the many other donor and national government programs it already effectively administers.

USAID is currently supporting local government development through several projects under both the DA and ESF accounts. These projects are briefly compared in Table 1. Annex C describes the PDAP projects which are nearing completion in more detail. Among those, the project most closely related to LRM is the Rural Service Center Project, which is assisting the governments in sixteen chartered cities to become more responsive to local needs. LRM will be drawing on relevant experiences and lessons from that project, especially with respect to local financial administration and community organization. A major difference between the two projects is that RSC is confined to the chartered cities and has developed approaches tailored to their conditions. As such, the two are complementary rather than duplicative.

Under the ESF Municipal Development Fund (MDF), USAID is assisting in building the capacities of municipal governments mainly in Region III to develop and implement local projects; hence, opportunities for sharing experiences and learning from each other exist between LRM and MDF. The MDF's geographic and municipal level focus virtually precludes duplication of effort or problems of coordination.

The newly proposed ESF Regional Development Fund (RDF) is designed to support regional and provincial development investment plans in Region III. RDF, through capital assistance supplemented with small amounts of

TABLE 1

COMPARISON OF LOCAL GOVERNMENT PROJECTS
IN CURRENT USAID/PHILIPPINES PORTFOLIO

<u>PROJECT TITLE</u>	<u>LOP COST (\$000)</u>	<u>ACCOUNT</u>	<u>DURATION</u>	<u>FOCUS</u>	<u>GEOGRAPHIC COVERAGE</u>	<u>TYPE OF SUBPROJECT</u>	<u>TARGETTING</u>
Current							
Rural Roads II	35,117	DA	1978-83	province	countrywide	roads	none
Barangay Water I	6,184	DA	1978-82	province	countrywide	potable water	none
Barangay Water II	20,437	DA	1981-85	province	countrywide	potable water	none
Real Property Tax Administration	8,200	DA	1978-83	province	countrywide	tax mapping	none
Rural Service Center	1,600	DA	1978-83	chartered city	22 cities countrywide	small-scale infrastructure & income generating	depressed barangays ^{USA}
Municipal Develop- ment Fund	70,000	ESF	1981-88	municipality	Region III	medium-scale infrastructure	none
Proposed							
Regional Development Fund	45,000	ESF	1982-87	province	Regions I & III	medium-scale infrastructure	none
Local Resources Management (Phase I)	7,000	DA	1982-85	province	Regions V, VI, VIII	small-scale infrastructure & income generating	CDSS pove groups

technical assistance, will enable provincial governments in the vicinity of U.S. military facilities to accelerate local development based on current planning approaches and project development capacities. RDF and LRM are quite distinct, though both projects adopt a provincial focus. First, they will be implemented in different regions. Second, they have different lead agencies (i.e., NEDA for LRM, MHS for RDF), although both will rely on the RDC. Third, LRM is taking on the more ambitious task of institutional development needs of the province toward more targetted projects directly in support of people's self-help efforts. The two projects stand to benefit from exchange of information and comparison of approaches, but there need be little concern for duplication or problems of coordination.

F. Relation to Other Donor Activities

The only major donor project that relates directly to LRM is the UNDP/IBRD Assistance in Regional Planning Project, now in Phase III. The overall objective of the current phase is to assist the Government through the NEDA in strengthening and institutionalizing the activities associated with the regional planning assistance effected in earlier phases. Phase I focussed on the formulation of an interregional development framework and regional development plans. Phase II directed efforts toward the implementation of the regional development plans through the formulation of the regional development investment programs (RDIP's).

Phase III is further strengthening the regional planning and development institutions with emphasis on NEDA, particularly the regional offices which serve as the executive arm of the Regional Development Councils. The planning and implementing capabilities of both the national line agencies and local governments in the regions are being strengthened at the same time.

In addition to institutionalizing the RDIP and its link to the regional budgeting process, Phase III includes three other components that are particularly relevant to LRM: (1) development of a regional project monitoring system (RPMS); (2) establishment of an Integrated Regional Information System (IRIS); (3) Project Development Training.

The RPMS has been pilot tested in three regions including Region VI and is ready to be installed in the other regions. It is designed to monitor the implementation of regional as well as local projects contained in the Regional Development Investment Plan and those developed under the Kilusang Kabuhayan at Kaunlaran, or National Livelihood Movement. As such, it offers a ready system for LRM to adapt to the monitoring needs of local governments for their subprojects.

The IRIS is being pilot tested in three regions including Region VI. Its main purpose is to establish an integrated regional information system throughout the country which will generate and store at the regional

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level information on conditions at the local level for purposes of planning, monitoring development activities, and regional policy decision making. LRM plans to link into this information system as part of generating provincial and regional data on poverty groups for provincial strategy formulation and on local government revenues and expenditures.

The Project Development Training has been aimed at the NEDA Regional Office and regional line agency staffs and has prepared them in turn to provide training in project development to local government staffs. LRM implementation stands to benefit directly from this capacity and some of the project development materials.

For further details on Phase III refer to Annex G.

LRM will rely heavily on the regional machinery and capacities developed under the UNDP/IBRD project. LRM will also directly complement the project in two ways: First, by working with provinces in ways that can help better link provincial planning to the RDP/RDIP process. Second, by developing targeted planning approaches to supplement the sectoral and integrated area framework institutionalized under the UNDP/IBRD project. Close coordination between the two projects is assured by the fact that they will be administered by the same Project Executive and Deputy Executive Director within NEDA (see Part V for LRM Organization).

PART III. INPUTS AND FINANCIAL PLAN

A. Budget Summary

AID funding of \$6.0 million is proposed in support of Phase I of the LRM program. A loan of \$4.5 million will finance technical assistance, commodities, and payments to the GOP for satisfactory performance in the testing of planning and budgetary innovations. A grant of \$1.5 million will finance technical assistance, training, research, evaluations, and community projects. AID's share of the total Phase I project cost of \$10.5 million is 57 percent.

The GOP contribution of \$4.5 million will finance training, commodities, research, provincial subprojects, and compensation of government personnel and other operating expenses. Included in this figure is \$0.5 million to be provided by provincial governments.

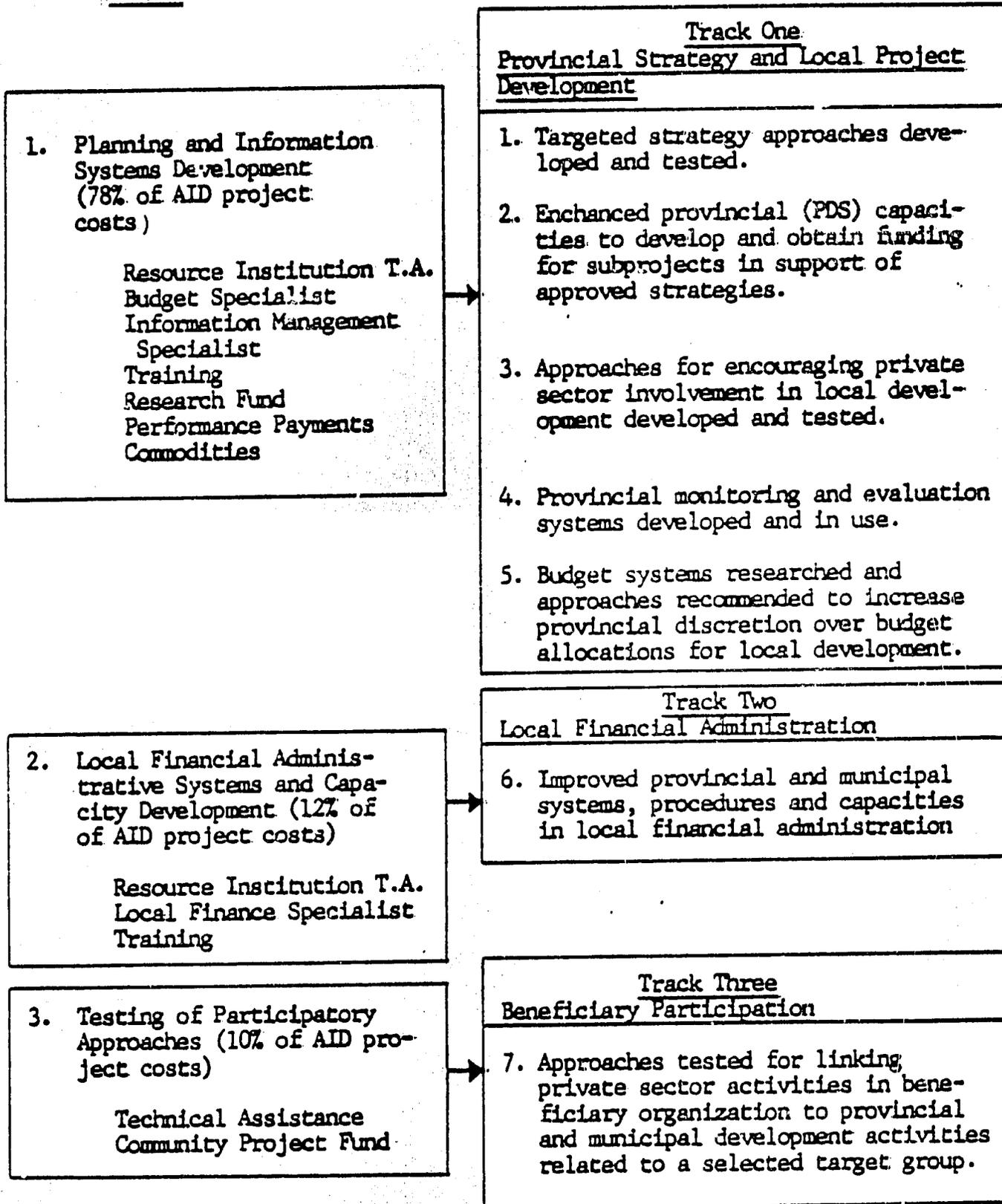
LRM will rely on a mutually reinforcing set of inputs to deliver the planned outputs. Figure 1 illustrates the relationships between these inputs, grouped by functional category, and the outputs, grouped by project track. Table 2 provides Phase I costs of the functionally grouped inputs by source of funds. Table 3 provides the AID portion of Phase I costs by technical input and FX versus LC financing.

FIGURE 1

INPUT-OUTPUT RELATIONSHIPS

INPUTS

OUTPUTS



PHASE I BUDGET BY SOURCE OF FUNDS^{1/}
(\$ Thousand)

Functional Category	AID			GOP			Total All Sources
	Loan	Grant	Total	Central Gov't.	Provincial Gov't.	Total	
<u>Planning and Information Systems Development</u>	3,830	865	4,695	3,860	375	4,235	8,930
1. Technical Assistance	(1,505)	(375)	(1,880)	-	-	-	(1,880)
2. Training	-	(135)	(135)	(105)	-	(105)	(240)
3. Commodities	(200)	-	(200)	(20)	-	(20)	(220)
4. Research Fund	-	(320)	(320)	(260)	-	(260)	(580)
5. Subprojects	-	-	-	(3,035)	(215)	(3,250)*	(3,250)*
6. Performance Payments ^{2/}	(2,125)*	-	(2,125)*	-	-	-	(2,125)*
7. Evaluations	-	(35)	(35)	-	-	-	(35)
8. GOP Salaries, Allowances, and Operating Expenses	-	-	-	(440)	(160)	(600)	(600)
<u>Local Financial Administrative Systems and Capacity Development</u>	670	35	705	145	95	240	945
1. Technical Assistance	(670)	-	(670)	-	-	-	670
2. Training	-	(35)	(35)	(35)	-	(35)	(70)
3. GOP Salaries, Allowances, and Operating Expenses	-	-	-	(110)	(95)	(205)	(205)
<u>Testing of Participatory Approaches</u>	-	600	600	-	65	65	665
1. Technical Assistance	-	(150)	(150)	-	-	-	(150)
2. Community Project Fund	-	(450)	(450)	-	-	-	(450) ^{3/}
3. GOP Salaries, Allowances, and Operating Expenses	-	-	-	-	(65)	(65)	(65)
TOTAL	4,500	1,500	6,000	4,005	535	4,540 ^{4/} *	10,540 *
<u>% of Project Cost</u>	43	14	57	38	5	(Net 2,415 43 *	8,415)* 100
	(Net 54	18	72	22	6	28)*	

* GOP budgeted funds for subprojects will be offset by AID's performance payments of \$2,125 (\$ Thousand). This leaves a balance of GOP resource inputs shown by the "net" figures.

1/ Includes 10% contingencies and 10% compounded annual inflation factor.
 2/ Support for satisfactory performance by central and provincial governments in testing planning and budgetary innovations is based on capitalization by the central government of provincial accounts for subprojects.
 3/ At least 25% of the cost of community projects must be contributed from other than U. S. Government sources. This is in addition to the amount shown here.
 4/ Made up entirely of GOP appropriated pesos.

TABLE 3
PHASE I
AID PORTION OF COSTS
(\$ Thousand)

<u>Technical Input</u>	Loan			Grant			Total			percent of Costs
	<u>FX</u>	<u>LC</u>	<u>Total</u>	<u>FX</u>	<u>LC</u>	<u>Total</u>	<u>FX</u>	<u>LC</u>	<u>Total</u>	
Technical Assistance	570	1,605	2,175	-	525	525	570	2,130	2,700	45
Training	-	-	-	40	130	170	40	130	170	3
Commodities ^{1/}	140	60	200	-	-	-	140	60	200	3
Research Fund	-	-	-	-	320	320	-	320	320	5
Performance Payment	-	2,125	2,125	-	-	-	-	2,125	2,125	35
Evaluations	-	-	-	10	25	35	10	25	35	1
Community Projects	-	-	-	-	450	450	-	450	450	8
Total	710	3,790	4,500	50	1,450	1,500	760	5,240	6,000	100

^{1/}The Commodity Procurement Plan, including the commodity list, is provided as Annex I.

B. Allocation of Subproject Funds Among Provinces

The allocation of subproject funds among participating provinces will be on the basis of indicative planning levels established each year by NEDA. The provinces will develop their annual program plans against these levels. The indicative allocations will be based on three criteria: a) need, defined in terms of family income, b) the amount of financial assistance being provided through foreign donor assisted programs and c) the level of effort made by local government to raise tax revenues for local development. Annex E discusses a provincial allocation formula which might be used to incorporate these criteria. During the course of project implementation, other means of building in incentives for provinces will be tested. One possibility would be to award higher indicative planning levels to those provinces submitting especially good poverty group strategy documents to the RDC. Quality would be judged based upon the criteria discussed in Part V, Section B.

The amount of subproject funds from the central government actually released to a given province each year will depend upon its capacity to develop feasible, cost effective, poverty group-focused subproject proposals whose aggregate cost approaches the previous year's NEDA approved indicative planning level (reflected in the GOP annual appropriations act). Any part of the annual planned funding level for which the province does not provide acceptable subprojects will become available for reprogramming into another province's portfolio. The additional funding will be assigned to a different province whenever: a) estimated life of project costs of all subprojects in that province's portfolio exceed the indicative planning level; and b) financial and program related evaluations indicate that subproject implementation in that province is proceeding satisfactorily. The RDC will have the authority to reprogram funds in this manner whenever the "donor" and "recipient" provinces are located in the same region; NEDA central when reprogramming is possible only between provinces in different regions.

Finally, the RDC will review progress in implementation of each ongoing LRM subproject, especially those spanning more than one year. Where implementation is lagging, annual funds release requests may be reduced from planned levels; where it is exceeding planned rates, such requests may be increased.

C. GOP Funds Release Mechanism and Accountability Requirements for Subprojects

GOP funds for subprojects will be released once a year. Each qualifying province will receive an allotment equal to the estimated combined costs of all approved subprojects over the next twelve months.

The trigger mechanism for release of these funds will be a request made by the RDC to the Office of Budget and Management (OBM) which includes a certification that the new subprojects for which funding is requested meet established criteria (discussed in Part V, Section B). The OBM will release pesos through the Bureau of Treasury directly to the province for deposit into

special subproject accounts administered by the provincial treasurer. Through this procedure, which is similar to that used in releasing internal revenue allotments to local government units, the OBM will transfer all control over and responsibility for these funds to the province and will require no further documentation concerning their use. The provincial treasurer, provincial auditor (who is the representative of the GOP's Commission on Audit) and ultimately the governor will be responsible for ensuring that subproject funds, including the province's own contributions, are used efficiently and for the proper purposes. A regular reporting system will keep Regional NEDA informed as to the utilization of subproject funds as a further check on accountability. This will include ensuring that the province meets its own obligations for subproject funding contributions. As lead agency, NEDA will be able to take corrective action through the RDC, its own persuasive powers, and ultimately through control over next year's subproject funding approval process.

D. AID Disbursement Procedure and Accountability Requirements for Testing of Planning and Budgetary Innovations (Performance Payments)

Disbursements of dollars from the "performance payment" budget line item under Planning and Information Systems Development (Table 1) will be keyed to satisfactory performance by the GOP. One element of performance will be the capitalization of a subproject account in the national budget, and dollar disbursements will be based on disbursements of GOP appropriated pesos from this account. During the first year of subproject implementation, what AID "purchases" in effect will be provincial poverty group strategies, annual program plans, and subproject proposals--all consistent with the criteria discussed in Part V, Section B--and the actual release of central government revenues to the provinces for their use in implementing subprojects approved under the new trial system. In addition, AID obtains initial evaluations of the effectiveness of these activities in benefiting targeted poverty groups. Thus, each AID disbursement for this element of the project will be an expenditure and not an advance. After the first year, AID will also disburse against these performance outputs or actions relating to provinces being newly inducted into the project, but will make further disbursements relating to provinces already participating in the project only if the evidence indicates that they are effectively implementing subprojects initiated the previous year. Thus, AID will reserve the right to reduce or stop new disbursements relative to performance of a particular province if it is doing a poor job of managing its ongoing LRM subprojects. On the other hand, AID will not require a financial accounting of subproject costs already incurred since the GOP, not AID, is paying for subprojects.

The type of performance to which AID will tie its disbursements for testing of planning and budgetary innovations does not lend itself to the Fixed Amount Reimbursement (FAR) procedure. While the FAR approach is appropriate for projects through which AID finances "blueprint" outputs such as buildings and roads and where local resources are available for full front end financing, it is not suitable for such projects as LRM where the outputs are less tangible and not definable in advance, where local resources are not

available for full front end financing and, most importantly, where the emphasis is on experimentation, institutional development, and policy change.

As for the actual mechanics of dollar disbursements, USAID will disburse annually and on the basis of national/provincial performance relative to each province participating in the project. Prior to the first year's disbursements for performance payments related to a given province (subproject implementation will begin in 1984), AID will require evidence that the GOP's LRM review and approval process for the provincial strategy, annual program plan, and first round of subproject proposals has been completed and that appropriated pesos for approved subprojects have been released by the OBM and duly deposited in the province's special accounts for LRM subprojects. In addition, USAID will review the province's initial strategy to ensure that it is consistent with the approval criteria discussed in Part V, Section B.2. The same general procedure will be followed in the province's second year of subproject implementation with the exception that no further AID review of the strategy will be required. USAID will rely on the project's monitoring and evaluation system and the RDC's review of subproject implementation progress during the past year to determine the level of dollar disbursements for the coming year.

It is estimated that during Phase I, AID will disburse in dollars for performance payment the equivalent of about 70% of the total peso releases by the central government for subprojects. This, in effect, will be the sum of the amount of dollars in all of the annual, province-specific AID performance payment disbursements, since each will equal the equivalent of 70% of the annual peso releases by the OBM to the province. For example, if the OBM releases the peso equivalent of \$250 thousand in 1984 to Antique province for subproject implementation, AID will then disburse about \$175 thousand to the Bureau of the Treasury, assuming that all performance requirements have been met up to that point.

E. Sustainability of Recurrent Costs and Post LRM Funding

As LRM activities expand over time, additional financial resources will be required to administer the program and to finance the costs of subprojects. Possible sources of these funds include a) AID or other donors; b) the national GOP (through allocation of additional budgetary resources or reallocations from other local development activities); c) local governments (through increased tax and other local revenues); and d) beneficiary groups (through income generated from subprojects). Additional resources from the latter two sources should, in fact, be a direct outgrowth of the program.

The replicability and sustainability of LRM will depend ultimately upon demonstrating to funding sources, i.e. the GOP and foreign donors, that the targeted, participatory approaches to planning and investment at the local level are less costly and more effective in achieving development objectives than the current non-targeted, largely non-participatory approaches. It is reasonable to expect this to be the case, given the probabilities that a) relatively low cost subprojects will be the general pattern under LRM,

b) low costs per beneficiary will be achieved, c) subprojects will be better designed to take into account local conditions, and d) subprojects will generally involve more beneficiary group participation. It is nonetheless true that the LRM approaches are innovative, untried, and therefore are riskier than conventional approaches. For this reason both AID and the GOP are limiting their firm commitments in terms of resources, geographic coverage, and time until evaluations indicate that the new approaches are better than the old in reaching the most difficult groups to serve through development programs.

PART IV. SUMMARY OF FEASIBILITY ANALYSES^{1/}

A. Technical Considerations

LRM institutional development efforts build upon prior GOP investments and experience in strengthening provincial and regional capacities for undertaking expanded, targeted development programs. LRM plans to use these capacities and to rely primarily on existing organizations and staff for its implementation. The project does not intend to introduce structural changes or develop new production-oriented technology, but will introduce tested technologies as appropriate. The project proposes to develop and test more responsive approaches to local development requiring a reorientation of current local government planning, new skills in poverty analysis, and new management techniques.

1. Assessment/Description of Regional and Provincial Planning Mechanism

The current regional and provincial planning mechanism dates back to the 1972 Integrated Reorganization Plan (IRP), which provided for (1) establishment of regional field organizations of ministries providing field services, and (2) establishment of Regional Development Councils (RDC's) in each region with responsibility for coordinating regional and local government activities and preparation of annual and long-term plans.

In 1974-75, the NEDA Regional Offices (NRO's) were established as the full-time technical staff of the RDC's. In 1976, the NRO's began to develop the first five-year Regional Development Plans (RDP's). The RDP's are designed to analyze the development problems and potentials of the various regions and provide profiles of resources, economic development, and social conditions. The Regional Development Investment Plans (RDIP's) contain a listing of priority programs and projects to be undertaken to implement the RDP's. To date, the focus of the five-year plans has been on planning of public investments which are primarily of an infrastructure nature and under the direct control of the government ministries.

^{1/} See Annex E for a more detailed discussion.

The Municipal Local Development (Town) Plan is the basic document from which provincial development program plans should be derived. In practice, however, the municipal level plans are generally poorly done for lack of planning staff in the municipalities. In the absence of adequate plans, the Provincial Development Staff (PDS) meets regularly with municipal officials to reach a consensus as to what can and cannot be done with available financial and staff resources. These mostly informal consultations are the basis for the preparation of the Provincial Development Investment Plan (PDIP), which sets forth the long-term planning framework for the province. The PDIP follows the RDIP in structure, analyzing development problems and potentials and proposing projects for funding. The PDIP is submitted to the RDC and forms the basis for the RDIP.

The quality of the regional and provincial plans is a function of the experience and training of the staffs of the Regional NEDA and the PDS's and their success in coordinating or drawing in the assistance and resources of the line agencies. In general, RDIP's and the PDIP's have reflected line agencies' priorities, which may or may not correspond to priorities of the intended beneficiary groups.

Inclusion of LRM strategies, programs, and targeted subprojects in RDIP's and PDIP's will require a planning reorientation, training, and other technical assistance. The LRM project will provide these inputs and will also finance management and planning services through the resource institutions for strengthening provincial planning and its link to the regional planning exercise.

There is abundant evidence from the PDAP and Special Projects (especially RSC) experience to show that local governments, given the proper training, guidance, and financial support, can successfully undertake LRM strategizing, program planning, and subproject development.

2. Assessment of Financial Administration and Budgetary Procedures

Many fiscal reforms have been enacted to guarantee and promote autonomy of local governments by giving them the power to create their own sources of revenue and to levy taxes. However, improvements in local governments' financial administration and devolution of budgetary authority have been disappointing. Since the majority of local government expenditures are mandated, there is little incentive for local governments to increase their own taxing efforts. Revenue sources of provinces and municipalities are not being fully tapped and local government officials are not fully aware of the authorities granted to them under the law. Much of the problem stems from the lack of technical know-how, insufficient tax information or, in general, weak financial administration.

Syracuse University studies on Philippine local government finance concluded that three kinds of changes are necessary: The most important is to increase the incentives for local governments to mobilize more resources. A second is to give local governments some additional latitude in their fiscal

decisions, thereby increasing their accountability as well as their autonomy. The third is to increase the flow of resources and technical assistance to the local level. The Syracuse study also recommended reforms in three important areas:

- improvements and changes in the allotment system;
- institution of a credit financing schemes^{1/}; and
- less mandating of local government expenditures.

With MOB assistance, LRM plans to work through the existing regional budgetary system. It will explore various alternative procedures such as an annual budget release direct to the province. MOB and MOF agree that this procedure should be tested as an alternative to the current restrictive quarterly release mechanism, which does not allow provinces to work at their own pace.

LRM also plans to address the problems identified above through improvements in local financial administration (capacities and procedures) and by sponsoring analysis of policy issues that constrain local governments' capacity or create disincentives to mobilization of local financial resources. It should be noted that the RSC project has been able to work successfully with city governments in developing better financial procedures for administration. These procedures should also generally apply to provinces and municipalities, and such technical assistance at the local and central levels needs to be continued.

B. Institutional Considerations

Traditionally, power and authority have been concentrated in the central government. However, GOP policy and plans give evidence of a genuine attempt to devolve authority and control to the subnational level. Already, regionalization efforts include institutionalizing the Regional Development Councils (RDC's) and involving provinces in the identification of development priorities under the regional development planning process.

Actual devolution of authority has been slow, however, as there are still strong pressures to retain centralized authority over the planning process and use of budgetary resources. Achieving acceptance of such notions as poverty group involvement in development planning will require time and commitment at all levels of government. Moreover, initiators of bottom-up decision-making approaches through LRM or similar programs must guard against instituting systems and processes that can become subject to central control by the implementing agency in Manila or even by the RDC.

^{1/} Systems and processes for local governments to borrow for financing local development activities.

1. NEDA as the Lead Agency for LRM

NEDA is the central agency for national development planning and is responsible for coordination of LRM program implementation. NEDA has gained considerable experience and capacity in planning and in the coordination of local government activities through its regional offices. NEDA's leadership position as the central planning body of the government and, at the regional level, as the executive arm of the RDC makes it a natural lead agency for the implementation, maintenance, and promotion of LRM. NEDA is also in a key position to facilitate and mobilize support and resources from national line agencies.

LRM administration and implementation, including subnational planning, will be carried out through several existing NEDA structures. The proposed LRM organization will not require a major reorganization or much new staffing. It will be necessary to add planning specialists with analytic skills and graduate training in the social sciences at both the national and regional levels, but all other planning areas are now within NEDA's scope and staffing. The NEDA units will be supported by resource institutions which will assist in such areas as poverty group planning and process documentation. An important management tool will be LRM's continuous evaluation (i.e., the monitoring, evaluation, process documentation feedback system) which will keep the pulse of field operations and signal problems that need corrective action. This evaluation and monitoring system will strengthen NEDA's capacity to plan and replicate LRM approaches over the long term.

2. Regional Development Council

Regional Development Councils (RDC's) have been established to coordinate the implementation of policies, programs, and projects in the regions. The RDC structure provides an ideal decentralized mechanism for linking national line agencies, councils, boards, and authorities working at the subnational level with local governments and the beneficiaries at the municipal and barangay levels.

The RDC organizations vary in strength and cohesiveness, owing to (a) the uneven development within the regions, whereby one or two provinces may dominate the regional economy, and (b) personal influence of local officials at national ministerial levels or with the Office of the President, which tends to subvert the process of working through the regional structure. Consequently, LRM will need to deal with each RDC on a case-by-case basis, providing more attention to those with less capacity. Procedures and responsibilities of the RDC under LRM have been carefully spelled out in the implementation plan (Part V), which includes specific criteria for approval of strategies, plans, and subprojects. The discipline, technical assistance, and added authorities provided through LRM (e.g. control of LRM subprojects) should strengthen the RDC's over the long term.

Concern has been expressed by the project designers with respect to the RDC's ability to secure cooperation and coordinate national line agencies which operate with a separate budget not under RDC control.

However, the Ministry of Budget's decision to have line agency budgets reviewed by the RDC at the regional level promises to give the RDC an opportunity to increase its stature and influence. The presence of the office of the NEDA Regional Director as the principal executive arm of the RDC with direct linkage to the influential National NEDA should also serve to secure cooperation by line agencies. There will be need for national and regional LRM management and technical staff to carefully orient and continually consult with line agencies on LRM concepts and proposals so as to insure understanding and to avoid conflicts, but most importantly, to secure the line agencies' technical and financial support for provincial strategy implementation.

3. The Provincial Government

The role of the provincial government in LRM will be crucial since the province will have primary responsibility for planning, implementing, monitoring, and evaluating all local activities under the project. Moreover, the province will act as the principal communications link between the RDC and the municipalities.

Two factors are key to a province's success in carrying out its responsibilities under the project. The first is the commitment of the provincial governor to the underlying LRM philosophy. The second factor is the quality, commitment, and experience of the Provincial Development Staff (PDS) responsible for most subproject implementation. The governors and their staffs interviewed during the design of LRM were very receptive and enthusiastic about the project, since their provinces stand to benefit in terms of having more financial resources available to support locally identified development activities. LRM also gives governors the opportunity to strengthen their political base and staff capacities.

There is ample evidence that many but not all provinces have the basic competence to participate successfully in LRM. PDAP provinces, for example, appear generally to have the requisite capacity. Provinces such as these, with strong PDS's, should have little difficulty in expanding their coverage to LRM activities. Other provinces, whose capacities range from good to poor, will require strengthening through LRM technical assistance and training before they will be ready to undertake the kinds of activities planned under LRM.

4. The Municipality

Under Part II B, Rationale, it was noted that most municipalities presently do not have the capacity to carry out major planning and implementation responsibilities under LRM. Therefore, LRM will not work directly with the municipalities; rather, LRM will work with municipalities through the province. The project designers recognize, however, that municipal (rather than provincial) officials must be primarily responsible for establishing an environment conducive to local development, given that all development activities take place at the municipal level and that the linkage to the beneficiaries of government programs is through the municipality. Accordingly, the mayor, municipal development council, municipal development

staff, and barangay officials of selected LRM municipalities (having large concentrations of the target group), working with the PDS and local private sector organizations such as PVO's, will be encouraged and trained to act as facilitators and ombudsmen for their poverty groups. During the project course, the project will seek to strengthen the municipalities to take on a more direct role in managing their own development.

C. Economic Analysis

The ILO study in 1974^{1/} laid the analytical basis for subsequent development planning in this country and emphasized the overriding importance of rural mobilization and employment generation. The first World Bank "Basic Report" on the Philippines,^{2/} noted, in turn, that "the shortage of trained personnel in local and municipal governments, their lack of financial resources, and their limited expenditure powers have been important constraints to development".

The FY 82, 83 and 84 CDSS's describe an assistance strategy that will support the generation of more productive employment for poor groups in rural areas as the key to poverty alleviation. This requires the creation of more jobs, the promotion of higher productivity in existing jobs, and the long-run reduction in the rate of growth of the labor force to reduce the competition for jobs. USAID is currently working actively with the GOP to design projects against this poverty strategy.

A considerable amount of public and private investment and improvement of public services in rural areas will be required before these poverty oriented activities can successfully attain their goals. Without initial public investments and improvements in local government capacity to plan and manage basic infrastructure and public service facilities, the efficiency of all other economic activities will remain low and private sector investors will go elsewhere (or stay in Manila). Such locally specified infrastructure and service delivery capacity needs to be further developed through LRM and other development programs.

LRM's development of better local government planning, administration, and financial management should have a significant impact on all other public and private sector activities. For example, LRM's capacity building approach will include provision for training and technical assistance in the analysis and consideration of economic and financial, as well as social and

^{1/} International Labor Office (ILO), Sharing in Development, A Programme of Employment, Equity and Growth for the Philippines, ILO and NEDA, Geneva and Manila, 1974.

^{2/} World Bank, The Philippines, Priorities and Prospects for Development, Washington, D.C., 1976.

environmental and other feasibility issues. In addition, its institution building thrust and improved planning and analysis activities represent a cost-effective approach to support and encourage more efficient investments also stimulating more productive employment for specific poverty groups. This improved efficiency will also impact on other USAID related investments, e.g. Rural Private Enterprise Development and Rainfed Resources Development, which also offer potential for enhanced income and employment .

Each LRM subproject will have to be justified on either economic cost-benefit or cost effectiveness grounds, and this justification will be carefully reviewed prior to subproject approval by the RDC. Such economic feasibility analysis will also be used to screen alternative subproject proposals for priority funding selection.

The USAID-funded Economic and Social Impact Analysis/Women in Development (ESIA/WID) Project has provided experience and laid the groundwork for better analysis. The ESIA/WID project has worked in Region VI, developing suitable methodologies for impact assessment and testing the administrative feasibility of using them at the regional and local levels. This experience will be utilized and expanded to other regions.

D. Social Soundness Analysis

1. Beneficiaries

Potential direct beneficiaries of this program are the more than 630,000 poor families living in Regions V (Bicol), VI (Western Visayas) and VIII (Eastern Visayas). In Phase I beneficiaries will be residents of six provinces, representing an estimated 90,000 families (more or less depending on the provinces and target groups selected). Direct beneficiaries can be divided into four major poverty groups: landless laborers, upland farmers, subsistence fishermen, and coconut farmers.

LRM aims to improve the living conditions of these direct beneficiaries by (1) improving their access to and effective utilization of their respective resource bases; (2) expanding their employment opportunities, both primary and supplemental; and (3) increasing their access to certain basic social services (e.g., water, sanitation, education).

In addition, the project has several hundred indirect beneficiaries. These are primarily the numerous provincial and municipal officials who will receive training under the project to (1) undertake poverty-group focused socio-economic research; (2) identify and understand existing constraints to increasing income, employment, and well-being; and (3) plan, design, and implement local development projects which benefit the target group.

In terms of addressing rural poverty in the Philippines, a project like LRM is long overdue. Evidence from several sources shows clearly that disparities in rural income distribution are increasing despite fairly

intensive efforts in the countryside. LRM is expected to have significant impact on the development policy and performance of local government and over time should improve the conditions of the rural poor.

2. Socio-Cultural Feasibility

All LRM subprojects will be subjected to the usual social soundness analysis during subproject development to ensure their feasibility within the local socio-cultural context. For subprojects developed at the community level using a participatory development approach, tests for social soundness will be minimal because the beneficiaries themselves, with the assistance of PVO's and other change agents, will have identified and planned the projects that will benefit them. Experience from the USAID-assisted Rural Service Center (RSC) project shows that when target beneficiaries are involved in the development process, projects are generally sociologically sound.

Social soundness criteria for projects identified and designed by provincial officials will, by necessity, be more stringent. These subprojects will have to be in accordance with the province's poverty group strategy, insure that benefits reach appropriate poverty groups, and be compatible with the local social and cultural system.

Although provinces have not had much exposure to social feasibility studies, experience with the RSC project leads us to expect that with training, guidance, and experience, the PDS will be able to undertake necessary social feasibility studies. NEDA management and technical staffs, as well as the various resource institutions, will be available to assist the PDS in these social soundness analyses.

Participation--especially in the design and planning stage of the project--will foster a sense of ownership, vested interest, and responsibility in the beneficiaries. People will tend to view a particular project as their own and will feel they have a personal stake in its success or failure. This attitude should ultimately result in successful and sustainable development projects.

LRM's focus for subproject activities is the household.^{1/} Thus, although women will not be singled out for special attention, they will participate as members of the household. Their role in LRM subprojects should be significant since Philippine culture allows for and to some extent requires their active involvement in economic life. For example, when men are in the field, women are often sent as the household's representatives to village assemblies. In addition, women contribute their labor in income generating activities and often manage the household's finances. As such, women can also be expected to carry out such important functions in LRM subprojects.

There should be a spread effect from one locality to another. As rural people view the successes of the participatory development process in neighboring villages, they, too, will want to join in the program. Also, as provincial and municipal development staff personnel learn from training and

^{1/} Household focus includes consideration of intrahousehold relationships and of the roles of women and men within the household and the extended family.

experience, thereby gaining greater confidence in their skills and abilities, it is expected that their attitudes will change toward bottom-up, participatory development. This should also become manifest in other, non-LRM types of development activities.

LRM should generally have a positive impact on low household income, unemployment and under-employment, and disparities in income distribution since LRM demands an explicit identification of the largest or most important groups of poor, plus a thorough understanding of the problems facing these groups, and forces provincial governments to direct a share of their development efforts and resources toward assisting the rural poor in their area.

There is sufficient evidence both worldwide and in the Philippines^{1/} to show that a bottom-up, targeted approach to local development is not only feasible but is generally more successful in terms of appropriateness and sustainability. Analyses of the reasons for project success reveal that community participation in the form of implementation decision making and commitment of labor and cash to the project is a critical factor.^{2/} Evidence concerning the success of the bottom-up, targeted approach in the Philippines is provided in Annex C.

E. Environmental Analysis and Review Procedures

1. Environmental Impact of the Project

In general, the project and its subproject activities are unlikely to have significant direct environmental impacts. Subproject activities will be modest in size, usually well under \$100,000.

The project, however, does have potential for significant but indirect positive environmental effects. The project will be able to tap the resources of national line agencies and companion AID projects, such as the Rainfed Resources Development Project (RRD). Under RRD, environmental management expertise will be available to the regions. LRM also will make available resources for specialized technical assistance and can provide local level training in environmental management.

^{1/} See Celia T. Castillo, Beyond Manila, Philippine Rural Problems in Perspective, International Development Research Center, Ottawa, 1979.

^{2/} Elliot Morss et al., Strategies for Small Farmer Development: An Empirical Study of Rural Development Projects, prepared for U.S. Agency for International Development (Washington, D.C.: 1975); Norman T. Uphoff and Milton J. Esman, Local Organization for Rural Development: Analysis of Asian Experience (Ithaca, N.Y.: Cornell University Press, 1974).

2. Environmental Analysis Procedure

Environmental soundness will be a part of subproject feasibility assessment, monitoring, and evaluation. The proposed procedure is simple, since elaborate environmental analysis and review procedures would be inappropriate to the small subproject: and few, if any, of the small subproject activities are likely to merit extensive review. Nevertheless, a check system for environmental safeguarding should be maintained.

Each subproject proposal will thus be subject to the following procedure:

a. The RDC, in consultation with NEDA technical staff, will determine whether or not the proposed subproject would have a potentially significant adverse environmental impact.

b. If a significant potential environmental impact is determined, USAID will be notified, along with the appropriate GOP agencies.

c. The NEDA technical staff, in consultation with the USAID Environmental Officer, will decide what, if any, additional environmental evaluation efforts are necessary, such as the preparation of a full Environmental Assessment. The Project Officer then would notify the Regional Environmental Officer of this decision.

Use of these last two steps is not anticipated under the LRM Project. However, the pre-establishment of the procedure, and its inclusion in the project agreement, should preclude any problems later on.

3. Monitoring and Evaluation

Environmental impact will also be included as one of the criteria in all official reviews of the project. In addition, the Project Officer will invite the Regional Environmental Officer to examine the project within approximately one year of its initiation to review progress and possible revision of procedures.

PART V - SUMMARY OF IMPLEMENTATION PLAN^{1/}

A. Institutional Arrangements for Implementation

LRM implementation procedures emphasize:

1. Working through existing organizational structures for planning and implementation.
2. Working in consonance with GOP regionalization policy.
3. Reliance on existing provincial capacities.

^{1/} See Annex F for a more detailed discussion.

4. Local mobilization of private and public sector resources.
5. Continuous self-evaluation based on intensive monitoring.

Assessments indicate that there is considerable capacity at the regional and provincial level to implement and manage LRM activities. However, working with targeted approaches differs fundamentally from employing the traditional non-targeted approaches, and most provinces will be called upon to perform distinctive and often unfamiliar roles in planning and implementation efforts. The new skills and orientation required to put the new approaches into effect will be products of formal training, the experience gained from project implementation, and technical assistance.

Pre-implementation activities will be scheduled for each province selected for participation. These will include orientation of local officials to their roles, tasks and responsibilities, preparation of work plans, mobilization of staff, etc.

The following summarizes the functional responsibilities of key implementing and support entities^{1/} and technical assistance requirements.

1. The Lead Agency (NEDA Central and Region)

The Director for the Project will be assisted by LRM project staff drawn mostly from existing NEDA offices who will serve as the central management and technical staff unit for LRM administration and coordination of all activities across the three participating regions. NEDA regional staffs will function in much the same manner as the central management unit but will operate across provinces. NEDA will coordinate field activities, including those related to technical assistance, research, training, monitoring and evaluation, and replication of tested approaches. (See Figure 2 for the LRM Organizational Diagram.)

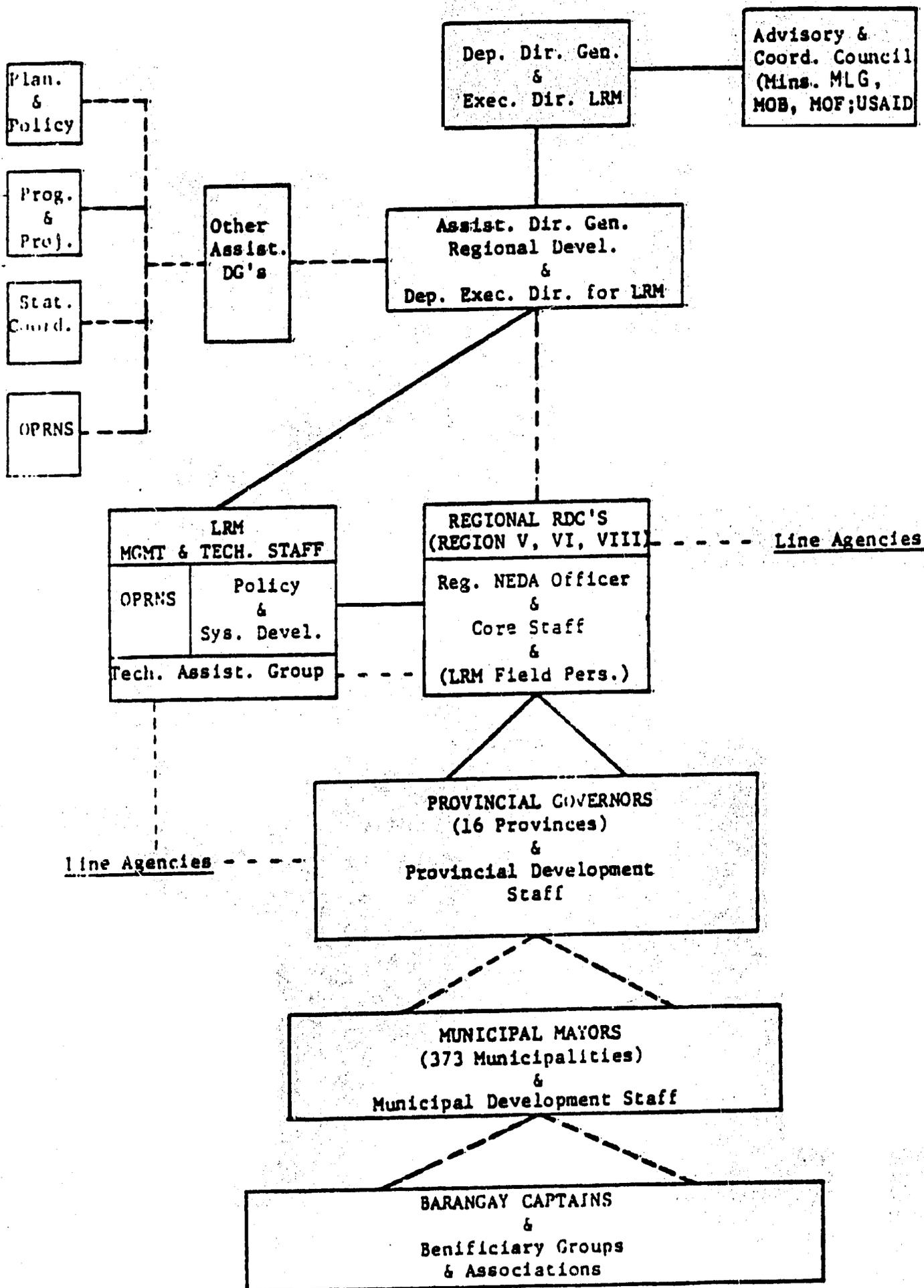
A key function of NEDA as it works with the RDC's will be to assist provinces to coordinate actions of national agencies and local government institutions which cut horizontally and vertically. Another will be to establish institutional arrangements, systems, and processes for encouraging private sector involvement in development activities.

2. USAID

The LRM project officer will be assisted in the administration of the project by one U.S. direct hire and two experienced Filipino program specialists.

^{1/} The order of discussion is not intended to indicate a top-down approach. Under LRM, the province is the beginning point for most planning and implementation activities. Over time, the focal point should shift to the municipality.

LRM ORGANIZATION



3. National Line Agencies

Some 23 national line agencies are represented in the Regional Development Council. Many of these agencies also have representatives at the provincial levels. Line agency technical committees will provide the province and RDC advice on strategy formulation, annual program planning, and on the feasibility, design and implementation of subprojects.

The Office of Budget and Management (OBM) in Manila and in the region will be the backstop agency for subproject funding and budgetary procedures. The Ministry of Finance (MOF) and its local treasurers will administer funds release, accounting, and reporting of use of GOP funds. Directives will be issued by OBM and MOF spelling out procedures, which will be outlined in the Loan/Grant Agreement.

The regional and provincial offices of the Ministry of Local Government (MLG) will be intimately involved in LRM activities since the MLG retains significant supervisory control over local government actions. The regional, provincial, and municipal MLG representatives will participate in subproject planning, review, and approval, and in monitoring and evaluation. The local MLG representatives will assist in coordinating line agency support and will also provide support for improvements in financial administration and reporting.

4. Subnational Government (Regional, Provincial, Municipal)

Functions, responsibilities, and authorities of subnational government units are outlined under the Local Government Code. The main role of the Regional Development Council (RDC) is to coordinate local government activities. Under LRM, the key role of local governments (provinces and municipalities^{1/}) will be that of resource manager--linking local needs to local and external public and private resources. LRM will develop or strengthen local government for identifying priority target groups, introducing mechanisms by which target group members can contribute to the process of identifying their own needs and opportunities, and facilitating the acquisition of local and external technical and financial resources.

a. The Regional Development Council (RDC)

The RDC is the designated supervising and coordinating agency of subnational government activities. Under LRM, the RDC will select provinces to participate in LRM, review and approve provincial strategies, annual program plans and subprojects, and coordinate regional line agency activities in support of LRM field operations.

^{1/} Chartered cities are autonomous but will be treated as municipalities of a province for both planning and administrative purposes. Provincial-City memos of agreement will set forth terms and conditions for the cities participating in the LRM provincial program.

A key role of the RDC will be in the LRM funding process: It will approve annual budget levels based on approved strategies, request release of funds by the OBM based on favorable review of provincial subproject proposals, and insure accountability, i.e. proper and effective use of funds based on monitoring and evaluation reporting.

b. The Province

The province is the focal point for most LRM planning, implementation, monitoring and evaluation activities. The Provincial Development Staff (PDS), working with municipal officials, will undertake poverty studies and analyses leading to provincial strategy and annual program formulation. The PDS will be assisted by NEDA management and technical staffs, resource institution personnel, and line agency representatives assigned to the province.

c. The Municipality

Although most implementation actions will take place at the municipal level, the provincial government will initially assume most implementation and management responsibility at this level, given the general lack of capacity and staff in the municipalities.

The contributions of the selected municipalities will be key to the success of LRM since the primary government linkage to the beneficiaries is through the municipality. Establishing and maintaining this link will require reorienting and training of municipal officials to actively work with the intended beneficiaries to help them identify their needs, evaluate alternatives for meeting those needs, and decide upon a course of action. To the extent that municipal development staff are available and capable, the municipality will be directly involved in subproject design and implementation.

Under Track 3, (Beneficiary Participation), selected municipalities will work with provincially based private sector organizations (e.g. PVO's) in developing beneficiary organization models and integrating lessons derived from testing these models into future provincial planning. LRM-financed resource institutions will also collaborate with municipal officials to assist the beneficiary groups in design and implementation of the separately funded subprojects. The municipality is responsible for the approval of the design of these beneficiary group subprojects, and their continual monitoring and evaluation.

B. Project Implementation

1. Scope of Phase I

Over the Phase I period, six provinces in the three regions will participate. Three provinces will be inducted into the program beginning in late CY 82, followed by an additional three in mid-CY 1983.

Basic requirements for provincial participation include commitment to LRM concepts, a fully staffed PDS, and executed agreements with the RDC which commit provincial administrative machinery to LRM implementation and procedures.

2. Implementation Tracks

The three implementation tracks are mutually supportive and interrelated, but each can be implemented at its own pace. Over time, the three components will converge. The pace of convergence will vary according to local capacities.

a. Strategy and Local Project Development (Track One)

The provincial planning process is phased and iterative. It begins with formulation of a multi-year strategy. This is followed by preparation of an annual program plan in support of the strategy. The process is completed with the presentation of a set of fully packaged local development project proposals based upon the annual plan which meet LRM criteria. The RDC will review and approve each of these documents to ensure their consistency with LRM guidelines. Satisfactory completion of requirements will trigger release of central government funds for subprojects directly to the province.

Each subsequent round of planning and new province induction will take advantage of past experience and new information flows from research, monitoring and evaluation, and process documentation systems.

The following provides additional discussion of the major activities listed above.

(1) Provincial Strategy Formulation

The strategy is formulated by the PDS in collaboration with municipal officials and with the assistance of NEDA, line agencies, and resource institutions such as AIM. Criteria for RDC approval include, among others: adequacy of the poverty group analysis; extent to which the focus is on improving the livelihood of target group members; evidence of consultation with municipalities, barangays, and beneficiaries; extent to which the strategy provides for private sector initiatives in its implementation; and extent of local mobilization of financial and nonfinancial resources.

(2) The Provincial Annual Program Plan

Annual program planning is an established government practice which LRM will also observe. The program plan, developed by the PDS, is tied to the regional budget cycle and provides a general description and estimated cost of local subprojects proposed for funding. The Provincial Development Council approves the plan and budget estimates for submission to the RDC. Once approved by the RDC, the plan is incorporated in the Regional

Development Investment Plan, which is reviewed by OBM. The approved RDIP serves as the basis for establishing a budget figure and an appropriation level in the national budget.

(3) Subproject Development and Implementation

Under LRM, the PDS will be ultimately responsible for development of subproject documentation, including the required feasibility studies, for submission to the RDC. Technical personnel from the national line agencies and LRM financed resource institutions will assist in these efforts. Subproject development will involve interaction between public officials, line agency personnel, associations or representatives of poverty groups, and private sector voluntary, civic, and social organizations. To facilitate the process, LRM will organize seminars, workshops and local brainstorming sessions to elicit ideas and knowledge for better subproject design and implementation.

It is expected that local PVO's and other private sector organizations will play an increasing role in assisting municipalities and intended groups to identify, in project identification, project design, and implement subprojects. Priority will be given to subprojects which promise to strengthen municipal capacities to organize and serve poor groups and which promote local private sector involvement in local development.

Proposals submitted to the RDC will be reviewed for conformity with the basic LRM eligibility criteria, which include, among others: consistency with an approved poverty group strategy; sound design as indicated by adequate feasibility analysis; potential for significant economic and spread effect; adequacy of counterpart funding; evidence of beneficiary, barangay, and municipality involvement/consultation in project selection and design; and adequacy of the evaluation plan.

Following approval of subproject proposals by the RDC, funds will be released by the OBM to the province for one year's subproject implementation requirements.^{1/} Project costs will be of a local cost nature. Labor for subproject implementation will be provided by the community or provided through a cost-share arrangement involving LRM funding.

(4) Research Administration and Utilization

LRM will support the development of capacity in the RDC's, provincial governments, and local research organizations to understand local poverty dynamics, thereby making possible improved provincial planning. A research fund administered by NEDA central will finance studies proposed by both provinces and regions. The proposals will be evaluated for relevance to

^{1/} The amount of funds released for ongoing multi-year subprojects will depend upon the progress in implementing them up to that point.

provincial strategy formulation, annual program planning, and subproject identification and design; soundness of methodology; and appropriateness of scope.

Use of rapid reconnaissance methods will be encouraged in poverty-related research, particularly initial efforts directed at selection and characterization of beneficiary groups which represent sizeable populations and have a high incidence of poverty. More specifically, such methods will be utilized to determine poverty groups' geographic concentration and how their distribution over space relates to physical resources, topography, and administrative boundaries.

More focused studies will be carried out at the local level to increase understanding of the problems faced by typical households regarding such topics as their access to resources, means of livelihood, constraints to increasing household productivity and well-being, and potentials of the group for self-reliant development.

At the regional level, research will be aimed at understanding the dynamics of poverty regionwide and providing other information need to facilitate the phase-in of additional provinces and replication of improved systems developed during Phase I.

b. Local Financial Administration (Track Two)

This track will strengthen local governments' financial position through development of cost-effective and systems and procedures of local revenue administration, including revenue mobilization and financial management. Systems development will follow closely pilot efforts undertaken in the RSC project, whereby decision makers are trained to understand and more fully tap the revenue generating capacity of the province and municipalities. Local government financial management teams will be created to bring together key decision makers and to analyze financial reports generated by an improved monitoring system. This will help staff develop a clearer understanding of problems and resources needed to meet local development goals and to develop realistic revenue and expenditure budgets for planning and development activities.

c. Beneficiary Participation (Track Three)

NEDA technical and management staff will work closely with both the province and the municipalities to seek ways to initiate and expand beneficiary participation in the provincial strategy formulation and subproject generation process. The objective will be to increase the responsiveness of local government development efforts to locally identified needs. For purposes of administrative efficiency, it is planned that one or more private sector organizations will be engaged to take on the task of developing processes/models for linking private sector efforts in beneficiary organization to municipal governments' development activities. The national organization(s), in turn, will engage local organizations to assist in the day-to-day oversight of the community projects and other beneficiary group related activities.

As appropriate, some subproject ideas generated as a result of local organizations' work with beneficiaries might be proposed for inclusion in the regular provincial annual program plan for LRM subproject funding, subject to the usual RDC review/approval process. A separate, more flexible "community project" fund will also be established to finance the smaller local activities which result from local organizations' work and which will be managed and implemented by the beneficiaries themselves. The community project fund will be administered for NEDA by the national organization(s) and will finance subprojects with costs of up to ₱120,000 (\$15,000). In either case, a proposal must have the approval of the municipal government in order to be considered. It is anticipated that the initial subproject proposals generated will be predominantly for small-scale infrastructure but that as experience is gained, proposals will increasingly deal with income and employment generating subprojects.

Experience under this track will be carefully documented to facilitate later replication of beneficiary organizing approaches which are responsive to the needs of the poor.

3. Technical Assistance Requirements

Technical assistance requirements for the project have received special attention during project design since LRM efforts will extend beyond more traditional approaches to planning, budgeting, and resource mobilization. The following provides a brief background statement and summary of the terms of reference for technical assistance:

a. Technical Assistance Requirements for Strategy and Local Project Development (Track One)

(1) The technical assistance requirements for this track are rather specialized. Since the concepts underlying the targeted approach to planning are not widely known, understood, or proven feasible, prototypes of the desired process need to be tested, methodologies refined, and the existing planning systems and procedures modified to utilize targeted approaches which prove successful.

Requirements: A local resource institution able to provide personnel with a good understanding of existing local government structures and operations, an understanding of and commitment to LRM concepts, and a demonstrated ability to help the implementing units evolve new planning approaches and management systems.

The Asian Institute of Management (AIM) has been identified as one institution which can provide the necessary support services. It has been involved in developing new management concepts and methodologies such as those on which LRM is based, has worked on targeted approaches to regional agricultural planning much as LRM proposes, and has developed an applied institutional learning approach in communal irrigation work under the Philippine National Irrigation Administration.

(2) The success of LRM is highly dependent on the reliable flow of GOP resources to the local government. Local budgetary and financial revenue generation policy concerns and recommendations discussed in the Feasibility Analysis also need to be addressed.

Requirements: An individual with experience and training in the area of government budgeting and a good understanding of Philippine government budgetary systems; capacity to review and analyze current budgetary systems, procedures, and policies and prepare policy recommendations related to the efficient flow of resources to local government; and the ability to develop improved budgetary systems and procedures which support the implementation of government development programs.

A U.S. consultant has been identified who can provide the necessary support. Having worked with OBM and MOF, he is familiar with the GOP's existing budgetary systems and procedures.

(3) A low-cost information management system to facilitate a continual flow of information to various GOP agencies and local government units is basic to LRM's institutional learning process.

Requirements: An experienced U.S. or Filipino information management consultant(s) with demonstrated ability to help the implementing agency design and test a low-cost information management system and provide training to national, regional, and provincial staff in its use.

(4) Other Technical Assistance Requirements for Track One

(a) Research: Philippine and U.S. consultants will be contracted as needed to assist Regional NEDA Project Staffs in building provincial staff capacity to manage research effectively, conduct feasibility analysis training (e.g. social analysis, environmental assessment), develop skills to identify planning information needs, devise research strategies to meet those needs, review research proposals, and to actually utilize research findings. Consultants will also assist local educational and research institutions develop their capacity to respond effectively to research requests initiated by the provinces and regions.

(b) Planning: Another important source of technical assistance will be the experienced Provincial Development Staff who will provide advice and guidance to their counterparts in other less prepared provinces through short-term TDY's arranged through LRM.

b. Technical Assistance Requirements for Local Financial Administration (Track Two)

The experience of PDAP, the Rural Service Center project, and other USAID-supported projects points to the serious need to improve local government financial administrative practices and procedures. Of particular concern is the issue of recurrent local government costs and revenue generation to maintain or expand local development programs. Although the RPTA

Project is now developing systems for improved real property tax administration, the deficiencies go beyond just tax collection.

Requirements: A local resource institution with a good understanding of the existing government structures and operations; an understanding of local government finance; a capacity to help local governments evolve new financial administrative approaches and management systems (approaches developed by RSC will provide a foundation for further development of these systems); and the capacity to provide on-the-job training to local government officials in the utilization of such systems.

The Local Government Center (LGC) of the University of the Philippines has been identified as one institution which can provide the necessary support services. It has participated in the studies of local revenue administration coordinated by PIDS and has extensive experience in working with local governments. The LGC administers various career development courses for senior local government officials and has an established relationship with most of the local government units.

In addition, a U.S. financial management specialist has been identified to backstop this effort. He is familiar with the RSC approach and Philippine fiscal systems and has experience in broad local government planning and administration. He will insure that financial systems are integrated and linked to the broader LRM targeted planning effort.

c. Technical Assistance Requirements for Beneficiary Participation (Track Three)

Under this track, LRM seeks to link the expertise of private sector agencies experienced in beneficiary organization to municipal level development activities supporting provincial strategies. FVO's and other private sector civic and social organizations will be engaged to assist local governments and poverty groups in organization, planning, and self-development. Through this process models related to beneficiary participation will be developed.

Requirements: One or more Philippine organizations with the capacity to administer the experimental model development. The assisting organization(s) must have an understanding of and commitment to LRM concepts, experience in working with local governments, and a good understanding of the local community generally. As the national entity or entities will be dealing with local organizations, it (they) must have a proven capacity to manage and monitor local organizations which will be engaged to organize local community activities and develop capacities within beneficiary communities to plan and implement barangay level activities.

Examples of national organizations which could undertake this activity are Philippine Business for Social Progress (PBSP) and the International Institute for Rural Reconstruction (IIRR):

PBSP is a PVO sponsored by 123 members of the Philippine business community. PBSP provides funding and technical assistance to some 100 local private voluntary development groups working at the barangay level throughout the Philippines. It backstops these activities with a strong monitoring and evaluation program. It has a full-time core staff of some 30 professionals.

IIRR is an international PVO based in Cavite Province. It provides technical, financial, and training support to affiliated national rural reconstruction movements in Thailand, Colombia, Guatemala and the Philippines. It has carried out its own community level development activities in Cavite Province, where it has worked closely with municipal governments in Cavite. One attractive and effective IIRR concept is the People's School, which offers training to community selected leaders in basic technologies which are then shared with other community members. IIRR is presently assisting Antique Province and is supporting efforts by World Vision in Mindoro and other parts of the Philippines.

C. Illustration of How Planning, Research, and Project Identification Might Unfold Under LRM (Round 1)

Let us assume that Antique will be one of the three initial provinces selected for LRM and illustrate the process using it as the example. (Note: Antique has already identified fishermen for priority attention and prepared an "action plan" for organizing available resources for helping fishermen. This group has been selected in view of the significant constituency they represent in that province (i.e. 15,000 households or 35 percent of rural households)^{1/} and the Governor's personal concern for their plight).

The first step in the strategy formulation process will be to map the location by municipality of the greatest concentration of fishermen. The province will then pick the priority municipalities for local projects based on such factors as concentration of fishermen within the municipality, degree of economic depression, etc. Then the province will undertake some quick reconnaissance and group interviews with fishermen in some of the selected municipalities to determine the major constraints to improving their livelihoods. These data will be compared with any other information available from research conducted on fishermen similar to those in Antique and will serve as the basis for initial strategy formulation and definition of a research agenda. Using financial survey techniques piloted under RSC, a profile of the financial condition of the province and some of the selected municipalities will be developed to assess what commitments can be made from local revenue

^{1/} Region VI has enough data from the PCARR/SEARCA 1975 surveys to identify the major resource groups with a high incidence of poverty, including their relative importance by province. These data are reflected in the Poverty Profile of Western Visayas, Region VI, (USAID: January 1981) Table 3, p. 8.

resources. A survey of local private voluntary, civic, and social organizations will be conducted to determine the extent to which they can provide additional resources.

Following analysis of available data, and with assistance from LRM management and technical staff and resource institutions, a multi-year provincial strategy will be formulated which will outline the problems, available resources, and initial key intervention points for improving fishermen's livelihood. The strategy will also provide rough budget estimates for the next 3-5 years. The strategy will be then submitted to the RDC for approval. NEDA will then provide Antique with an indicative planning figure for the following budget year.

The next step will be for the province (either as part of the strategy submission or after approval) to prepare an annual program identifying, say, two or three subprojects proposed to the RDC for LRM funding and perhaps a couple of subprojects for financing by line agencies such as the Bureau of Fisheries and Aquatic Resources (BFAR). The subproject identification would grow out of surveys, research, and discussions with mayors, barangay officials and local leaders, and the fishermen themselves (or their representatives). LRM technical staff and line agencies along with resource institutions will help provincial staff through this planning process.

With approval of the plan and subproject ideas by the RDC, the PDS will then develop, in collaboration with municipal officials, detailed plans including feasibility analyses for the subprojects, again assisted by LRM technical staff and line agencies. The feasible proposals will then be reviewed against established criteria and approved by the RDC for implementation, following which the RDC will request the release of funds for approved subprojects.

At the municipal level, local organizations such as PVO's, assisted by a NEDA contracted national institution such as IIRR and collaborating with municipal officials, will work to organize beneficiaries and design two or three small subprojects. These can be financed from the "Community Project Fund" and will be implemented and managed by the poverty groups themselves. The process will be carefully documented and analyzed to allow for better participatory planning in future rounds, and results will be provided to other local governments entering the LRM program.

Meanwhile, the province will refine the initial strategy by pursuing more in-depth research on fishermen as identified in the research agenda and incorporating lessons from the ongoing beneficiary participation efforts. In the first instance, the province will be looking at existing data available through line agencies and the Regional Data Bank (which Region VI is now developing). Any data gaps remaining can be filled through surveys or special studies conducted by local research institutions.

Simultaneously, the region will be pursuing a broader research agenda on fishermen aimed at strengthening Antique's program and developing

additional information relevant to other provincial strategies and focusing on fishermen.

D. Implementation Schedule

The following lists major project activities for the first 18 months of operation and several pre-project actions that need to be taken before actual implementation begins. An updated and more detailed implementation plan for each succeeding year will be prepared following annual reviews to reflect new information and experience. USAID, of course, understands that there may be no disbursements of AID funds, nor even approval of documentation pursuant to which disbursements will be made, prior to the GOP meeting appropriate CPs. All actions indicated as being undertaken prior to CPs being met will either not require any disbursement of AID funds, will be undertaken by the GOP, or will be a preliminary action with commitment and disbursement only after the CPs are met.

PROJECT PLAN OF ACTION

Project Tasks/Activities	Action	1983												1984						
		J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
	Pre Project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	
I PROJECT DOCUMENTATION																				
A. LRM Project Paper Approved:																				
1. USAID		X																		
2. GOP		X																		
3. AID/W			X																	
B. Authorization of Funds	AID/W			X																
C. Project Agreement	USAID/GOP			X																
D. initial Conditions Precedent Met	GOP						X													
II PROJECT MOBILIZATION																				
A. RDC and Province Project Orientation and Consultation - Seminars/Workshops*	NEDA/USAID		X	X	X	- (and continuing) -														
B. Provincial Selection:	RDC																			
Group I				X																
Group II									X											
C. NEDA Central/Regional Offices Estab.; Management & Technical Staff Assigned				X	X															
D. Local Resource Inst. Agmt./Cont:	NEDA/USAID		X	X																
1. Preparation of Scope of Work for Technical Assistance			X	X																
2. Request for Technical Proposal Issued	NEDA			X																
3. Proposal Received/Reviewed	NEDA					X														
4. Grants and Contracts Awarded							X													
E. Commodity Procurement: (Vehicles, data processing equipment, etc.)																				
1. Plans and Specs	NEDA/USAID			X	X															
2. PIO/C's Issued	NEDA/USAID				X															

*NEDA Organized/Financed Inputs for Pre-Project Activities.

PROJECT PLAN OF ACTION

Project Tasks/Activities	Action	1983 Project Months												1984								
		J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F
	Pre Project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18			
5. Research/Studies																						
(a) Baseline/Impact Surveys	NEDA/Res. Institutions																					
-Group I provinces	"		X	X	-	(and continuing)	-															
-Group II provinces	"								X	X	-	(and continuing)	-									
(b) Other Surveys/Studies/ Feasibility Studies	"							X	X	-	(and continuing)	-										
-Group I provinces	"											X	X	-	(and continuing)	-						
-Group II provinces	"																					
B. Financial Administrative Systems and Capacity Development	NEDA/Res. Institutions																					
Training; Seminars/Workshops	"											X	X	-	(and continuing)	-						
C. Testing of Participatory Approaches	NEDA/Prov./ Mun./Res. Institutions								X	X	-	(and continuing)	-									
D. Monitoring and Evaluation for Replanning:																						
1. Information-Management System (IMS) Development	NEDA/ Consultant								X	X	-	(and continuing)	-									
2. Implementation/Status Reports	Province											X		X						X		
3. Process Documentation	Res. Inst.								X	X	-	(and continuing)	-									
4. Research Reports	Res. Inst.																					
5. Evaluation/Assessment	NEDA/USAID																					
6. Reports Issued from IMS	NEDA											X			X					X		

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PART VI. EVALUATION PLAN

Continuous, intensive monitoring, self-evaluation, and redesign is a critical feature of LRM. LRM evaluation systems will enable local officials to assess for themselves project performance in promoting greater self-reliance, productive employment, and real incomes among the rural poor. Strategy and program formulation and refinement will depend on information provided through research, monitoring, and evaluation. Subproject design and implementation will also require timely monitoring and evaluation information. Project technical and management staff will work with provincial and regional officials on ways to make effective use of the data generated by these systems. In this way they can identify and act on problems and steer project implementation toward achievement of project goals.

A. The Self-Evaluation Process

The technical assistance and research resources being provided under LRM are intended to support institutional learning within NEDA, other participating agencies, and local governments. This will be achieved through intensive evaluation of systems and modes of working relative to the requirements of targeted development.

To facilitate this self-assessment process, periodic workshops will be held at regional and national levels. These workshops will be chaired by NEDA and involve implementing entities at each level and supporting resource institutions. A resource institution such as AIM will assist in workshop planning, organization, and information dissemination. These workshops will be the focal point for the continuous, intensive project evaluation process. Held either monthly or bi-monthly, they will provide a forum for carrying out regular assessments of progress, identifying problems, commissioning special studies, planning training activities, identifying needed action on policy issues, coordinating activities of the various resource institutions and government agencies, and assigning responsibilities for follow-up actions.

Primary sources of data for these workshops will include the following:

1. Monthly Process Documentation Reports on the Strategy and Local Project Development Component (Track One)

Provincial/Regional Organization and Management Advisors from the supporting resource institution will prepare monthly reports documenting key events in the development of planning systems and the implementation of subprojects within their respective regions. These reports will describe provincial experience in developing strategies, annual program plans, and subprojects, and in getting these approved, funded, and implemented. They will illuminate how key decisions are made, the nature of relationships between municipal, provincial and regional levels in the planning, funds release, and project implementation processes, and any barriers to application

of LRM concepts posed by existing procedures and policies. Each quarter a summary will be prepared based on the monthly process documentation reports which will summarize Track One lessons, issues, and matters needing priority attention.

2. Quarterly Process Documentation Reports on Local Financial Administration Component (Track Two)

The resource institution will prepare a quarterly report dealing with the process of working with local government officials on approaches to improving local financial administration. This report will highlight what is being learned about the nature of local financial management problems, the organization and functioning of the local financial management teams, policy and management systems issues, progress being made in development of improved financial planning methods and training modules, critical problems, and priorities for the coming quarter. The supporting resource institution will also assist in forming a small advisory group comprised of members of NEDA's technical and management staff, local government officials, and external advisors to serve as a focal point for continuous evaluation of Track Two activities.

3. Quarterly Process Documentation Reports on Beneficiary Participation Component (Track Three)

The supporting national organization (e.g. PBSP/IIRR) will prepare a quarterly report on the process of working with local private sector organizations (such as PVO's) and the development of approaches to supporting private sector organizations organizing activities which are complementary to the provincial strategy. It will highlight the methods being used, the nature of relationships between the various institutional actors, the barriers being encountered to building collaborative working relationships between private sector organizations and local governments, and the lessons being learned about how to overcome these barriers. It will also record progress, major issues, and priorities for the following quarter. The national organization will also assist in forming a small advisory group, including senior members of its own staff, to serve as a focal point for continuous evaluation and redirection of work being carried out under this track.

4. Special Policy and Management Studies

The resource institutions will produce a continuing flow of special studies involving in-depth analysis of particular policies, procedures, and management systems, and experimental work on the development and testing of management system innovations. Additional special studies may be contracted by NEDA as needs are identified.

5. Field Process Documentation

The documentation outputs described above will be centered primarily on program and project management processes within and between the agencies concerned. By year two, as field level activities get fully

underway, provision will be made for a different type of documentation focused specifically on the interaction between government and private sector organizations' field workers and local beneficiaries. This will be used to help LRM managers better understand the nature of the community level interactions involved and the requirements placed on their agencies if they are to be truly responsive to locally defined needs. This type of process documentation requires intensive attention by specially trained personnel. As specific requirements are identified for such documentation, provision will be made to contract for the necessary services.

A primary responsibility for project management will be to establish procedures through which information generated from the foregoing activities can be used most effectively for self-evaluation and self-correction in national and regional workshops.

B. AID and GOP Project Monitoring and Evaluation Requirements

In addition to the ongoing evaluation and redesign process which is integral to the project itself, there are AID and GOP evaluation and monitoring requirements related to meeting public accountability and policy review.

One such requirement is the need for regular financial reporting. Provinces will be reporting quarterly on the drawdown and use of subproject funds to the RDC and Regional NEDA. Regional NEDA will transmit this information to NEDA/Manila along with its report on research grant and training fund utilization. NEDA/Manila will monitor grants to, or contracts with resource institutions, contractors, and private sector organizations. NEDA/Manila will provide periodic financial reports to OBM and USAID.

Two special external evaluations will be conducted during Phase I by persons not directly involved in project implementation. These are intended to: (1) satisfy AID and GOP needs to verify that the self-evaluation process is functioning as intended, that critical issues are not being neglected by responsible parties, and that EOPS indicators are being achieved; (2) provide an independent assessment of readiness for expansion and justification for Phase II funding; (3) provide an outside group from the GOP and AID an opportunity to become familiar with the LRM experience; and (4) allow policy-level GOP and AID officials to assess the broader policy relevance of that experience for their respective agencies.

- The first external evaluation at 15-18 months into the project will focus on review of project implementation experience at the input/output level, including the functioning of the processes which link the inputs and outputs, and will recommend any needed adjustment in the use of project resources.
- The second external evaluation at 27-30 months into the project will assess accomplishments in terms of institutional development and target group responsiveness to determine whether to proceed to the next phase of the program. This evaluation will look specifically at:

1. whether LRM developed systems and approaches have proven worth replicating on an expanded scale. Issues to be addressed through the evaluation will include, among others, the following:
 - Is the Track One provincial strategy approach resulting in identification of subprojects which show clear potential for responding to target group needs?; is it appropriate to PDS needs/capacities and does it fit within the existing regional planning and budget systems?; is it encouraging private sector participation in local development?; and is it reshaping the thinking of PDS toward helping specific target groups help themselves?;
 - Are Track 2 financial monitoring systems proving suitable to provincial/municipal needs, appropriate to provincial/municipal financial staff capabilities, and useful in identifying actions leading to increased local revenues?
 - Are Track 3 activities proving that closer cooperation between local private sector organizations and municipal governments can lead to greater beneficiary participation in local development activities?

2. whether lessons have been sufficiently documented and management support mechanisms adequately developed to permit replication of selected approaches and systems, as measured by:
 - training modules incorporating LRM concepts and methods developed and in use, and
 - provinces, NEDA and local resource institutions working effectively as a support network for LRM expansion.

This evaluation will serve as a basis for recommendations for Phase II funding requirements.

Each of these external evaluations will be designed and carried out jointly by the GOP and USAID using project funds. The members of the evaluation teams will be drawn from participating GOP agencies, USAID, and AID/W. External resource persons may also be included. It would be highly desirable to maintain continuity of personnel for both evaluations. Each evaluation will be reviewed by the LRM Advisory and Coordinating Council and will be used as an input to planned national and regional workshops on LRM.

PART VII - CONDITIONS PRECEDENT TO DISBURSEMENT AND NEGOTIATING STATUS

A. Conditions Precedent

1. First Disbursement

Prior to the first disbursement under the Assistance, or the issuance by AID of documentation pursuant to which disbursement will be made, the Cooperating Country will furnish to AID in form and substance satisfactory to AID:

a. An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

b. A statement of the name of the person principally representing the Cooperating Country for purposes of this Project and of any additional representatives, together with a specimen signature of each person specified in such statement;

c. Formal designation of the project director, a statement of specific responsibilities and authorities for day-to-day management of LRM, and an indication of the types of expertise to be provided for the Project by the coordinating agency responsible for the Project.

2. AID Approval of Contracts or Grants for Technical Assistance

Prior to any disbursement for AID-funded Grants or Contracts, the Cooperating Country will furnish to AID upon preparation an executed grant agreement or technical assistance contract acceptable to AID with an institution acceptable to AID.

3. Performance Payment/Disbursement

Prior to the first annual disbursement for performance payment the Cooperating Country will furnish to AID:

a. A copy of the executed protocols between NEDA and OBM, and NEDA and MOF establishing agreed procedures to channel the flow of GOP resources to the selected provinces for local subprojects.

b. A copy of the executed directive by the appropriate agencies establishing accounting procedures for local subprojects which ensure that appropriate reserved accounts for approved subprojects are established and that those accounts are not to be available for any other purpose.

c. Evidence that the GOP's LRM review and approval process for the provincial strategy, annual program plan, and first round of subproject

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proposals has been completed and is consistent with LRM criteria, and that pesos for approved subprojects have been released by the GOP and deposited in the province's account(s) for the LRM subprojects.

B. Negotiating Status

LRM has been designed collaboratively with the principal agencies which will be responsible for its implementation, to wit: NEDA/Manila, NEDA Regional Offices, OBM, MLG, selected governors, and provincial development staffs. Potential resource institutions, i.e. AIM, LGC, DAP, and IIRR also participated in this process. This PP design represents the culmination of a joint effort and is based upon on a full consensus.

In addition, considerable pre-implementation work has taken place within the regions to orient local officials to LRM concepts and implementation requirements.

Region VI has already tentatively identified Antique as the first pilot province for LRM. In anticipation of project activities, Antique has identified fishermen as the local target group and made a first attempt to formulate a strategy for helping fishermen improve their livelihood. A two-day workshop was conducted in Region V to diagnose poverty and identify major poverty groups in the region leading to identification of a target group for LRM interventions. Additional pre-implementation activities are anticipated during the next two months.

NEDA/Manila in its capacity as lead agency has already designated project executive and deputy executive coordinators to manage LRM.

Given the collaborative design of LRM and ongoing pre-implementation activities being undertaken by the GOP, we anticipate no difficulties in concluding a project agreement as soon as LRM is authorized.

ANNEXES

- A. PID Approval Cable
- B. GOP Application for Assistance
- C. PDAP Experience and Lessons
- D. Logical Framework
- E. Feasibility Analysis
- F. Implementation Plan
- G. UNDP/IBRD Project Document on Assistance in Regional Planning (Phase III)
- H. Provincial Allocation Formula
- I. Commodity Procurement Plan
- J. Statutory Checklist

INCOMING
Amenbassy, MANILA

DEPARTMENT OF STATE TELEGRAM

PROT # 358
358
GN: 24:00W

ACTION:

Aidb

UNCLASSIFIED

Classification

ANNEX A

INFO:

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AIDAC

E.O. 12065: N/A
TAGS:

SUBJECT: APAC - LOCAL RESOURCE MANAGEMENT (492-0353)

1. THE APAC MET ON JUNE 17 AND APPROVED THE SUBJECT PID. MISSION WAS REPRESENTED AT AFAC BY DIRECTOR SCHWARZWALDER AND PROJECT OFFICER GEORGE FLORES. ISSUES PAPER PREPARED FOR APAC MEETING WAS ACCEPTED AT OUTSET BY SCHWARZWALDER WHO INDICATED THAT ALL ISSUES CONTAINED THEREIN WOULD BE APPRESSED IN PP. FLORES HAND-CARRYING COPIES OF THAT ISSUES PAPER, AND ADDITIONAL COPY WILL BE POUCHED TO MISSION.

2. APAC BELIEVES THIS WILL BE ONE OF THE MORE COMPLEX PROJECTS TO BE UNDERTAKEN BY MISSION. AS WE SEE IT, PROJECT IS INSTITUTION BUILDING IN NATURE, I.E. AIMED AT DECENTRALIZING DECISION MAKING WHILE PROVIDING FOR THE POOPER ELMNIS OF SOCIETY TO PARTICIPATE IN THOSE DECISIONS. THIS WILL BE A LEARNING PROCESS, REQUIRING CHANGES IN ATTITUDES AND OPERATING PROCEDURES AT ALL LEVELS. THE PROPOSED MEANS OF ACCOMPLISHING THESE OBJECTIVES (INTERAGENCY COORDINATION, LINKAGES, INTERLOCKING COMMITTEES, ETC.) WILL BE EXTREMELY DIFFICULT TO IMPLEMENT. AT THE SAME TIME, PROJECT WILL ALSO FINANCE A MULTITUDE OF DISCRETE PHYSICAL SUB-PROJECTS. WITH RESPECT TO THESE SUB-PROJECTS, WE RECOGNIZE THAT INEXPERIENCE AT THE LOCAL LEVEL MAY RESULT IN SOME MARGINAL PROJECTS BEING APPROVED AND WE ARE PREPARED TO ACCEPT THAT AS PART OF THE LEARNING PROCESS. NEVERTHELESS, THE GREAT BULK OF THESE SUB-PROJECTS WILL HAVE TO BE SELECTED AND EXECUTED SO AS TO CONSTITUTE A SOUND EXPENDITURE OF USG AND GOP FUNDS. BOTH OF THESE PROJECT OBJECTIVES (DECENTRALIZED DECISION MAKING AND SOUND, DEVELOPMENTAL SUB-PROJECTS) WILL HAVE TO BE KEPT IN MIND THROUGHOUT THE DESIGN AND EXECUTION OF THIS PROJECT.

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Classification

3. IN FINAL ANALYSIS, APAC DECIDED THAT PROJECT PAPER MUST REFLECT THE "ART OF THE POSSIBLE." MISSION MUST BE THE JUDGE ABOUT WHAT WE CAN REALISTICALLY EXPECT TO HAPPEN IN THE CONTEXT OF LOCAL PHILIPPINES GOVERNMENT AND POLITICS. SINCE THE PROJECT WILL BE COMPLICATED, WE SUGGEST PROJECT DESIGN STRIVE TO SIMPLIFY IMPLEMENTATION MECHANISMS AND INTERRELATIONSHIPS AS MUCH AS POSSIBLE. THE PP WILL HAVE TO BE AS OBJECTIVE AS POSSIBLE, AND SHOULD IDENTIFY POSSIBLE ADMINISTRATIVE REFORMS WHICH WOULD IMPLEMENT THE NEW MECHANISMS AND PROCEDURES. CRITERIA DEVELOPED BY THE DESIGN TEAM FOR SUB-PROJECT SELECTION AND ANALYSIS SHOULD BE BASED ON AID OBJECTIVES AND ACCOUNTABILITY, TECHNICAL AND ECONOMIC FEASIBILITY, CAPABILITY OF LOCAL GOVERNMENTS TO IMPLEMENT, AND POTENTIAL FOR CONTRIBUTION TO THE INSTITUTION-BUILDING NATURE OF THE PROJECT.

4. WE BELIEVE MOST ATTENTION SHOULD BE FOCUSED ON THE DECENTRALIZATION PROCESS ITSELF AND THE MECHANISMS FOR MONITORING/EVALUATING THAT PROCESS AND MEASURING PROGRESS DURING THE TEN-YEAR IMPLEMENTATION PERIOD. WE WILL HAVE TO HAVE EVIDENCE OVER TIME OF SUCCESSFUL IMPLEMENTATION OF THE DECENTRALIZATION PROCESS AND OF THE CONTRIBUTION OF THE SUB-PROJECTS TO THE ACHIEVEMENT OF OVERALL PROJECT OBJECTIVES. SUCH EVIDENCE MAY BE IN THE FORM OF INCREASED FUNDS (OTHER THAN AID) FLOWING THROUGH THE NEW (DECENTRALIZED) SYSTEM, INCREASED USER SUPPORT OF SUB-PROJECTS (E.G. BY FINANCING RECURRING COSTS OR EXPANSION FROM THEIR OWN RESOURCES), REINVESTMENT OF REVENUES FROM REVENUE GENERATING SUB-PROJECTS, OR ANY OF A NUMBER OF OTHER SUCH INDICATORS.

5. THE APAC SPENT A GOOD DEAL OF TIME DISCUSSING THE RESEARCH TO BE CARRIED OUT UNDER THE PROJECT. IT SEEMED TO THE APAC THAT THE POVERTY ANALYSIS IS STILL VIEWED AS SOMEHOW SEPARATE FROM THE DECENTRALIZATION EFFORT, AND THAT IT CAN AND SHOULD BE THOROUGHLY INTEGRATED INTO THE CONCEPTUALIZATION AND PLANNING FOR THIS PROJECT. THE PP SHOULD SHOW HOW PROPOSED RESEARCH IS RELEVANT TO PROJECT

OBJECTIVES AND HOW IT IS LINKED TO PROJECT IMPLEMENTATION. AMONG OTHER QUESTIONS THE MISSION MIGHT THINK ABOUT ARE: SHOULD THE RESEARCH BE DESIGNED IN PART TO HELP IDENTIFY SPECIFIC PROJECTS OR ONLY GENERALLY TARGET THE CAPITAL FUND; IS THE RESEARCH ON INSTITUTIONAL DYNAMICS POLITICALLY REALISTIC; WILL THE RESEARCH END PRODUCT ACTUALLY HELP CHANGE THE SYSTEM; SHOULD THE RESEARCH BE TIED TO THE BUDGETARY PROCESS; HOW CAN WE BE ASSURED THAT RESEARCH RESULTS WILL ACTUALLY BE USED IN THE PROJECT?

6. RE. THE FINANCIAL TABLES, ESCALATION IS NORMALLY APPLIED ONLY TO KNOWN COSTS, THEREFORE, IT IS APPROPRIATE WITH RESPECT TO THE TECHNICAL ASSISTANCE AND TRAINING COMPONENTS, BUT INAPPROPRIATE FOR THE CAPITAL FUND. THE FINANCIAL PLAN SHOULD BE ADJUSTED ACCORDINGLY.

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Page 3 of

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7. APAC NOTED THAT THIS PROJECT WAS IDENTIFIED BY MISSION AS A POSSIBLE SET-ASIDE UNDER SSA SECTION 8-A. WE WOULD ENCOURAGE THIS IF NATURE OF TA ENVISAGED WOULD BE SUITABLE FOR A SET-ASIDE. NOTE THAT WHILE AN 8-A SET-ASIDE MIGHT NOT BE APPROPRIATE FOR A HOST COUNTRY CONTRACT, AN EXEMPTION FROM PD-68 MAY BE GRANTED FOR A DIRECT-AID CONTRACT WHERE THIS WOULD FACILITATE AN 8-A SET-ASIDE.

8. FINALLY, APAC CONCERNED ABOUT PROPORTION OF GRANT, AND SPECIFICALLY QUESTIONED GRANT FUNDING OF LOCAL CURRENCY COSTS. WE SUGGEST MISSION REVIEW BUDGET TO REDUCE GRANT ELEMENT WHERE POSSIBLE. HAIG

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Department of State

ANNEX B

INCOMING
TELEGRAM

PAGE 01
ACTION AID-00

MANILA 17495 200115Z

9557 042009 AID1523

ACTION OFFICE ASPD-01
INFO ASEM-01 ASPT-02 ASDP-02 PPCE-01 PDPR-01 PPPB-03 GC-01
GCAS-01 GCFL-01 FM-02 ASTR-01 TRSY-05 RELO-01 TELE-01
MAST-01 /027 A4 820

INFO OCT-00 INR-10 EB-08 EA-12 AMAD-01 INRE-00 /066 W
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TO SECSTATE WASHDC IMMEDIATE 7505

UNCLAS MANILA 17495

AIDAC

PASS TO: RALPH J. EDWARDS, ASIA/PD

E. O. 12065: N/A
SUBJECT: LOCAL RESOURCE MANAGEMENT PROJECT - 492-0358

REF: MANILA 17195

FOLLOWING IS FULL TEXT OF LETTER RECEIVED FROM GOP REQUEST-
ING U. S. ASSISTANCE FOR IMPLEMENTATION OF SUBJECT PROJECT.

- QUOTE DEAR MR. SCHWARZWALDER,

- THIS HAS REFERENCE TO YOUR LETTER DATED JULY 9, 1982
- FORWARDING THE PROJECT PAPER FOR THE LOCAL RESOURCE
- MANAGEMENT PROJECT.

- I AM PLEASED TO INFORM YOU THAT THIS OFFICE FINDS THE
- PROJECT PAPER ACCEPTABLE AND HEREBY REQUESTS USAID
- ASSISTANCE IN THE AMOUNT OF \$6.0 MILLION CONSISTING OF
- \$1.5 MILLION IN GRANT FUNDS AND \$4.5 MILLION IN LOAN
- FUNDS. IT IS UNDERSTOOD THAT AID IS PREPARED TO PRO-
- VIDE ADDITIONAL ASSISTANCE TO SUBSEQUENT PHASES OF THIS
- PROJECT.

- I AM ALSO PLEASED TO NOTE THAT THE PROJECT WAS DE-
- SIGNED THROUGH THE JOINT EFFORTS OF THE MISSION, NEDA
- AND OTHER AGENCIES WHICH WOULD BE INVOLVED IN ITS
- EXECUTION.

SINCERELY YOURS,

PLACIDO L. MAPA, JR.
DIRECTOR-GENERAL END QUOTE

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ANNEX C

PROVINCIAL DEVELOPMENT ASSISTANCE PROJECT (PDAP) EXPERIENCE AND LESSONS

PDAP was created in 1968 by the GOP and was expanded in the early 1970s to improve provincial planning and implementation of economic development programs. PDAP central support was essentially phased out in 1978 after reaching 28 provinces. From 1975 to 1978, several 'PDAP' Special Projects were funded by USAID and the GOP, covering PDAP and other participating provinces which had or were willing to develop the requisite planning and engineering capabilities.

PDAP followed a highly structured development approach. Participation in PDAP included such standardized requirements as establishing a fully staffed provincial development office, performance budgeting, preparation of annual plans, and so on, all of which were intended to build planning and management capacity at the provincial level.

Although the PDAP central organization became somewhat rigid in its adherence to these requirements and procedures, the Program strengthened provincial government capacity, thereby contributing to the institutionalization of the provincial executive and a professional development staff. PDAP type procedures and documents continue to be required by the GOP for planning and budget purposes. The accepted planning systems and procedures include: the socio-economic profile, road network development planning, sectoral development planning, provincial comprehensive planning and annual updates, project evaluation and priority ranking techniques, capital improvement programs, real property tax administration systems, an improved personnel classification system, budgeting-accounting, project engineering and quality control. PDAP systems and established procedures thus provide a strong foundation for further development assistance, given the capability of provincial governments to identify, plan, manage and assess development projects, especially of a capital improvement nature.

This experience with the PDAP program activities and the expanded special projects has demonstrated a number of concerns and developmental issues which need to be taken into account during the design of local development projects:

Organization - Special authorities or organizational structures created outside of permanent organizations specifically for flexibility and convenience of implementation of a particular project provide only short term

Rural Roads Projects (RRP) I and II, Barangay (Village) Water Projects (BWP) I and II, Real Property Tax Administration (RPTA), and Rural Service Center (RSC).

solutions to longer term needs of institution building. Development projects should be integrated, to the maximum degree possible, into existing systems from the start.

Decentralization - Provincial capacities have been strengthened and provincial bargaining power enhanced under PDAP. However there has been still inadequate devolution of authority and responsibility to date. The national government recognizes this in general policy pronouncements, but the challenge is operationalizing the policy. There clearly is a need to enlarge the scope of actions for which provinces have primary decision making responsibility in order to make the required development impact.

Planning - PDAP invested heavily in blue print planning--advance programming--based on engineering and compliance requirements appropriate specifically to infrastructure. However, there is little experience in dealing with social and environmental problems. The next step is to move to more open, responsive planning and into a broader range of local projects.

Reaching the Poor - PDAP was somewhat untargetted, relying on indirect benefits to the rural population generally. Local development programs need to move toward direct targetting on groups of people or poor areas. (Note: Recent efforts by the Barangay Water and Rural Service Center special projects, for example, have begun to focus on people through associations).

Fiscal Administration - Local financial resource mobilization is weak and increased financial capacity and accountability is the key to decentralization. Real property tax is still the single most important resource but other tax resources and approaches need to be developed and integrated. Rural Service Center Project experience shows promising approaches in working through a diagnostic and financial monitoring approach with key local officials.

Experimental/Innovation/Institutional Learning - PDAP moved too quickly from an early experimentation mode in favor of quick expansion of uniform procedures for project development. This limited the discretion and potential of local governments to expand development efforts to other types of activities. Local development projects currently being designed for implementation will have to resist pressure toward uniform procedures in order to retain responsiveness to locally established priorities.

The developmental issues briefly summarized above have evolved from nearly fifteen years of experience in USAID assistance to Philippine rural development/local government programs. As might be expected various assessments and evaluations have been conducted over that period

of time, producing numerous examples and vignettes of developmental impact as well as observations of, and conclusions about, institutional development that has occurred and lessons that have been learned during the process. The remainder of this paper first sets the perspective with a brief description of USAID assistance to the broader PDAP Program and special PDAP projects. This is followed by an abbreviated account of identified institutional accomplishments and selected examples of beneficiary impact and concludes with a few of the more important lessons that have been learned from the experience.

I. Evolution of U.S.-Assisted Provincial Development Programs.

A. Background/Setting: (1950-1968)

USAID's early assistance efforts in rural development had less than fruitful results when USAID attempted to work solely through the central government mechanism. Centrally planned and directed projects, with limited local input in planning or feedback during implementation, generally did not meet local needs or expectations. Over time and with experience in several less than successful programs, GOP and USAID officials acknowledged that little in the area of rural development would be accomplished until (1) representative local government was given more freedom to select and carry out its own projects and (2) local governments developed a capacity to implement and manage development activities.

In 1965, several governors approached USAID/Philippines and the National Economic Council (the central planning board of the GOP at the time) about the possibility of direct aid from USAID in improving their capability to effectively participate in the formulation of provincial as well as national development plans. This was the seed of what was to become a major commitment on the part of USAID/Philippines to the development of the capacity of local government to more effectively manage its resources and improve public services, and begin to provide the infrastructure for small farmers and private sector generally. The NEC made a formal request for such assistance, and "Operation SPREAD" was created.

"Operation SPREAD" (or Systematic Programming for Rural Economic Assistance Development) was initiated in the provinces of Tarlac and Laguna on a two year (1966-1968) pilot basis. Its underlying objective was to gauge the value of a direct field assisted provincial development program to identify

the concepts, systems and inputs crucial to the local development process, and to establish a rational basis and effective technique for future extension of development assistance efforts to other provinces. The major feature of the program was in developing basic infrastructure.

The Philippine Government was so impressed with the results of SPREAD that on completion on January 1968, it established the Provincial Development Assistance Project (PDAP) as an agency of the National Economic Council to deal specifically with the development of local government capacity.

B. GOP Provincial Development Assistance Program: (1968-1980)

The formation of PDAP represented a significant shift of program emphasis in that a specific agency of the Government of the Philippines was established to coordinate and extend pilot efforts aimed at upgrading the administrative capabilities and implementation capacity of local governments for infrastructure development. The follow-on USAID-assisted Provincial Development Project (PDP) provided technical advisors, commodities, and training in standard operating procedures. The difference from Operation SPREAD was that this assistance was channeled through a central government mechanism--PDAP-- instead of being supplied directly to the provinces.

PDAP's efforts began in the provinces of Palawan, Leyte and South Cotabato. By the time the Provincial Development Project had drawn to an end in FY 74, PDAP was operational with sixteen provinces spread throughout the country and had successfully begun work in three major fields: (a) development of a planning capacity through the creation of the Provincial Development Councils, the Provincial Development Staffs, the Capital Improvement Plan (the five year plan for infrastructure development) and the Annual Implementation Plan; (b) improvement of budgetary and fiscal management; and (c) improved capacity at the local level to plan and implement capital improvement projects.

In July and August of 1972, the island of Luzon (where over a third of the total Philippine population lives) was devastated by typhoon-fed rains causing the worst flooding in the country during this century. The U.S. Congress responded to a request from the Philippine Government for assistance by voting a \$50 million Disaster Recovery Grant (Flood Rehabilitation Program). PDAP was allocated \$10.8 million of the Relief Funds

to reconstruct infrastructure (roads, bridges and small-scale irrigation systems) in the eleven worst hit provinces in Luzon. The flooding of July/August 1972 proved to have long term development implications.

The PDAP/USAID Flood Rehabilitation Program was a major turning point for development of local government capacity. Out of it came important policy and operational decisions giving a basis for active promotion of planning at the provincial and regional levels. Improvements in five major program areas were initiated that have served to enhance the ability of local governments to serve their constituency. These include: (a) upgrading of engineering, planning and implementation capacity; (b) establishment of the Equipment Pool Development Program and initiation of the U.S. Excess Equipment Program; (c) establishment of engineering quality control facilities; (d) compilation of Equipment Pool Operations Manuals; and (e) the institutionalization of Fixed Amount Reimbursement (FAR) procedures. (The FAR disbursement mechanism has become a widely used disbursement mechanism utilized by USAID and the GOP in follow-on projects.)

An important benefit of the Flood Rehabilitation Program was that it proved that provinces can act as effective partners of the national government in development. This was most evident in the dramatic improvement in the capabilities of the Provincial Engineering Offices to plan and implement major infrastructure projects once they were transferred from the Ministry of Works to the provincial governments.

In July 1973 the Special Infrastructure Program (SIP) was initiated to capitalize on the engineering capacity improvements accomplished under the Flood Rehabilitation Program and to maintain the momentum gained in improving the ability of local government to aid in the development efforts of the national government. Under the SIP, the participating provinces, for the first time, embarked on a planned program of quality farm to market road construction designed to meet the needs of the provinces, particularly in the agricultural sectors. SIP was funded from PL-480 sources.

At the same time the SIP came into existence, the AID assisted Provincial Development Project was concluded and a follow-on AID assisted Local Development Project (LDP) was started. The concepts, various projects and activities, and the central GOP office continued to go by the name of 'PDAP'. The LDP was

designed to further build capacities of local government in the areas of: infrastructure development, overall administration, planning and coordination, improved personnel classification, and financial management, plus strengthen the national level capability to carry out sustained assistance to local governments. In 1976 the administration of PDAP projects was transferred from the National Economic Council, under the Office of the President, to the Ministry of Local Government which had been established at that time.

C. Special Projects Under PDAP Umbrella

1. Rural Roads Programs I and II (1976-83)

In March 1976, Rural Roads I, the first discrete "spin-off" project of PDAP was approved. The Rural Roads Projects were similar to the 1972 SIP road program, but with more stringent controls over standards and administrative requirements for road planning and implementation. The primary objectives of capability building continued from PDAP. The stated objectives are to:

- increase efficient road access for the rural poor between agriculture/fishery areas and market service centers; and
- institutionalize a permanent capacity and commitment at national and local government levels to fund and implement a sustained Rural Roads Program.

The Rural Roads I project was initially implemented in 15 provinces and eventually expanded to 26 provinces by 1978, its final year. Under this project, 476 kilometers of roads and 4,750 linear meters of bridges were constructed.

The Rural Roads II program involves 55 provinces, more than doubling the number of provinces previously reached, in rural roads improvement and adopting PDAP procedures. Under the follow-on project, scheduled to end in September 1983, over 700 kilometers and 6,500 linear meters of bridges will be constructed. Under the RR II Project, additional technical assistance and studies have been programmed to include establishment of a monitoring and evaluation system, testing of labor-based technology for road construction and maintenance, road network planning, road inventory and base-line studies for future impact evaluations.

The USAID assisted Rural Roads Program has met its primary objectives and has generated interest from other donors. The IBRD has approved a \$60 million Phase I Rural Roads Improvement Project. The ADB is proposing a \$30 million Phase I component as part of their new roads loan. Both the IBRD and ADB assisted projects will utilize procedures developed under the USAID assisted Rural Roads Program.

Of particular significance, the GOP is implementing a follow-on Rural Roads III Project for provincial class roads using appropriated GOP funds. Further, because of the significant capacity of many provincial engineering offices, the Ministry of Public Works and Highway (MPWH) is transferring the budget, equipment spreads and overall responsibilities for the maintenance of all classes of rural roads. The principal remaining problems, and possible opportunities for external donor assistance, are (1) effective annual maintenance of rural roads and (2) construction/improvement of access roads into the upland crop areas using labor-based technology. Year-round access to the extensive rainfed areas is critical for the poorer groups to participate in the market economy.

The PDAP rural roads projects clearly established the capacity in participating provinces, constructed a significant number of road sections in the process which have provided significant development impact. The requirement for rural roads and good maintenance expands as the development process proceeds.

2. Barangay Water Program

The second special project under PDAP, initiated in 1977, follows overall PDAP objectives of developing capacities at the local and national levels. The stated objectives are:

- to design and provide safe and sufficient domestic water to small and medium size communities;
- to establish a capacity to fund and implement a sustained small water system development program.

A distinct feature of the Barangay Water Program (BWP) is its concern that the type and size of system fit local requirements and that the systems be owned, amortized,

users themselves.

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Under BWP I, 390 Level I facilities and 113 Level II/III systems will be completed by 30 June 1982.^{1/}

For BWP II which will end in December 1985, it is expected that approximately 1000 Level I facilities and 300 Level II/III systems will be installed.

3. Rural Service Center Project^{2/}

This special project was developed to address the needs of rural chartered cities (autonomous from the provinces) which were excluded from participation in the previous local development projects. The project continues PDAP overall thrust toward development of capacity to serve local needs. A distinctive feature of RSC is that it is more explicitly focused toward

the poor living in the rural barangays within the chartered cities. The project's stated objectives are to:

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

^{1/} Level I systems are manually operated pitcher pumps serving households within a radius of 250,000 meters.
Level II systems utilize a motor driven pump delivering water from a storage tank to several standposts serving at least 10 households.
Level III systems provide a direct connection to each household.

^{2/} Also referred to as City Development Assistance Program (CDAP).

Under the project the GOP provides small grants for locally identified subprojects to be implemented by associations of the poor. The project has been piloted in 16 cities and over 200 small infrastructure and income-generating projects have been financed. The GOP will expand the program to an additional six cities in 1982.

Real Property Tax Administration

The project was initiated in 1978 as a direct follow up on pilot work under the LDP. The project was developed in response to the need for additional resources to support local development efforts. The objective of the project is to:

- test and develop improved tax systems for national replication; and
- develop a capacity at central and local government levels to expand and maintain the systems.

Project administration was transferred from the Ministry of Local Development to the Ministry of Finance in early 1982 after experiencing serious implementing difficulties.^{3/} The GOP considers the improvement of a local tax base as critical. Under the MOF, a permanent office has been established to administer RPTA Project for the long term benefit of local governments since provinces, cities and municipalities have complete control of revenues collected. The project involves a close working relationship among the MOF, local governments and the Ministry of Local Government.

3/ Credit is due to MLG for extensive early testing of new procedures and sensitizing local governments and local government executives to the need and potential of improved real property tax administration.

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Summary of USAID Financial Assistance to
GOP Provincial Development Assistance Programs

Operation SPREAD	(1966-68)	\$ 890
Provincial Development Project	(1968-74)	\$4,966
Flood Rehabilitation Program	(1972-74) ..	\$10,800
Special Infrastructure Program (equiv.)	(1973-74)	\$5,490
(PL 480 Trust Funds ₱36,789,194)		
.. Local Development Project	(1974-80)	\$5,595
		<hr/>
		\$27,741

Special Projects:

- Rural Roads I (1976-78)	\$15,000	
- Rural Roads II (1978-83)	\$35,117	
- Barangay Water I	(1978-82)	\$6,184
- Barangay Water II	(1981-85)	\$20,437
- Rural Service Center	(1978-83)	\$1,600
- Real Property Tax Administration (Transferred to Ministry of Finance 1/82)	(1978-83)	\$8,200
		<hr/>
		\$86,538

II. Evaluation of PDAP Experience

PDAP and the associated projects have been evaluated at various stages. The May 1977 PDAP report concluded that the assistance projects and GOP Program were making significant contributions to development of the capability of the provinces to plan, manage and implement programs. The final PDAP evaluation report issued in August 1980 provided an assessment of the general effects of the entire GOP/USAID Program since 1973 and concluded that progress in local development would exceed the original expectations. The USAID Project Evaluation Summary (PES) report submitted to AID/W in November 1980 concluded that a majority of the rural population, particularly in the 28 provinces which participated more fully in the PDAP Program supported by the USAID assistance projects, have benefited from better planning, financing and implementation of several hundred local development subprojects. Gathering of longitudinal baseline data for impact evaluations was not part of the PDAP program, however development professionals and casual observers comment on the obvious impact that strengthened institutions have had on the lives of the rural poor in terms of basic services, income, and productivity.

A. Institutional Accomplishments

The 1980 Evaluation pointed to several institutional achievements. As a direct result of the USAID-assisted PDAP efforts:

- PDAP provinces are rapidly becoming effective systems of governance and administration, quite capable of developing their projects, their own management systems, their own agendas.
- A strong provincial executive office is emerging; it has significant administrative and conflict-resolving capacities.
- Provincial coordinators and development staffs have become vital actors, serving as executive staff, planning offices, and coordinating agents.
- Provincial governments now possess the technical, administrative and political means necessary for the management of their jurisdictions and the implementation of national development projects.
- Non-PDAP provinces have been positively influenced by the organizational and capacity improvements instituted by PDAP with resulting national policy and operational changes.

B. Development Impact

In addition to its institutional accomplishments, the PDAP program has had significant impact on the poor majority. A considerable portion of this impact results from local infrastructure projects conducted as PDAP special projects such as Rural Roads I and II, Barangay Water I and II and Rural Service Centers. This section first sets the general context for impacts from local infrastructure projects based on worldwide experience, then cites specific examples of impact obtained in the Philippines under the PDAP Program.

1. The Impact of Rural Roads Development

a. Global Experience

A variety of experiences worldwide have long indicated the positive and pervasive impact of rural road construction on the development of rural areas. This experience was recently collected, summarized and documented through the PPC/E Impact Evaluation of Rural Roads which reviewed available literature and conducted field evaluations in eight countries, culminating in a three day workshop conference last year.

This intensive assessment established an impressive list of positive contributions derived from improved rural roads including:

- substantially reduced transport cost,
- increased agricultural production,
- shift from subsistence to cash crops,
- changes in crop composition in response to better market opportunities,
- expanded use of new agricultural technology,
- improved access to extension and private cooperatives,
- expanded agro-industrial, industrial, and commercial enterprises,
- increased employment, especially in the short run,

- increased land values,
- increased marketing, especially along the road,
- increased access to and use of purchased consumer goods,
- increase access to health and education services, and
- improved outlook and optimism about future development.

Clearly, very few, if any, rural road activities can be expected to provide all of these impacts, nor would all of them necessarily be positive. In general, results show that all residents of a road influence area will benefit, with larger land owners who have the productive capacity usually capturing a proportionately greater share. In addition, empirical evidence suggests that penetration roads have greater beneficial impact than upgrading of existing roads. This would indicate that careful selection of sites, particularly for new, penetration roads for areas with higher concentration of poverty groups, would permit greater incidence of benefits to the targeted beneficiaries.

b. Specific Impact of PDAP Rural Roads Activities

What then have been the specific results obtained in the Philippines from these kinds of activities? The rural roads projects have had the dual objectives of (1) institutionalizing a permanent capacity and commitment at national and local levels to fund and implement a continuing rural roads program and (2) increase efficient road access for the rural poor to market service centers. It has been generally assumed that if these objectives are met, other development benefits, of the type and nature listed above, will then accrue to the beneficiaries in the influence area. Therefore most evaluations have focused primarily on determining whether and how well the institutional and physical objectives have been attained.

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These findings are well summarized by a recent audit report of the Rural Roads II Project (Audit No. 2-492-82-09) which concludes that the institutional objective has been largely achieved. Roads are being built in a timely manner and in accordance with plans and specifications. Where provinces had little or no infrastructure planning, design or construction capacity before the project, they now have an established capacity in these areas. Decentralization of provincial and barangay rural roads is evidenced by the shifting of GOP responsibility for such roads from provinces through the Ministry of Public Works and Highways to the Ministry of Local Government. In addition, the GOP has developed a system to assist local government with the financing of maintenance and the procurement and repair of construction equipment.

However, in addition to these institutional impacts, direct developmental impacts on target beneficiary groups have also been identified. As described in the PPC/E coordinated Philippine Rural Roads Impact Evaluation of March 1981, almost all road subprojects stimulated increased competition among vehicle drivers, reduced transport costs, improved communications, and expanded marketing opportunities. Spoilage has been reduced and farmers are receiving significantly higher prices for their produce. Some farmers have shifted to higher-value fruits and vegetables. When interviewed by the evaluation team, most rural residents indicated that the road interventions had improved their "quality-of-life". They cited such examples as reduced travel time, more comfortable rides, and year-round ability to reach nearby towns by motor vehicle for medical and other emergencies.

While not all subprojects were complete successes, and some even had some adverse impacts, "the great majority of rural residents interviewed claimed to have benefited from road construction" (Impact Evaluation, p. iv). The following examples drawn from the Impact Evaluation illustrate the development impact of the rural roads projects.

- The linking of the Barrio of Matipoc to the Municipal Center of Calaca resulted in:
"increased agricultural production, attributable to improved access to such items as fertilizer and agricultural extension information provided by the road. This is particularly true with respect to coconut and tomato production. Some people have increased their pig stock because pig feed is now more easily obtained from the poblacion. In a number of areas, the construction of improvements or additions to houses offers evidence both of increased income and of easier access to transportation of building materials from Calaca." (p. B-4)
- In the area influenced by the Pawa-Santa Magdalena road, "farmers have reported substantial increases in rice production as a result of increased use of fertilizer, stemming in part from easier access to fertilizer stores, and the reduced cost of transportation to and from these stores." Also, "there have been dramatic impacts in the Santa Magdalena-Talaonga section. As a result of improved access, use of fertilizer increased as did agricultural production. Higher prices were offered for crops both at the farm and at nearby markets..." (p. B-5).
- "Travel between Nagbayan and Castillejos, for a variety of purposes, seems to have increased considerably after the road was improved, providing benefits that are often difficult to measure but nevertheless very real to area residents. Many houses, especially in Nagbayan and along the road close to Castillejos, are concrete block structures. Radios are commonplace, and 7 houses in Nagbayan reportedly now have TV sets." (p. B-7).
- "As a result of the road improvement, this traffic to Vito Junction has increased markedly. Receipts to the barrio from the rental of stalls on market day have increased

forty percent. Commercial establishments, like restaurants and sari-sari stores, have benefitted from the increase in visitors, and there is evidence of some physical expansion. While the evidence of the road's impact on fishermen is more ambiguous, it is clear that fish prices have increased at the Vito market, and that the fishermen's options have increased since they can now sell more readily and with reduced spoilage to the wholesale market at the poblacion of Sagay, some eight kilometers from Junction Vito." (p. B-8).

2. The Impact of Local Water Development

The objectives of the Barangay Water projects are to: (1) provide safe, reliable, low-cost water systems to small rural communities, and (2) develop national and local government capacity to plan, organize, finance, install, and maintain Barangay cooperative water systems.

In meeting these objectives, the projects have had considerable impact on target households and communities. While lack of baseline data and a sophisticated evaluation program makes it difficult to measure health benefits in a quantitative sense, health workers and other field observers state that significant health benefits are being achieved. Rural health workers report a rapid increase in the construction of water sealed toilets resulting from the water improvements. These improved sanitary facilities should lead to long term health benefits.

Affected communities are benefitting from a wide variety of economic activities which were not possible before installation of a safe, reliable, year-round water system. Household poultry raising has expanded rapidly and numerous commercial poultry enterprises have been established. As a result of improved water supply, households now have more livestock. Reports indicate that a large number of families have increased their number of pigs and cows. The resulting increase in poultry and livestock has expanded considerably the use of organic fertilizer thus reducing purchases of chemical fertilizer. While vegetable growing used to be a limited,

seasonal pursuit, it is now a thriving, year-round activity supplying produce for both commercial and household consumption. Backyard vegetable gardens are being expanded in the dry season primarily where gravity flow systems are located. This is improving family nutrition and providing some monetary return. Project monitors feel that economic benefits resulting from water improvements have increased household incomes by at least 20 percent.

The Barangay Water Program has provided participating barangays with the opportunity to manage their own development project. The various training programs offered by the Program have strengthened the management capabilities of offices of barangay water associations. These aspects make this program different from most previous GDP activities. The following specific examples illustrate the benefits of the local barangay water projects.

- Before the project, San Pedro residents dug through the sand of the dry Tanauan River bed to get drinking water during the dry season. Ibajay and Maloco-Capitan residents depended on shallow and open-dug wells or rainwater collected from dusty roofs and stored in tanks which were often rusty. Lolomboy residents either bought their water from a neighboring barrio or obtained it from a shallow well which was not considered safe by medical authorities. Now, all communities have a safe, year-round, supply of piped water. Construction of water-sealed toilets has increased 30 percent; now between 80 percent and 95 percent of the households in these communities have water-sealed toilets.
- Whereas residents of Lolomboy use to pay an average of ₱45 per month for water brought in by motorized tricycle, now they pay an average of ₱24 for a continuous supply of piped water.
- Due to lack of water, families in San Pedro could not engage in backyard gardening during the dry season. Now, at least 70 percent have year-round backyard gardens. Household piggeries have increased in San Pedro with about 60 percent of families now raising pigs.

- Barangays Talaga, Emmanuel, and San Pedro in Batangas Province each have at least three new commercial poultry operations following the completion of local water systems.
- In a Luzon barangay the project has had both economic and institutional impacts. The improved water system lead to such an increase in the number of cows that a dairy cooperative was established. Based on the experience gained with the water activity, the barangay water association expanded to include a daily cooperative. A Manila firm now buys all the milk that the community can produce.

3. Development Impact of Other Local Development Activities

a. Real Property Tax Administration Project

The project seeks to strengthen local government financial capability by improving local tax mapping, records management, tax assessments and collections. Although presently behind schedule, the restructured project nevertheless is having a significant impact on some communities.

An evaluation conducted in 1980 showed an increase of taxable parcels of more than ten percent in a majority of the municipalities. However in some municipalities the number of taxable parcels was reduced due to the elimination of duplicate tax declarations for the same property or declarations that were no longer valid. Overall under the project total assessed value increased in 85 percent of the municipalities while collection efficiency improved in 58 percent.

A 1981 audit report (No. 81-12) indicates that in the eleven project communities visited by the audit team, tax collections increased by 66 percent in one year. While all of this increase cannot be attributed directly to the project, the results certainly point out the potential impact of improved real property tax administration. The most rapid increases occurred in Albay Province, Lucena City, Baguio City

and Legaspi City where local governments took a firm stand. In one case, properties with delinquent taxes were put on the auction block, in two other cases no business licenses were approved until all past and current property taxes were paid. It is important to note that small homelot owners and small-scale farm owners have to pay little or no real property taxes. The principal problem has been with larger property holders, especially on land that has been upgraded (e.g. agricultural to industrial use) but the owners have not paid a fair rate. The improved system will correct this situation.

In five project municipalities in Antique Province, tax collections increased three-fold in one year. Tax collections for the municipalities of Barbaza, Bugasong, Caluya, Laua-an, and San Remigio went from \$7,068 (P56,546), for the four-month period October 1980 to February 1981, to \$20,849 (P166,790), for October 1981 to February 1982. Although part of the increase resulted from the paying of delinquent taxes and therefore cannot be expected every year, the dramatic increase once again demonstrates the potential impact of improved local tax administration.

b. Rural Service Centers (RSC) Project

The objective of the project is the decentralization of decision making by strengthening local governments and the provision of the capacity to assist local barangay groups to successfully design and implement subprojects which respond to basic social and human needs of the poor. The project was initiated in 1978 and now involves twenty-two chartered cities which include extensive rural areas within their boundaries.

An evaluation of the project in May 1982 indicates that the project is having considerable impact on poverty groups. The evaluation studied 26 income-generating subprojects most of which were already providing benefits although underway for only a few months in many cases. Fully 60 percent of those surveyed indicated their incomes had increased

as a result of the project while 33 percent indicated their incomes were, as yet, unchanged. Survey respondents reported an average increase in monthly family income of \$15 per family representing a ten to twenty percent increase in total income. Eighty-six percent stated that subprojects are having significant multiplier effects and 87 percent felt that subprojects have increased overall socio-economic development in the barangay. In addition to these income impacts, 76 percent believed benefits were being distributed equitably.

As well as improving the well-being of poverty groups, the RSC project also seeks to promote local involvement in the decision-making processes. The evaluation suggests that the project is succeeding in this respect. The survey revealed that 94 percent of participants feel that the subprojects have increased solidarity and cooperativeness within the barangay. Also, 71 percent believe they are more in control of their destinies and better able to bring about changes in their community. These results are particularly encouraging because they suggest that participating barangays have the appropriate attitude to independently undertake self-sustaining development activities.

Of the ten subprojects included in the survey, the Malitan deep sea fishing subproject in Batangas City appears to be one of the most successful. Though only four months old, the enterprise is generating \$114 (P910) per member or an increase of \$40 (P325) over their previous monthly income level. The subproject provided a loan to the local association for the purchase of a fishing boat and related gear.

While most of the 26 subprojects evaluated have only been operating for a short time, most show various degrees of "preliminary success" while only three appear to be in trouble at this early stage. The few subprojects that are in trouble did not have adequate feasibility studies prior to their selection and GOP funding, or operational management is weak. Some of this can be corrected. Useful data and experience for redesign is coming from the problem subprojects.

An example of a success is the First Natural Rattan Factory in Angeles City which has risen from the ashes of a burned out private factory. The new building was inaugurated in February 1981 and by May 1981 there were 56 workers making rattan furniture. Another example is the Association of the Poor of Pandan which initiated a cement block factory now employing six full-time and ten part-time workers, all formerly unemployed and from very poor families. In Roxas City, the Barra Gas Pumping Station is proving to be an excellent money making project; its bank balance in December 1981 was almost \$3,000. In addition to providing income for the local association, the gas station saves fishermen and other gas/diesel users the trouble and expense of going into town to get gas.

C. Lessons Learned from the Broader PDAP Program Experience¹

1. Development assistance projects whose objective is to strengthen localities so that they can on their own identify, initiate, and implement development programs must contain provision for a phased withdrawal of the project control agency. Otherwise localities tend to become subordinates of a control agency, subject to operational constraints which suppress initiative and self-reliance, produce ritualistic compliance systems, prevent experimental responses to the differential character of local conditions, and inhibit the development of local organizational and managerial capacities. In the case of PDAP, it was the effective absence of a central control agency at a crucial point in its history that enabled the provinces to achieve "take-off".
2. External assistance should be provided in the form of tangible resources which can be directly deployed under the authority of the locality.

Real discretion as to allocation of resources provides local executives with policy and project alternatives, with agendas of their own and the opportunity to prevent visible accomplishment in their own right.

^{1/} These lessons are summarized from "Lessons Learned: Provincial Development Assistance Program, Philippines", by Martin Landau and James Anderson (1980). The evaluation was supported by AID/W S&T.

3. PDAP-Central's early assumption of responsibility for the national extension of the program displaced its original experimental emphasis. As line responsibilities took hold, experimental effort and "research and development" activities ceased, and "monitoring and evaluation" were reduced to pro-forma checklists. Its primary thrust became that of establishing control and compliance systems and monitoring clearance and accountability procedures. When line administration is allowed to overwhelm experimental effort, opportunities for systematic learning and error-correction are lost.
4. In projects designed to develop or strengthen local administrative capacity, care must be taken to select management techniques that stimulate local administrative development and to avoid those that tend to establish tight hierarchical control over localities.
5. Projects intended to build planning capacity at the level of local government must guard against overloading the structure of local administration with requirements that are at best marginal. Localities are saddled with numerous distinct planning responsibilities, many of which are of no value to them and cannot be justified on grounds of training or "learning by doing".
6. The repertoire of a local development project should contain both bounded and unbounded planning strategies. Bounded (closed) plans rest on priorities which are translated into action sequences that follow a strictly determined path. Unbounded (open) plans are strategic. They are more general in character, less procedurally exact, and allow for easy and rapid alterations.

ANNEX D
LOCAL RESOURCES MANAGEMENT
Logical Framework

Life of Project:
From FY 82 to FY 89
Total U.S. Funding: \$6.0 Million
Date Prepared: 6/21/82

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Goal (multi-phase program)</u>	<u>Measures of Goal Achievement</u>		<u>Purpose to Goal Assumptions</u>
<p>To replicate and institutionalize within the CDS regions innovative approaches to local development which promote greater self-reliance, productive employment, and real incomes among disadvantaged residents in rural areas.</p>	<ol style="list-style-type: none"> 1. Provincial governments are increasingly determining and independently acting upon local priorities as measured by: <ol style="list-style-type: none"> a) A stream of locally initiated projects that support and promote self-help development among defined target groups; b) The exercise of greater discretion by provincial governments over the use of nationally allocated budgetary resources (e.g. BIR allotment) for local development activities; c) Increasing local government contributions to development activities, including creating a healthy economic environment for private sector involvement in this process; and d) Increasing mobilization of community resources. 2. Provincial and regional plans and project designs reflect a targeted focus evolving from LRM and these concepts are influencing planning guidance to other regions. 3. Local resource institutions incorporating LRM lessons including a targeted focus in their curricula 	<p>Review of provincial and municipal project portfolios and the evaluation of their impact on intended beneficiaries.</p> <p>Review of local development expenditures and guidelines.</p> <p>Review of local government contributions to local development.</p> <p>Review of community contribution to self-help development activities.</p> <p>Review of plans, project designs, and planning guidance.</p> <p>Review of curricula and training programs.</p>	<ol style="list-style-type: none"> 1. GOP will make necessary adjustments in existing systems and procedures to incorporate LRM lessons. 2. Provinces and RDC's will sustain commitment to targeted development. 3. The MOB will honor its commitment to devolve authority to regions for allocating development resources. 4. The GOP will continue its policies and activities aimed at putting into effect regional development planning, budgeting, and line agency operations. 5. The GOP's regionalization drive will allow for increased provincial and municipal participation in development programming decisions and not result simply in centralization at the regional level.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<u>Project Purpose (Phase I)</u>	<u>End of Project Status:</u>		
To identify replicable, targeted approaches to local development in six provinces which can be extended and institutionalized throughout the CDSS regions in subsequent phases.	LRM developed systems and approaches prove worth replicating on expanded scale based on evidence that:		
	1. Track 1 provincial strategy approach is: a) resulting in identification of subprojects which show clear potential for responding to target group needs; b) appropriate to PDS needs/capacities and fits within the existing regional planning and budget systems; c) encouraging private sector participation in local development; d) reshaping thinking of PDS toward helping specific target groups help themselves.	Review of RDC approved subproject proposals which have been or are being implemented.	
	2. Track 2 financial monitoring systems prove a) suitable to provincial/municipal needs, b) appropriate to provincial/municipal financial staff capabilities, and c) useful in identifying actions leading to increased local revenues.	Same as 1b).	Assessment of how useful provincial and NECA project staffs find systems and approaches that have been developed during Phase I. Also, project reports, evaluations.
	3. Track 3 activities prove that closer cooperation between local PVO's, other private sector organizations or representatives, and municipal governments can lead to greater beneficiary participation in local development activities.	Same as 1b).	

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS								
<p><u>Project Outputs</u></p> <p>1. Targeted strategy approaches developed and tested.</p> <p>2. Enhanced provincial (PDS) capacities to develop and to obtain funding for sub-projects in support of approved strategies.</p>	<p><u>Magnitude of Outputs:</u></p> <p>Approved initial provincial strategies: (cumulative)</p> <table border="1"> <tr> <td>FY</td> <td>83</td> <td>84</td> <td>85</td> </tr> <tr> <td></td> <td>3</td> <td>6</td> <td>6</td> </tr> </table> <p>a) Approved annual program plans.</p> <p>b) Approved subproject proposals developed by PDS.</p>	FY	83	84	85		3	6	6	<p>Project reports and evaluations.</p> <p>Project reports and evaluations.</p> <p>LRM project records and evaluations of responsiveness of strategies to local needs.</p> <p>Project records and evaluation of degree of fit between sub-projects, plans, and strategies.</p>	<p><u>Output to Purpose Assumptions:</u></p> <p>Capacity to implement subprojects will evolve in response to the particular technical needs of the more innovative projects under LRM--and those capacities can be developed through the existing functionally defined programs of GOP, including</p>
FY	83	84	85								
	3	6	6								
<p>4. Lessons have been sufficiently documented and management support mechanisms are adequately developed to permit replication of selected approaches and systems, as measured by:</p>	<p>a) Training modules incorporating LRM concepts and methods developed and in use; and</p> <p>b) Provinces, NEDA, and local resource institutions working effectively as a support network for LRM expansion.</p>	<p>Project reports and evaluations.</p> <p>Project reports and evaluations.</p>									

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NARRATIVE SUMMARY

OBJECTIVELY VERIFIABLE INDICATOR

MEANS OF VERIFICATION

IMPORTANT ASSUMPTIONS

USAID-supported Rural Resources Development and Rural Enterprise Development.

c) Evidence of better provincial technical, social, economic, and environmental feasibility studies submitted to RDC in support of subproject proposals.

Review of progress in preparing better subproject feasibility studies.

d) Key provincial staff oriented and trained in basic LRM approaches: (cumulative)

Project records.

FY	<u>83</u>	<u>84</u>	<u>85</u>
	24	40	40

Approaches for encouraging private sector involvement in local development developed and tested.

a) Inventories of private sector firms and organizations, their capacities and interests prepared and tested by provincial governments as means to help define the role of private sector in subproject implementation.

Project records and evaluations.

b) Incentives for stimulating greater private sector participation in local development identified and tested.

Project records and evaluations.

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
4. Provincial monitoring and evaluation systems developed and in use.	a) LRM subprojects are regularly monitored/evaluated. b) Subproject evaluations serve as a basis for implementation adjustments and lessons are incorporated into design of new subprojects.	Project records. Review of subproject implementation reports and evaluation of changes in subproject designs over time.	
5. Budget systems researched and approaches recommended to increase provincial discretion over budget allocations for local development.	Sets of research findings and recommendations.		
6. Improved provincial and municipal systems, procedures, and capacities in local financial administration.	a) Multi-year forecasts of revenues/expenditures; monthly monitoring system on revenues/expenditures; financial trend monitoring system as a basis for recommendations on improved financial management systems, policies, and practices. b) Key provincial and municipal staff oriented and trained in forecasting and monitoring of revenues/expenditures. c) More revenues are generated as a percent of "collectibles," and savings are achieved through more cost-effective administration of public enterprises and services at provincial/municipal level.	Provincial and municipal financial reports. LRM project evaluation. Evaluation of training. Review of revenue performance.	More accurate diagnosis of financial strengths and weaknesses will result in effective action.

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NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATOR	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS				
7. Approaches tested for linking private sector activities in beneficiary organization to provincial and municipal development activities related to a selected target group.	Actual activities to be determined by FVO's, other private sector organizations or representatives, and local governments based on needs and potentials of target group selected by province.	FVO reports and LRM evaluation of experience.					
<u>Project Inputs</u>	<u>Implementation Target (Type and Quantity):</u>						
	<table border="1"> <thead> <tr> <th>P/M</th> <th>(\$000)</th> </tr> </thead> <tbody> <tr> <td>770</td> <td>2,730</td> </tr> </tbody> </table>	P/M	(\$000)	770	2,730	Signed agreements and contracts.	Policies and procedures for implementing LRM will be established and put into effect in a timely manner.
P/M	(\$000)						
770	2,730						
1. Technical Assistance							
2. Training	250 140	Project records.					
3. Commodities	- 200						
4. Research	- 320						
5. Performance Payments	- 2,125						
6. Evaluations	- 35						
7. Community Projects	- 450						

ANNEX E

FEASIBILITY ANALYSIS

A. Technical Considerations

LRM institutional development efforts build upon prior GOP investments and experience in strengthening provincial and regional capacities for undertaking development programs (e.g., under PDAP AND IBRD-supported Regional Development Assistance). LRM plans to rely fully on existing organizations and staff capacities for its implementation. The project does not intend to introduce structural changes or develop new production-oriented technology but will introduce tested technologies as appropriate. Rather it proposes to develop and test more responsive approaches to local development. Such approaches will be innovative requiring a reorientation of current local government thinking towards people centered planning and more targetted development activities. The development of poverty oriented strategies will require new skills in poverty analysis and new management techniques.

Analysis of national, regional and provincial leadership and capacity indicates that skills and training in socially oriented planning and sub-project implementation are relatively undeveloped. There is, however, abundant evidence from the PDAP experience to show that local governments, given the proper training, guidance, and financial support, can undertake each of the 3 LRM components, to wit: (1) strategy and subproject development, (2) local finance administration, and (3) beneficiary participation. There is also good evidence that local government units can handle several or all of these components simultaneously within a single development program or activity. The best examples of this are the Antique Upland Development Program and the USAID-assisted Rural Service Centers (RSC) Project, both of which are described in detail in the Social Soundness Analysis below.

Briefly, the Antique program combines all the components with the exception of efforts to generate local resources for its development program (it has relied on existing GOP revenue-sharing allotments and on outside sources of funds). The RSC project, which focuses on economically depressed villages rather than resource-based poverty groups per se, combines all of the LRM components but research and strategy formulation (though local governments under RSC do undertake basic socio-economic research to identify the more depressed villages and use that data in helping beneficiaries identify potential development activities). In general, the Antique and RSC experience, among others,^{1/} indicates that a project like LRM is technically feasible.

^{1/} Other relevant experience is the USAID-assisted Barangay Water Program, which combines project design and implementation with beneficiary organization; the Buhí Development Project and the Palawan Agro-Forestry and Upland Development Project, both of which are recent attempts to replicate the Antique program; and the ADB's integrated development program in Palawan.

In any event Phase I is designed specifically to test the feasibility of LRM developed approaches. By the end of Phase I there will be substantial experience to base a judgment which approaches are worth replicating. In addition, there will be knowledge about the requirements along with cost effective means for orienting and training provincial and municipal officials in LRM type strategizing, program planning and subproject development on an expanded scale.

1. Assessment of Financial Administration and Budgetary Procedures

Many fiscal reforms have been enacted by the government in pursuance of the national policy to "guarantee and promote autonomy to local governments by giving them the power to create their own sources of revenue and to levy taxes". However, the improvements in local governments financial administration and devolution of budgetary authority have been disappointing.

A 1981 Syracuse University study* under AID contract pointed to built-in disincentives for local government units to mobilize and improve the management of financial resources. For example, Bureau of Internal Revenue (BIR) allotments average from 40-60% of total local government revenues. As a result, 40-60% of local government expenditures are not locally controlled but mandated from the central government. The net result is that many local governments do not make serious efforts at increasing tax efforts in the expectation of a continuing national allotment. Secondly, since the majority of local government expenditures are mandated there is little incentive for local government to increase its own taxing effort considering that major allocation decisions are out of their control.

Other findings show that many taxing sources of provinces and municipalities are not being fully tapped and local government officials are not fully aware of the authorities granted to them under the law. Much of the problem stems from the lack of technical know-how, insufficient tax information or in general, weak financial administration.

Under PDAP, an attempt was made to improve local government financial mobilization through the Real Property Tax Administration Project. The project activities suffered various administrative problems which are now essentially resolved with a transfer of administration to the Ministry of Finance who control the technical personnel at the local government level. The RPTA remains an important resource for local governments but collection of other taxes e.g. the business tax, and other measures and approaches to administration need to be improved.

The Syracuse University study referred to above on local governments finance also concluded that in the long run, three kinds of changes are necessary: "The most important is to increase the incentives for local

* Strengthening the fiscal performance of Philippine Local Governments: Analysis and Recommendations, Syracuse University report dated 6/81, Financed under AID/W Local Revenue Administration Project.

governments to mobilize more resources. A second is to give local governments some additional latitude in their fiscal decisions, thereby increasing their accountability as well as their autonomy. The third is to increase the flow of resources and technical assistance to the local level." The Syracuse study also recommended reforms in three important areas:

- (a) Needed changes in the allotment system;
- (b) Institution of a credit financing scheme; and
- (c) Less mandating of local government expenditures.

The LRM project plans to address the problems identified through improvements in local financial administration (capacities and procedures) and by sponsoring analysis on policies that constrain local government capacity or act as disincentives to mobilization of local financial resources. The success of the project to a great extent rests on local governments' capacity to gain control over the use of locally generated and national internal revenue allotments. However, they will not be given control until the MOB and MOF have confidence in their ability to mobilize, manage, and account for funds. The RSC project has been able to work with city governments in developing better procedures for administration. These procedures should generally apply also to provinces and municipalities.

The Budget Process

The following attempts to summarize the essential features of the present GOP budgetary process and the implications for USAID-supported projects including LRM:

The overall policy framework for the budget is set by the Development Budget Coordinating Committee (DBCC), an interagency ministerial committee consisting of the Ministers of Budget and Finance, Director General of NEDA, and the Governor of the Central Bank. The DBCC translates the broad planning objectives, priorities, and targets of Government into specific resource guidelines.

It is the MOB that controls the annual budget process. Calendars, forms, regulations, etc. are prepared and enforced by the MOB. All budget requests are submitted to the MOB in the first quarter of the year preceding the year in which funds will be expended. Budget requests are formulated on the basis of work units to be accomplished and estimates of costs.

At the regional and provincial level, there are essentially three interrelated budget components in the overall system which are of primary concern:

1. Annual Operating Budget;
2. Infrastructure Budget; and
3. Regional Budget.

For LRM the regional budget is the most important. The GOP in 1978 introduced a regional budgeting review system developed with the assistance of

the IBRD aimed at: (a) "involving the country's role in the national development program," and (b) "encouraging the decentralization of government operations".

Under the system, regional line agencies, provinces, and cities submit their budget proposals to the RDC for review. The RDC is to insure that the requests are consistent with regional and national priorities. With RDC approval, the proposals are submitted to the MOB which holds hearings at the regional level.* Following the regional hearings, the MOB prepares a consolidated budget for final review by the Executive Review Board. With its recommendation, the President submits the budget to the legislature, which issues an Appropriation Act. Once the Act is passed the implementing agencies prepare detailed action documents (feasibility studies, financial schedules, implementation plans, etc.) required for each release. The releases are broken into quarters to "promote an orderly pattern of disbursements which does not outstrip receipts".

The following gives the usual steps and timing for securing budget allocations through the regional budget process:

- | | | |
|------------|---|--|
| Continuous | - | Province/municipality develop preliminary project proposals for Provincial Development Investment Plan. |
| August | - | Regional cycle begins with NEDA Regional Office preparing annual Regional Development Implementation Plan (RDIP) for 1984 (in conformity with approved 5-year plan). |
| November | - | Submission of provincial programs/projects and agency operating budget. |
| | - | Regional prioritization of subprojects/programs on sectoral basis in consultation with line agencies, provinces and others. |
| December | - | Program/project documents with pre-feasibility and budget estimates completed in preparation for Regional budget hearings. Agency operating budgets including Regional NEDA also submitted and reviewed. |
| Jan-Feb | - | Regional budget hearings: Review of previous year performance against budgets; New budget requests defended. Revision of budgets as necessary and inclusion in annual RDIP. |

* The regionalization of the budget process is still at an early stage but promises to give the RDC added stature and authority to coordinate local government and line agency activities by virtue of its review/approval prerogative.

- June - MOB submits consolidated budget to Executive Review Board/
- July - President submits budget to the legislature.
- on/before Dec 1983 - Legislature passes Appropriation Act.
- on/before Dec 1983 - Agencies/Local governments submit detailed action documents on each program/project to Ministry or implementing agency e.g. RDC in the case of LRM.
- January 15, 1984 - First budget release for first quarter.

Implications for USAID

(1) The budget cycle, i.e. preparation, authorization and execution (release) requires almost two years to complete. Provincial Projects to be budgeted for and monitored by the RDC must be identified and the pre-project preparation must begin at least 18-24 months preceding the beginning of the calendar year for which subprojects are to be implemented.

There is a tendency to try to bypass the system and secure resolution through a supplemental budget process in Manila. The many "end-runs" have subverted the regionalization and decentralization gains and longer term objectives of an orderly budget process. Unfortunately, for NEDA's 1983 LRM operating budget and for CY 84 subproject financing, a supplementary budget will need to be submitted through the RDC and by NEDA central since the November submission date can not be met.

(2) The quarterly release system is the GOP's attempt to enforce proper financial planning, and execution of projects according to approved schedules. The estimates are historically unreliable and there are either shortfalls each quarter which delay projects or overages which require managers to scramble at the end of each quarter to spend the money otherwise it reverts back to the national government. Experience shows that many budget proposals are either underestimated to enhance prospects of approval or inflated (as much as 100%) to allow for unplanned contingencies. Either device does not work to the benefit of the project in future years since MOB takes their past performance into consideration when reviewing next years request. Provinces must work to establish credibility with MOB by submitting reliable cost appraisals.

The restrictive quarterly release mechanism also does not allow provinces to work at their own pace. Given the critical need for flexibility in experimental type projects there is need for multi-year funding authority.

LRM plans to work within the existing regional budget system, but explore various alternative procedures on the books that provide greater implementation flexibility to provincial governments. A proposed annual

budget release direct to the province is one such alternative that LRM will test. This follows an existing provisions for certain infrastructure projects which allows funding for 5 quarters.

2. Assessment/description of Regional and Provincial Planning Mechanism

The following provides a brief background and description of the current planning framework as it relates to LRM. Part B.2 below gives additional discussion of regional and provincial capacities for effective planning.

The current Regional and Provincial Planning mechanism dates back to 1972. In 1972 the Commission on Reorganization proposed a landmark decentralized planning movement under a Integrated Reorganization Plan (IRP). The Plan provided for (1) establishment of regional field organization of ministries providing field services, and (2) establishment of Regional Development Councils (RDC) in each region with responsibility for coordinating regional and local government activities and preparation of annual and long term plans. (See discussion of RDC given in Part B.2.b below).

a. Regional Development Investment Plan (RDIP):

To help implement the Plan, in 1974-75 the NEDA regional office (NRO's) were established as the full time technical staff of the RDC's. To backstop the effort, a Regional Development Staff (RDS) was established as part of the Planning and Policy Office of NEDA in Manila. With assistance from the UNDP/IBRD, NEDA mounted a major technical assistance effort to provide guidance and assistance to the Regionalization process.

In 1976, work began in the development of a five year Regional Development Investment Plan (RDIP) for the period 1978-82 which was to be updated annually. (The second five year development plan (1983-87) is now completed. The RDIP's are designed to analyze the development problems and potentials of various regions and provide profiles of resources, economic development and social conditions. They include projections and targets for crop production and industrial investment; demographic variables, labor force, social indicators such as infant mortality, school enrollments, etc. As a forward planning document, the RDIP's have attempted to develop agriculture and rural development oriented strategies for some regions and urban-industrial oriented strategies for others. In addition, there has been some emphasis on integrated area development planning. The RDIP's contain a listing of priority programs and projects to be undertaken mainly by line agencies, i.e., the focus of the five year plans has been on planning of public investments which are primarily of an infrastructure nature under the direct control of the government ministries. The RDIP's development programs usually require provincial, municipal and city coordination/cooperation with national agencies for their implementation Projects such as provincial roads and water systems require Provincial Development Staff involvement in design implementation, and maintenance. Under the regulations, all development programs and projects must be included in the RDIP before there can be national funding.

b. Provincial Development Investment Planning

The provinces responsibilities for planning are provided for in the Local Government Code (currently under revision). The Governor and the Provincial Development Council are responsible for overseeing most planning actions of its municipalities. The actual day to day work is coordinated by the Provincial Development Staff (PDS). The PDS works closely with municipal officials in planning and implementing local level activities and development of their Town Plans.

In theory, the municipal local government (town) plan is the basic document from which provincial development program plans should be generated. The municipal plan requirements are comprehensive in nature giving detailed analysis and proposals for each sector, and long term plans for implementation. LRM design analysis show that in general, the plans are poorly done. This is to be expected given the lack of planning staff in the municipalities and the lack of resources to implement projects. What is reflected in the plans are simply wish lists that have little relation to funding realities.

The PDS generally serves as the link between the municipal planners and the provincial leadership. The PDS regularly meets with municipal officials filtering out what can and cannot be done with available financial and staff resources. The PDS also coordinates line agency activities in the municipalities. These mostly informal consultation with line agencies and municipal (and barangay) officials is the basis for the preparation of the Provincial Development Investment Plan (PDIP) which is the long term planning framework of the province. The PDIP follows the RDIP in structure giving analysis of development problems, potentials, profiles of provincial resources, economic development and social conditions, and programs and projects for funding. The PDIP is submitted to the RDC and forms the basis for the RDIP. As in the municipal plan, the PDIP can become a wish list since only a few of their priorities are finally reflected in the RDIP for the subsequent funding.

The PDIP is complemented and supplemented by various other provincial documents developed as a result of the PDAP experience such as the Capital Investment Plan, Annual Investment Plan, socio-economic profile and others. Recently, the KKK plan has been added. (See B.2.3 below for KKK description). As in the RDIP, the focus of these plans is on public investment of an infrastructure nature.

The quality of the provincial plans is a function of the experience and training of the Provincial Development Staff and their success in coordinating or drawing in the assistance and resources of the line agencies. In general, the PDIP have reflected line agency priorities which may or may not be local priorities.

Implications for USAID Projects

(1) Analysis of RDIP's and PDIP's indicate that there are few people centered programs or projects in the long term plans. Inclusion of LRM strategies will require a major RDC reorientation.

(2) Line agencies initiation of proposals and budgets at the regional level and local level would appear to give them a significant role in the selection of regional/local investments. While they do have significant influence on local investments, the majority of investment decisions are still made in Manila. Delegation of greater decision powers with respect to planning of programs/projects is going very slow. As a result, line organizations planning and project preparation to meet local needs leave much to be desired.

(3) The RDIP and PDIP planning efforts do not link to investments of the government corporations. These corporations are not covered by regional or provincial budgeting procedures and generally they are not represented in the RDC. In view of their significant resources and diverse nature of their responsibility, there is clear need for a greater flows of information and coordination with regional and provincial planners.

(4) The LRM proposal will require yet another planning effort by the PDS to develop people centered strategies, programs and subprojects. There is need to review the various planning documents required by various ministries and agencies to insure that there is no duplication. This would improve PDS efficiency to deal with LRM requirements.

The LRM project can provide added technical assistance, management and planning services through the resource institutions for strengthening planning and general efficiency. These resource institutions are expected to influence the make up of programs and projects included in the regional and provincial plans and can serve to coordinate other line agency activities through its strong monitoring network.

B. Institutional Considerations

1. Philippine Administrative Structure

Traditionally, power and authority have been concentrated in the central government which stands at the apex of the Philippine administrative hierarchy. Decisions flow along the usual hierarchical lines through national ministries to a three-tiered local government structure of political subdivisions, comprising 72 provinces, 1,594 municipalities (comparable to U.S. counties) and 42,000 barangays (barrios or villages). In addition, there are 64 chartered cities which are autonomous units and act independently of provincial governments. These political subdivisions have been grouped into 13 administrative Regions (including Metro Manila) which have regional administrative machinery (Regional Development Councils) and responsibilities for coordinating subnational governmental programs in each region.

GOP policy and plans (discussed in various sections and in Part 3 below) give evidence of a genuine attempt to move authority and control to the subnational level. The regionalization effort entails institutionalizing the Regional Development Councils (RDC) and involving provinces in the identification of development priorities under the Regional Development Planning process.

There have been other recent movements toward decentralization. The Ministry of Budget has vested in the RDC responsibility for screening and reconciling budgetary requests/plans of national line agencies and local governments as part of an annual budget exercise at regional levels. The Ministry of Agriculture has begun to decentralize its decision making authorities to give Regional Directors major control over policies and programs that address problems that are region specific.

Actual devolution of authority has been slow, however, as there are still strong pressures to retain centralized authority over the planning process and use of budgetary resources. The result is that local governments still act largely as implementors of national programs. It must be recognized that achieving acceptance of such notions as poverty group involvement in development planning will require time and the commitment of influential individuals at all levels of government. Furthermore, those attempting to introduce bottom-up decision making approaches through LRM or similar programs must guard against instituting systems and processes that can become subject to central control by the implementing agency in Manila or even by the RDC.

2. Institutional Capacities

LRM will work through several existing GOP structures for administration, subnational planning and implementation. The implementation plan (Part V) discusses the GOP administrative and managerial structure of the LRM project and describes external resources to be applied to help these structures become more responsive to people's needs. The following sections will discuss the organizational capacity to implement and maintain the project and the relation of project to GOP policy and plans. The analysis concerns itself with the key actors: NEDA, the RDC, and the province.

a. NEDA as the Lead Agency for LRM

NEDA is the central agency for national development planning and coordination of program implementation. NEDA's leadership position as the central planning body of the government and at the regional level as the execution arm of the RDC makes it a natural lead agency for the implementation, maintenance and promotion of LRM. NEDA is also in a key position to facilitate and mobilize support and resources from national line agencies.

The proposed LRM organization will not require any major reorganization or much new staffing. Key staff for the central and regional management and technical units will be drawn from existing NEDA personnel.

The NEDA units will be supported by resource institutions which are important for poverty group planning and process documentation. NEDA's addition of planning specialists with analytic skills and graduate training in the social sciences will be necessary at both the national and regional level. All other planning areas are now within NEDA's scope and staffing.

There will be need to develop at the Central and Regional level a small but highly motivated staff that is committed to LRM principles and with enough experience to be able to deal with the difficulties and problems usually encountered in launching a new and innovative program. The staff must command enough respect to deal effectively with the local agency and provincial officials. Also, the Regional/NEDA LRM coordinator must have authority to act in the region and in the field without continual referral to Manila. This decentralized decision making authority already resides with the Regional NEDA officer. The prospects are good that LRM can attract an ambitious and qualified staff from within NEDA considering that the project is new and offers a substantial challenge.

NEDA's performance in Phase I will set the tone for LRM expansion. It needs to guard against setting rigid controls which will work against the project's interests. The lessons learned from PDAP regarding a highly centralized and tightly controlled project administration should not be lost in organizing LRM. (See Annex C for PDAP experience).

NEDA has been involved for the last 6 years in developing a comprehensive regional planning framework assisted by the UNDP/IBRD. As such, NEDA has considerable experience and capacity in planning and in coordinating local government activities through the Regional Offices. It will however be necessary early-on to hold workshops, seminars and team building programs involving regional, provincial and resource institutions personnel to insure clear understanding of LRM concepts and objectives. The roles and responsibilities among actors need to be agreed to for effective action.

The lack of reliability and timeliness of inputs has been a serious weakness in past government sponsored programs resulting in a great loss of confidence in central government by local governments and beneficiaries. NEDA's management and technical staff must work towards developing confidence that technical support, services and funds flow are reliable and provided in an efficient manner.

NEDA has gained considerable experience in dealing with field operations through the implementation of such donor assisted projects as the USAID supported Panay Unified Services for Health (PUSH) in Region VI. The evaluation of PUSH indicates that NEDA has the capacity to administer AID resources and coordinate delivery of services efficiently. A planned expansion of the PUSH project also gives some indication of the capacity of NEDA to replicate systems. Region VI is recognized as among the more capable. Institutional capacities in Regions V and VIII are not as well developed, but the NEDA regional offices are adequately staffed and have experience in supporting/coordinating local governments activities which will be very important to LRM implementation.

Both NEDA Central and Regional offices will have a range of technical and management resources to tap as needed. An important management tool will be LRM's continuous evaluation (i.e., monitoring, evaluation, process documentation feedback system) which will keep the pulse of field operations and signal problems that need corrective action. (See Part VI)

b. Regional Development Council

Regional Development Councils (RDC) have been established to coordinate the implementation of policies, programs and projects in the regions. The RDC is made up of all the governors of the provinces, mayors of the cities and Regional Directors of the National line agencies. (Figure 3 shows the organization chart for Region VI which is typical of other Regional organizations.) The RDC structure provides an important mechanism for proper linkages with all national line agencies, councils, boards, authorities working at the subnational level. It should be clear that the implementation of specific government programs and projects remains with the responsible line agencies and local governments i.e., provinces, cities, municipalities. The NEDA regional offices serve as the technical staff of the RDC.

The RDC organizations vary in strength and cohesiveness, owing to (a) the uneven development within the Regions, whereby one province often dominates the regional economy and (b) personal influence of local officials at national ministerial levels or with the Office of the President, which tends to subvert the process of working through the Regional structure.

LRM will have to deal carefully with any local anomalies to the usual regional organizational structure. Under LRM the RDC will review and approve provincial strategies, annual budgets, and subprojects. Accordingly, the RDC must strive for equal treatment of provinces on the basis of agreed criteria. Procedures and responsibilities of the RDC in regard to LRM have been carefully spelled out in the implementation plan which includes strict criteria for approval of strategies, plans and subprojects. Project management and technical staff need to insure that there is strict adherence to the criteria. The design now provides that AID will review and pass on first round strategies to help insure that the basic standard framework for planning is high from the outset.

There is concern of the RDC's ability to secure cooperation and coordinate national line agencies who operate with a separate budget not under RDC control. The Ministry of Budget's decision to have line agency budgets reviewed at the regional level is a move to give the RDC an opportunity to increase its stature and influence. However, the RDC does not have an opportunity to review the aggregated (all-ministry) regional expenditure program since much of this expenditure is presented at the national level as national programs. National government ministries account for about two-thirds of total government expenditures in the regions. When the investment expenditures of national government corporations are taken into account, the preponderance of the national government role in the regions is even greater. Mobilizing and utilizing the resources of these agencies for the achievement of provincial development objectives is therefore a critical issue for LRM.

The presence of the NEDA Regional Director as the principal executive arm of the RDC with direct linkage to the strong and influential National NEDA should also serve to secure cooperation by line agencies. To further strengthen LRM implementation, there will be need for careful orientation and continual consultation with line agencies on LRM concepts and proposals by national and regional LRM management and technical staff to insure understanding and to avoid conflicts, but most importantly to secure technical and financial support.

There is general consensus by NEDA and USAID that with the added technical and managerial inputs provided by LRM and increasing responsibility for allocation of resources, the RDC structure will be strengthened. The RDC's are expected to take this responsibility seriously and prove their ability to sustain the LRM program for the long term.

c. The Provincial Government

The role of the provincial government in LRM will be crucial since the province will have primary responsibility for planning, implementing, monitoring, and evaluating all local activities under the project. Moreover, the province will act as the principal communications link between the RDC and the municipalities.

Two factors are likely to prove the most important in determining whether a given province, if selected for LRM, successfully carries out its responsibilities under the project. The first is the commitment of the provincial governor to the underlying philosophy as well as modus operandi of LRM. Given the prestige and powers of his office,^{2/} the governor's participation and leadership are vital if the kind of innovative thinking and dedication to finding better ways to assist poor groups in the province are to be inspired. The second factor is the quality, commitment, and (to some extent) size of the Provincial Development Staff (PDS). Since the PDS acts as the governor's technical office for planning and project development and also is responsible for some project implementation, how well it carries out these functions currently should give some indication as to how well it will perform under LRM.^{3/}

^{2/} Under the Local Government Code, the governor is granted considerable powers and responsibilities, including general supervision of all local development activities, overseeing the work of national agencies operating at the provincial level, and chairing the Provincial Development Council, an entity that must approve most proposed provincial actions, including local budgetary allocation for local projects.

^{3/} A "typical" PDS has about eight professionals with varied training and skills as well as a number of clerical and other nonprofessional support staff. (The PDS staff level in any given province is limited by the amount of revenues available from the province's general fund of which no more than a fixed percentage may be used for salaries.) The PDS is headed by the provincial development coordinator, who reports to the governor.

Is it reasonable to expect provinces to have both the commitment and the capacity to participate successfully in LRM? The answer appears to be yes for many provinces, though not all. On the question of commitment, governors, their staffs, and other local government workers interviewed during the LRM design period were very receptive and enthusiastic about the project. This is natural since their provinces would stand to benefit from the project in terms of having more financial resources available to support locally identified development activities. Furthermore, the governors would have the opportunity to strengthen their political base and the staff level personnel to improve their technical skills through LRM. Though interest is not necessarily the forerunner of commitment, selection of such provinces as Antique in Region VI, which has already demonstrated its commitment to (and capacity to carry out) the kinds of approaches LRM envisions, should maximize the changes for project success. (See the discussion in Part IV C about the Antique Upland Development Program.)

As for the question of capacity, there is ample evidence that many but not all provinces have the basic competence to participate successfully in LRM. Provinces which have participated in PDAP, for example, appear generally to have the requisite capacity (See Annex C, PDAP Analysis). The PDAP provinces of Iloilo, Albay, and Antique are three of several that stand out as having very effective planning and management staffs. Negros Occidental, a non-PDAP province, has also developed a strong staff and has very successfully managed its resources under the Special Projects. Provinces such as these, with strong PDS's, should have little difficulty in expanding their coverage to LRM activities, including strategic planning for poverty groups. Other provinces, whose capacities range from good to poor, will require strengthening through technical assistance and training before they will be ready to undertake the kinds of activities foreseen under LRM.

Several other factors which presently constrain the effectiveness and efficiency of provincial governments will be directly addressed by LRM. For example, since even provinces with a high degree of commitment and technical capacity face serious budgetary constraints, the project initially will provide most of the funds for subprojects. Over time, as LRM financed technical assistance and training improves provincial financial administration, the province should be able to take on more and more of the subproject costs. Also, the project should help to alleviate some constraints arising from national level policies, e.g., the province's lack of budgetary authority. On the other hand, LRM will not be able to have a direct impact on the problem of recruiting and retaining qualified personnel, which is itself caused primarily by the GOP's low salary structure.

In sum, the evidence indicates that many provinces do have the commitment and capacity to successfully manage LRM resources, provided they receive adequate training, technical assistance, and financial resources to work with.

3. LRM in Relation to GOP Policy and Plans

The GOP's development goals include more productive employment, equitable income distribution, balanced regional development, and domestic resource mobilization. The GOP recognizes that achieving these goals requires greater decentralization, community participation and more responsive and efficient local government. The GOP has demonstrated its seriousness in these efforts over the past decade through the building of local government development capacities, the establishment of regional planning and budgeting machinery, and the launching of the Kilusang Kabuhayan at Kaularan (KKK) or national livelihood movement. Other sections of the paper deal amply with the local development and regional planning activities. Given the similarity between LRM and KKK objectives, it is worth reviewing the relationship between the two programs.

The KKK was established on August 9, 1981 by Executive Order No. 715. The program aims "to spur the economic and social development of the entire country by transforming the country's 42,000 barangays into self-reliant productive communities through the establishment of various livelihood projects or enterprises to be owned and managed by the community residents themselves." The KKK's basic strategy is to motivate, encourage, and develop private enterprise in the barangay. The entire movement will rely on private and community initiative, through local associations and cooperatives. The government's expressed role is primarily to act as catalyst, providing seed capital, the priming activities, and the extension work necessary to assist local private efforts.

Livelihood projects are to be developed in seven major economic categories: agro-forestry, agro-livestock, aquamarine, waste utilization, cottage and light industries, shelter and shelter components, and services, depending on type of land settlement (i.e., mountainside, uplands, lowlands, or coastal). Priority beneficiaries include the landless rural workers, upland farmers, urban slum dwellers, sustenance fishermen, cultural minorities, out-of-school youths, and disabled persons.

As the primary economic priority of the government, the KKK is to be directly managed and supervised by President Marcos as Chairman of the National Council on Livelihood or the Pambansang Lupon the Kilusang Kabuhayan. Members of the Council, aside from the President, are Prime Minister Cesar Virata as vice chairman, and the Ministers of Agriculture, Agrarian Reform, Human Settlements and Community Development, Local Government, Trade and Industry, and Natural Resources, and the Directors General for Budget and Management, Economic Planning, and for Media Affairs; the Governor of the Central Bank and the Chairman of the Development Bank of the Philippines.

A national KKK Secretariat provides coordination, administrative, financial and technical services. Minister of Human Settlements Imelda Marcos has been designated as Secretary General of the Secretariat, assisted by Dr. Jose Conrado Benitez as Deputy Secretary General. Four national coordinators covering the three major geographic regions of the country and Metro Manila

have been appointed, along with KKK action officers in each of the 12 regions of the country. Various government agencies have been designated to assist the KKK program with technical and other support activities.

While KKK's objectives are sound, emerging from an accurate realization that past development efforts have not been sufficient to improve the livelihoods of a majority of Filipinos, it is too early to make an assessment of the KKK's prospects for success in achieving these objectives. The program is experiencing the predictable start-up problems of any major nationwide campaign, e.g. unclear guidelines, changing signals, mobilization difficulties, logistical problems, administrative weaknesses, initial cynicism and apathy, and the pressures to achieve quick results.

Despite the many similarities in philosophy, there are very significant differences between LRM and KKK in scale and approach. These can be readily seen in the following comparison:

Program Characteristics

- | <u>LRM</u> | <u>KKK</u> |
|---|---|
| - concentrated in 3 core CDSS regions | - nationwide coverage |
| - specifically targetted on a key poverty group in province (mainly rural) | - basically untargetted, including all subsistence and other groups found in a locality (urban and rural) |
| - provincial focus | - barangay and municipal focus |
| - directed at development of appropriate programming procedures and capacities required for innovative local projects | - little attention to capacity building and use of standardized programming procedures developed by MHS |
| - strategic approach to planning and project identification including mix of livelihood and small infrastructure projects | - emphasis on quick project identification and implementation based on proposals by local organizations for livelihood activities |
| - incremental approach to implementation based on careful documentation and evaluation of experience | - national campaign approach to implementation aimed at early widespread impact |
| - concern for local revenue generation to support local development | - mobilization of rural bank credit for supervised loans to local organizations |

These differences suggest there is considerable potential for complementary efforts. In areas where both KKK and LRM are operational, LRM can help strengthen the institutional capacities and provide a strategic framework to enable local governments to make better use of available KKK resources. Meanwhile, KKK can provide substantial resources to accelerate local development and provide localities participating in LRM with a wider range of experience in livelihood activities.

C. Economic Analysis

The need for stronger local government involvement has long been recognized as vital to the successful development of the Philippines. The landmark ILO study in 1974 that laid the analytical basis for subsequent development planning in this country emphasized the overriding importance of rural mobilization and employment generation, along with a stronger export orientation, to achieve an equitable pattern of sustainable growth.^{4/} The first World Bank "Basic Report" on the Philippines, published in 1976, essentially concurred in the findings and recommendations of the ILO study.^{5/} As the ILO report noted,

"the rural sector requires large investments in infrastructure, such as feeder roads, irrigation works and electricity; the organization of mini-industrial estates; better local law enforcement and methods of resolving conflicts. Many such needs can be diagnosed successfully only with substantial local participation... At present, serious weaknesses of long standing hamper the efficiency of barrio, municipal and provincial governments. Improvements on a carefully selective basis must receive the highest priority... High priority must be assigned to improvements at the provincial level, with special emphasis on the ability of this level to coordinate horizontally and to communicate effectively with the lower level."^{6/}

The Bank report noted in turn, that "the shortage of trained personnel in local and municipal governments, their lack of financial resources, and their limited expenditure powers have been important constraints to development,^{7/} and that

^{4/} International Labour Office (ILO), Sharing in Development, A Programme of Employment, Equity and Growth for the Philippines, ILO and NEDA, Geneva and Manila, 1974.

^{5/} World Bank, The Philippines, Priorities and Prospects for Development, Washington, D.C., 1976.

^{6/} ILO, op. cit., p. 67-8.

^{7/} World Bank, op. cit., p. 91.

"administrative reforms should aim at enlarging local responsibility for formulating and administering projects and programs at increasing financial and technical assistance at the local level... Unfortunately, until recently the system of public administration in the Philippines did little if anything to foster local initiative. All too often higher levels of government were insufficiently informed about local needs, in part the result of overcentralization."

In the FY 82, 83 and 84 CDSS's, the USAID Mission describes an assistance strategy what will support the generation of more productive employment for poor groups as the key to poverty alleviation. This requires the creation of more jobs, the promotion of higher productivity in existing jobs, and the long-run reduction in the rate of growth of the labor force to reduce the competition for jobs. USAID is currently working actively with the GOP to design projects against this poverty strategy in rainfed resources development, rural private enterprise development and fertility and infant mortality reduction.^{8/}

It is believed, however, that a considerable amount of locally-specified public and private investment and improvement in public services will be required before these poverty oriented activities can successfully attain their goals. Without initial public investments and improvements in local government capability to plan and manage basic infrastructure and public service facilities, the efficiency of all other economic activities will remain low and private sector investors will go elsewhere (or stay in Manila). Accordingly, as both the ILO team and the World Bank have long ago pointed out, such locally-specified infrastructure and service delivery capacity needs to be further developed through such programs as LRM.

This, then, is the basic reasoning behind the Local Resources Management Project. It is seen as a vital effort to develop the local government administrative and financial management capacity necessary to provide the local infrastructure and services required for the efficient and successful implementation of all the other major elements of USAID development assistance strategy whose focus is on poverty.

There has been a strong commitment by both GOP and USAID to avoid creating new organizational structures, but rather to seek ways to reorient existing governmental agencies and institutions in support of local governments to utilize existing budgetary and financial procedures in more efficient and effective ways at local levels, and to develop a cost-effective intergovernmental process that will be eventually sustainable without foreign donor assistance and will serve as a model for GOP replication to the other regions. It is the Mission's judgment that the LRM process as currently designed represents the most cost-effective approach to strengthening the desired capacities of local governments in the Philippines.

^{8/} Ibid., p. 117.

The project is designed to upgrade the capacity of provincial governments to develop more responsive strategies and plans and to identify and design sub-projects focussed on stimulating the more productive employment of specific poverty groups. The capacity building will include the analysis and consideration of economic and financial, as well as social, environmental and other, feasibility issues. Each subproject will have to be justified on either economic cost-benefit or cost-effectiveness grounds, in a manner similar to that suggested in AID Handbook 3, and such justification will be carefully reviewed prior to subproject approval by the RDC and their Regional NEDA Office staffs. To the extent possible, such economic feasibility analysis will also be used to screen alternative subproject proposals for priority funding selection. The USAID-funded Economic and Social Impact Analysis/Women in Development (ESIA/WID) Project has, in fact, been laying the groundwork for this over the last four years, particularly in Region VI, which actively participated in the project, developing suitable methodologies for impact assessment and testing the administrative feasibility of using them at the regional and local levels. NEDA's keen interest in and support of the ESIA/WID Project has partly stemmed from the desire to use such analysis as a way to help them make priority judgments among different project proposals competing for the same limited funds.

D. Social Soundness Analysis

The purpose of this project is to develop and test targeted approaches to local development. The analysis presented here does not, however, attempt to assess the overall feasibility of a targeted approach for two reasons. First, there is sufficient evidence both in the Philippines and world-wide to show that a bottom-up, targeted approach to local development is not only feasible but is generally more successful in terms of appropriateness and sustainability than the top-down, non-targeted approach. Thus, the analysis does not need to justify why the project is attempting to institute these types of approaches. Second, the major feasibility issues involved in implementing this approach are better handled within the Technical, Institutional, and Administrative Analyses sections of this Project Paper, since they deal with national, regional, and local bureaucratic and administrative capabilities of handling this targeted approach. The social soundness analysis section, concentrates primarily on the actual subprojects that will be designed and implemented using this targeted approach. It examines who the beneficiaries are, what criteria will be used to identify socially feasible subprojects, which project features will promote replicability and sustainability, and what is the likely impact of subprojects undertaken by local governments using a targeted approach.

1. BENEFICIARIES

Potential direct beneficiaries of this project are the more than 630,000 poor families living in Regions V (Bicol), VI (Western Visayas) and VIII (Eastern Visayas). Direct beneficiaries can be divided into four major

poverty groups: landless laborers, upland farmers, subsistence fisherman, and coconut farmers (see Table 1 below for distribution of these groups by region).^{9/}

a. Landless laborers and their families are probably the most disadvantaged group in the Philippines. Their only productive asset is their own labor, which they are forced to sell in a highly competitive and generally low remunerative setting. Their situation is undermined by seasonal employment, declining real wages, the lack of alternative employment opportunities, and their low levels of skills and education.

TABLE 1
POVERTY DISTRIBUTION
Number of Poor Households (in 1000s)
Per Poverty Group in Each Region

<u>Poverty Group</u>	<u>Region V</u>	<u>Region VI</u>	<u>Region VIII</u>	<u>Total</u>
Coconut Farmers	95.2	15.5	115	225.7
Upland Farmers	33.7	63.5	48	145.2
Fishermen	41.4	35.0	59	135.4
Landless Laborers	19.2	62.5	44	125.7
<u>TOTAL</u>	<u>189.5</u>	<u>176.5</u>	<u>226</u>	<u>632.0</u>

b. Upland farmers are nearly as disadvantaged. Although they are generally landowners, productivity and farm-gate prices are low. Up to 70% of their income is derived from off-farm and non-farm sources. Lack of skills, market isolation, and the absence of sufficient alternative employment opportunities keep upland farmer incomes low.

c. Subsistence fishermen are somewhat better off than upland farmers, but income from fishing is limited by a declining catch, low prices received by fishermen, and a general lack of boat and equipment ownership. Since fishing is often an employment of last resort for the poor, increasing pressure is placed on scarce resources, resulting in lower catches per capita and serious ecological damage (e.g., overexploitation and destruction of coral reefs).

^{9/} Definition of poverty and more detailed descriptions of these four groups are found in USAID CDSS's for FY 82, 83, and 84, and in USAID Poverty Profiles prepared for each of these regions. See also relevant chapters in Gelia Castillo (1979), Beyond Manila: Philippine Rural Problems in Perspective.

d. Coconut farmers, although they are generally owner-cultivators and have larger average holdings than other farmers, comprise the largest poverty group in Regions V and VIII, and a lesser but still significant proportion in Region VI. Major factors keeping their incomes low are declining productivity, absence of affordable and appropriate technology, lack of alternative or supplemental income activities, and low prices received for their products.

The LRM project aims to improve the living conditions of these direct beneficiaries by: (a) improving their access to and effective utilization of their respective resource bases; (b) expanding employment opportunities, both primary and supplemental; and (c) increasing their access to certain basic social services (e.g. water, sanitation, education).

In addition, the LRM project has several hundred indirect beneficiaries. These are primarily the numerous provincial and municipal officials who will receive training under the project. This training is directed at improving the capabilities of these officials to (a) undertake poverty-group focused socio-economic research; (b) identify and understand existing constraints to increasing income, employment, and well-being; and (c) plan, design, and implement development projects which benefit the target group. The training will also attempt to change the existing paternalistic, top-down approach to development problems in rural areas to an approach which allows to the maximum extent possible participation by the beneficiaries themselves in all aspects of the development process, i.e., problem identification, project selection, planning, and implementation. This training -- both skill acquisition and attitudinal change -- will ultimately enable these officials to design and implement better, more appropriate, sustainable, and higher-impact development projects for the rural poor.

In terms of addressing rural poverty in the Philippines, a project like LRM is long overdue. Evidence from several sources shows clearly that disparities in rural income distribution are increasing despite fairly intensive development efforts in the countryside. Among the reasons for this are: (a) most government programs are not targetted on specific poverty groups, and benefits thus are generally enjoyed by the better-off segments of society rather than those in need; (b) there has been little attempt to encourage local governments to become partners in the development process, resulting in not only a lack of commitment on their part but a failure to take advantage of their extensive human, physical, and financial resources; and (c) because the government relies mainly upon top-down approaches to development rather than a participatory approach whereby beneficiaries themselves assist in selecting, planning, and implementing development projects, many local projects fail once the government removes its support.

The LRM project is an important first step in tackling the immense problem of rural poverty in the Philippines. Although experimental, the LRM is expected to have significant impact on the development policy and performance of local government and over time should improve the conditions of the rural poor. LRM's anticipated initial success should also serve as a replicable model for the GOP in planning for assistance to the poor.

2. SOCIO-CULTURAL FEASIBILITY

All LRM sub-projects will be subjected to social soundness criteria to ensure their feasibility within the local socio-cultural context. For sub-projects developed at the community level using a participatory development approach, tests for social soundness will be minimal because the beneficiaries themselves, with the assistance of PVOs and other change agents, will have identified and planned the projects that will benefit them. Experience from the 200 plus subprojects developed with this approach under the USAID-assisted Rural Service Center (RSC) project shows that when target beneficiaries are involved in the development process projects are generally sociologically sound.^{10/}

Social soundness criteria for projects identified and designed by provincial officials, however, will by necessity be more stringent. Proposed sub-projects will have to be in accordance with the province's poverty group strategy. Sub-projects will also have to meet certain criteria to ensure, for example, that sub-project benefits reach appropriate poverty groups, that poorer members of these groups will be allowed to participate in the project, that distribution of benefits will be fairly equitable, that the roles of women are considered in the design and implementation, that the project does not adversely affect large numbers of people, and that the project is compatible with the local social and cultural system.

Although provinces have not had much exposure to social feasibility studies, experience with the RSC project leads us to expect that with training, guidance, and experience, Provincial Development Staff (PDS) will be able to undertake necessary social feasibility studies. NEDA has already developed a handbook of guidelines for such analysis. In addition, social scientists on the NEDA management and technical staffs as well as in various resource institutions will be available to assist the PDS in these social soundness analyses.

3. SPREAD EFFECTS

One characteristic of development projects designed and implemented by outside government officials without beneficiary involvement is that to the beneficiaries they are government projects, not theirs. Thus, for example, if a water pump needs repair, villagers generally refuse to take initiative or responsibility. They don't view the project as their own (since they were probably not consulted on the type, location or even need for the project), and thus they will wait for the government to repair it. Given the usual inefficiencies in government responsiveness to the need for even minor maintenance and repair, however, these projects often stop functioning completely once a breakdown occurs. The rural countryside in many developing countries is littered with projects that have met this fate.

The LRM project, by emphasizing the involvement of beneficiaries in all stages of the development process, should avoid this lack of commitment

^{10/} The RSC Project is described below.

that so frequently results when governments attempt to assist villagers in development activities. Involvement and participation - particularly in the design and planning stage of the project - will foster a sense of ownership, vested interest, and responsibility in the beneficiaries. People will tend to view a particular project as their own and will feel they have a personal stake in its success or failure. This attitude should ultimately result in successful and sustainable development projects.

Another distinctive feature of the LRM project is its emphasis on the mobilization and effective utilization on local, regional, and national resources. In essence, this is providing local governments the wherewithal to sustain development efforts once USAID funding has terminated. Similarly, at the community or sub-project level, the emphasis on people's participation and income generation should allow most self-help projects to become financially independent once the sub-project is firmly established.

A good example of this latter process is the Rural Service Center (RSC) Project, which attempts to assist rural chartered city governments undertake development activities to meet the needs of the poor living within their jurisdiction.^{11/} Under this project, residents of economically depressed villages are organized into associations through which the people participate in the identification, planning, and implementation of self-help projects. Most subprojects to date have been income or employment generating projects. Beneficiaries usually contribute labor and materials, while the GOP and the city governments share project costs on a 75-25 basis, respectively. The program is still rather new, and it is difficult to break villagers of their traditional dependency on government. Nevertheless, a significant proportion of associations have begun to set aside part of their project revenues for future investment and expansion.

Also noteworthy is the change in the RSC program for 1982 and future years, whereby GOP funds for the sub-projects are provided on a loan basis, with moderate interest. Significantly, a number of existing associations have requested these loans in order to improve or expand their existing operations (in Roxas City, for example, more than 3/4 of the 18 association with on-going projects have applied for loans in 1982). Their current financial position and the experience they have gained in managing their project themselves have given them the confidence to move toward self-sufficiency. This outcome is anticipated under LRM as well.

The LRM project also has several other features which should promote the spread of the project and its benefits to those beyond the initial target area. First, there should be a spread effect from one locality to another. As rural people view the successes (and failures) of the participatory development process in neighboring villages, they too will want to join in the

^{11/} Chartered cities often have land areas as large as small provinces, and thus city boundaries include rural hinterlands in which are living large numbers of poor people, the majority of whom have been by-passed by development programs in the past.

program, sharing in the successes and learning from past mistakes. Experience from the RSC project shows that villagers are eager to join in these types of programs because of the benefits that can be gained.

Second, as provincial and municipal development staff personnel receive training, get experience, and obtain greater confidence in their skills and abilities, these improved capabilities should find expression in a wide range of governmental activities, such as administration, financial management, and the provision of social services, as well as in more specific development activities. In addition, attitudinal changes in government officials toward development (from top-down approaches to a focus on bottom-up participatory development) should become manifest in other, non-LRM, types of development activities, just as the PDAP and RSC experience has improved the capabilities of certain provincial and chartered city development staff to undertake other participatory-type projects with the central government, ADB, and the World Bank.

Finally, given the state of development, especially of small, rural infrastructure in the LRM regions, it can be expected that the first LRM projects will be primarily infrastructure in nature and will thus provide the basis for further development of the rural areas; this will not be limited to other LRM sub-projects but will encompass a wide array of development activities. There are several good examples of this in the USAID Rural Roads Project, whereby 3-5 km. rural roads were constructed which resulted ultimately in not only increased marketing of agricultural products but increased visitation of government agencies (e.g., extension and health worker) and greater access to government and private services for villagers.

4. IMPACT/EQUITY

In building capacity of local governments to undertake poverty-group based development programs, the LRM should generally have a positive impact on the related problems of low household income, unemployment and under-employment, and disparities in income distribution. A major reason improvement is anticipated is that LRM forces provincial governments, often for the very first time, to direct a share of their development efforts toward assisting the rural poor in their area. While previous development efforts were dissipated by attempts to reach some vague aggregate of poor people, LRM demands an explicit identification of the largest or most important groups of poor, plus a thorough understanding of the problems facing these groups. Further, the formulation of a development strategy upon which future projects are based will keep development activities directed toward these target groups.

Essentially two types or levels of impact can be expected under LRM. The first level, and that with the largest overall impact, is related to projects that are based upon the poverty group strategies. Initially, these projects are likely to consist of small-scale, quick pay-off, infrastructure projects, such as roads, bridges, and fishing boat landings. Later, as research and analysis is completed and a poverty-group focussed strategy is formulated, more direct, specifically targeted, interventions will be undertaken. While it is difficult to pre-judge the exact nature of these

interventions, the Antique Upland Development Program provides some indication of the type of impact expected at the province level. A brief description of this program follows.

Antique Upland Development Program (AUDP)

The AUDP, which began in 1976, is managed and financed primarily by the Antique Provincial Government. The program's objectives are (1) to guide upland inhabitants to discover ways and means to utilize, manage, and conserve more effectively the upland resources, thereby increasing their incomes and improving their quality of life; and (2) to restore the ecological stability of the uplands based upon sound environmental principles. The Program's major activities are: (1) building farmers association; (2) identifying and addressing training needs; (3) applied research and development of appropriate technologies and farming practices; and (4) extension and support services.

The province is assisted by the Bureaus of Plant Industry, Soils, Animal Husbandry, Agricultural Extension, and Forestry Development. A memorandum of agreement between the province and these GOP line agencies was executed to integrate resource inputs and to insure the cooperation of these agencies in the AUDP. Research support from the University of the Philippines at Los Banos and some financial assistance from the Ford Foundation and the Philippine Business for Social Progress have also been secured.

The program's first phase concentrated on ten upland villages in Southern Antique; the second phase, now underway, extends the program to the central and northern parts of Antique. Eventually the program will cover all 17 upland municipalities in the province.

The project operates under the principle that in order to stop environmental degradation from slash and burn agriculture, it is necessary to provide upland farmers with alternative but still rewarding income sources. In this regard, a good deal of project research and experimentation has been directed toward making the average 2 hectare homestead more productive. Activities have been tested and introduced for various parts of the homestead: homelot, for cultivating vegetables and fruit trees and raising livestock; pasturelot, for livestock feeds and green manuring; farmlot, for terracing and cultivation of field crops; and woodlot, for planting ipil-ipil for needed energy resources and soil conservation.

Although baseline household income figures are not entirely reliable, there appears to have been an increase in annual household income from about \$260 in late 1977 to \$300 in early 1980. Most of this increase resulted from sales of livestock and firewood and a slight increase in productivity of rice and corn, all due largely to AUDP. A recent impact evaluation of the AUDP found that, "taken as a whole all of these project strategies geared towards attaining household economic self-sufficiency have contributed to raising the annual family income level in the area".^{4/} Significantly, this impact

^{4/} The Antique Upland Development Program: A Case Study (1981) Integrated Research Center, De la Salle University, Manila, Philippines.

evaluation also found that certain practices introduced by AUDP, especially ipil-ipil planting and farming techniques such as contour plowing and bench terracing, have resulted in marked ecological improvement. For example, devastating flash floods and landslides which occurred repeatedly in the past are now rare in the project site.

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The second level of impact expected under LRM is related to self-help projects undertaken primarily by PVO's and other non-government change agents at the community level and following a people's participatory approach to development. Based upon experience in the RSC project, most community level LRM sub-projects will probably be small-scale income or employment generation activities. The RSC project also provides a good example of the type of impact that can be expected with these types of projects, and it will be useful at this point to describe some of that impact.

Rural Service Center (RSC) Project

The RSC project as mentioned previously is an attempt to assist rural chartered city governments undertake development activities for the poor living within their jurisdiction. The GOP through the Ministry of Local Government's City Development Assistance Program (CDAP), grants approximately \$60,000 annually to each of the 22 participating cities to fund sub-projects.^{13/} The RSC project is managed at the city level by the City Planning and Development Staff (CPDS), headed by a coordinator who works directly under the city mayor.^{14/}

After conducting a socio-economic survey of the city in order to identify a half dozen or so of the poorest villages, CPDS field staff organize the poor people within these villages into associations. The associations select officers, draw up simple by-laws, analyze their socio-economic condition, identify the constraints facing them, and determine possible project-related solutions to those constraints. Finally, assisted by the CPDS staff, the association members design and implement their project.

The more than 200 RSC income/employment generating sub-projects include: cattle and swine fattening, sewing and needlecraft, furniture making, handicrafts, fishing boats and equipment, bakery and confectionary, poultry, bicycle manufacturing, small-scale rice milling, and cement block making. The average sub-project has about 20-25 members, costs about \$2,000, and provides at least a minimum daily wage for those working full-time in the projects. The following project examples give more detail.

13/ USAID provides only technical assistance, training, and commodity support.

14/ A CPDS staff includes the coordinator, several "social action workers" or community organizers, economists, sociologist, engineers, and support staff.

1. Cement Block Making (Angeles City). This project has approximately 25 members in its association, most of whom come from the lower socio-economic

class of the village. Presently, about half the members are employed at the site, and as business expands other members will also join the work. The sale of blocks results in average daily earnings for the block makers of about \$3.00, slightly below the average wage for the area. Most workers were previously casual laborers, drivers, and construction workers, earning incomes about equal to what they are now earning but with much less job-security. The association also employs several out-of-school youth from the village on a part-time basis.

2. Fishing Boat Project (Roxas City). Twenty-four fishermen formed an association which received a boat and fishing gear from RSC. All the fishermen are crew members on other boats; none of them are boat owners. They work on the RSC boat in weekly shifts, 7 fishermen at a time. When not working on the RSC boat they serve as crew on other boats. In general, if it were not for the RSC boat they would be unemployed on the days they were not working on the other boats.

After setting aside a portion of income from the catch for operating expenses and capital replacement, the balance is divided among the crew and the captain according to the traditional shares allotted to each. Since crew members receive a portion of the total share which normally goes to the boat and equipment owner, their daily income from fishing on the RSC boat is significantly higher than that received working on other boats.

3. Cattle Fattening (Lipa City). Twenty-eight upland farmers formed an association to raise cattle. Each member receives a one year-old heifer for raising on the homestead site. The association assists individual members procure feed and veterinary services and also arranges breeding services for the cows once they mature. Calves born to these cows are raised until they are 6 months old and then are given to the association, which sells some, uses others to replace original stock that may have died, raises a few for association working capital, and uses still others to expand association membership. Once members have given their first born calf to the association, the original cow becomes their own, and future calves can be disposed of as they see fit. Interest in association membership is maintained because the above-mentioned services can be obtained through membership and additional stock may be purchased through the association more cheaply than from outside sources.

Cattle raising is only a supplemental income-earning activity for these farmers, but the income makes a significant addition to household earnings. The value of a year-old heifer is about \$375. The cost of feeding a cow for one year is about \$40, while the sale value of a two-year old cow averages about \$560.

CONCLUSION

In general, the LRM project should have a positive impact on the problem of low income and unemployment. Its poverty group focus should generate results similar to those of the fairly successful Antique Upland Development Project; and its emphasis on community organizations and participatory development should achieve success comparable to that obtained in the Rural Service Center Project.

ANNEX F

IMPLEMENTATION PLAN

A. Institutional Arrangements for Implementation

LRM implementation procedures emphasize:

1. Working through existing organizational structures for planning and implementation.
2. Working in consonance with GOP regionalization policy.
3. Reliance on existing provincial capacities, which will be further strengthened by technical assistance and training as necessary.
4. Local mobilization of private sector assistance and local resources (human, material, financial and natural).
5. Continuous evaluation based on intensive monitoring.

Assessments during the LRM design of the capacities and formal as well as informal workings of each level of government indicate there is considerable capacity at the regional and provincial level to implement and manage LRM activities, mainly as a result of PDAP and its special projects (RRP, BWP, RSC). However, working with targeted approaches differs fundamentally from employing the traditional non-targeted approaches, and most provinces will be called upon to perform distinctive and often unfamiliar roles in planning and implementation. The new skills and orientation required to put the new approaches into effect will be products of formal training, the experience gained from project implementation, and technical assistance.

To facilitate the process of implementation at the field level, pre-implementation activities will be scheduled for each province selected for participation. This will include orientation of local officials to their roles, tasks, and responsibilities, preparation of work plans, mobilization of staff, etc.

The following describes the functional responsibilities of implementing and support entities.^{1/}

1. The Lead Agency (NEDA Central and Region)

The Deputy Director-General of NEDA will serve as Executive Director for Implementation of LRM. The Assistant Director General for Regional Development in NEDA will be the Deputy Executive Director for the

^{1/} The order of discussion is not intended to indicate a top-down approach. Under LRM, the province is the beginning point for most planning and implementation activities. Over time, the focal point should evolve to the municipality. Administratively, it is not practical at this time to attempt to deal directly with the 373 municipalities in the CDS Regions.

project. He will be assisted by an LRM project staff mostly drawn from existing NEDA offices, who will serve as the central management and technical staff unit for LRM administration and coordination of all activities across the three participating regions. The NEDA regional project management and technical staffs will function in much the same manner as the central management unit but operating across provinces. (See Figure 2 for the LRM Organizational Diagram.) NEDA project staffs will work closely with the Regional Development Councils. NEDA will coordinate field activities, including technical assistance, research, training, monitoring and evaluation, and most importantly, as approaches are tested, replication of these approaches nationally.

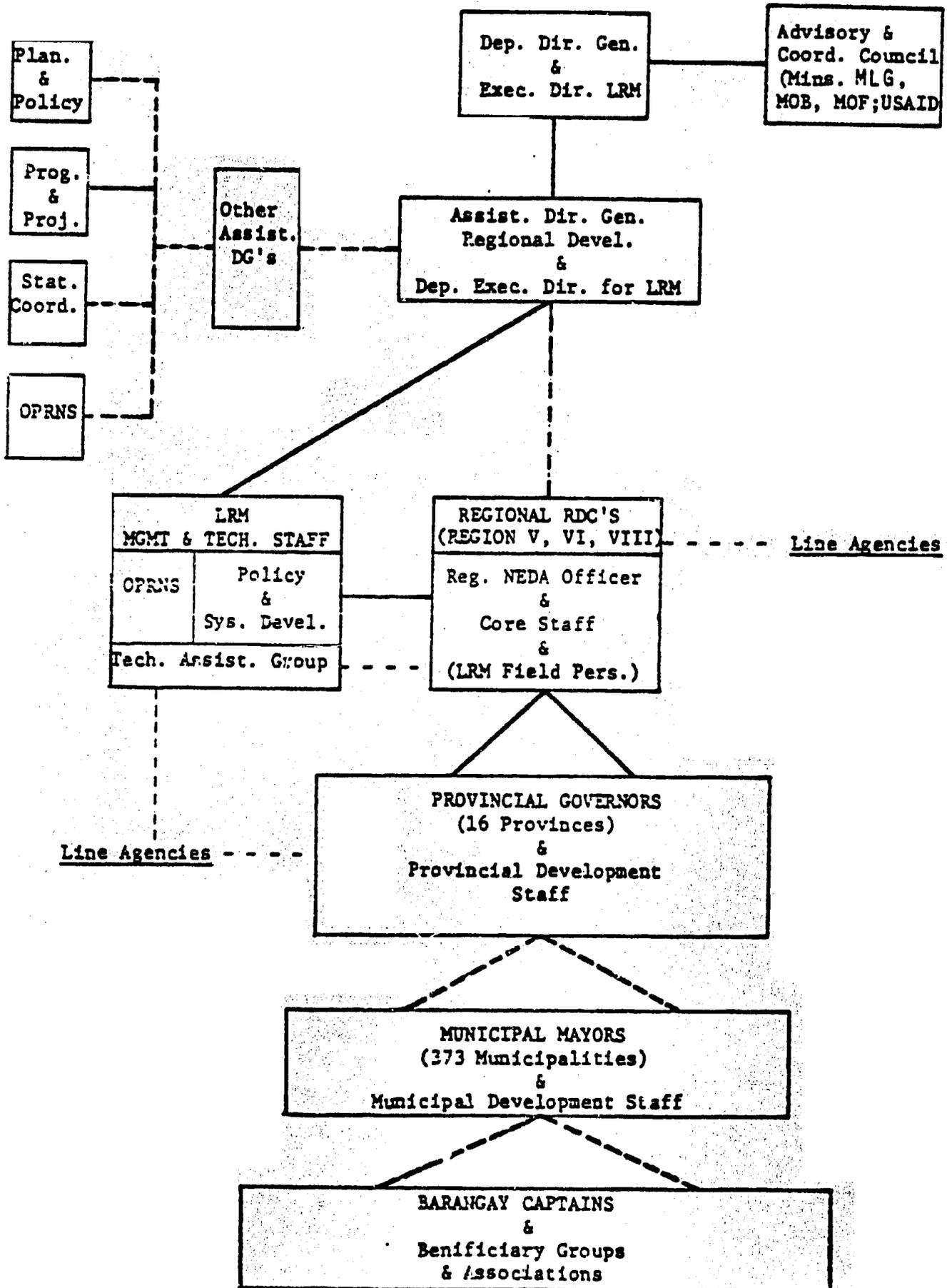
The central and regional management and technical units' primary areas of responsibility include:

- overall project administration;
- interagency coordination;
- review of provincial strategies, plans, and subprojects;
- monitoring and evaluation of LRM project performance;
- management of systems development and replication, including phase-in of additional provinces;
- integration of all project components;
- management of support networks including technical assistance, training, and research;
- annual implementation planning, including adjustment and redesign; and
- identification of policy issues and referral to the LRM Advisory and Coordinating Council.^{2/}

A key function of NEDA as it works with the RDC's will be to assist provinces to coordinate actions of national agencies and local government institutions which cut horizontally and vertically. Another will be to establish institutional arrangements, systems, and processes for encouraging private sector involvement in development activities.

^{2/} The Advisory and Coordinating Council will consist of Deputy Ministers from MLG, MOB, and MOF, and a USAID representative. The Council will review periodic reports including the 18-month assessment and other in-depth evaluation reports and will convene as necessary to review major policy issues and recommendations.

Figure 2a
LRM ORGANIZATION



2. USAID

The Local Development Division of the Office of Rural and Agricultural Development will administer the project for USAID. The LRM Project Officer will be assisted by one U.S. direct hire (presently Project Officer for RSC), and two experienced Filipino program specialists also assigned project responsibilities for Rural Roads and Real Property Tax Administration. The LRM Project Officer will work closely with NEDA management staff at the national and regional levels in monitoring the implementation of LRM.

3. National Line Agencies

Twenty-three national line agencies are represented in the RDC. Regional directors of these agencies are organized into nine technical committees to advise the RDC on sectoral activities. These technical committees will provide assistance in screening for feasibility, subproject proposals submitted for LRM funding. Many national line agencies also have staff at the provincial level and in some cases at the municipal level. These line agencies and technical committees will provide technical support to the LRM management and technical staff and Provincial Development Staff on strategy formulation, annual program planning, and on the design and implementation of subprojects.

Cooperation and assistance from two national line agencies are particularly critical to the smooth flow of resources to the provinces. The Ministry of Budget (MOB) in Manila will be the backstop agency for subproject funding and other budgetary procedures necessary to establish greater local discretion over local development activities. Close working relations between NEDA, USAID, and the MOB on LRM matters have been established and have resulted in agreement on procedures for funds flow.

The cooperation of the Ministry of Finance (MOF) and its local treasurers will be key to facilitating subproject funds flow, which involves the release, accounting, and reporting of use of LRM funds following the procedures established with MOB. Again, relations among NEDA, USAID, and MOF are good, and MOF has agreed to issue directives to their treasurers spelling out their responsibilities according to MOB procedures and the Loan/Grant Agreement.

A line agency whose support is vital for LRM implementation is the Ministry of Local Government (MLG), which retains significant supervisory control over local government actions. For example, the MLG has authority under a Presidential decree to program 20 percent of funds allocated by the national government to local governments for general development. Under LRM, the MLG will provide important support at the regional, provincial and municipal levels for planning and implementation of local projects, improvement of financial administration, monitoring, and impact evaluation. The MLG's Provincial Development Officer (PDO) in each participating province will play a key role as one member of the Provincial Development Council responsible for reviewing and approving subproject proposals prior to their

being sent to the RDC for its approval. In particular, the PDO will help to ensure that the inputs of line agencies to be involved in subproject design and implementation are well coordinated. Subsequently, the PDO will follow up to ensure that the activity is being implemented in accordance with general GOP local government policy.

4. Subnational Government

There is an existing structure for LRM project administration, planning, and implementation at the subnational level. Responsibilities and authorities of subnational government units are outlined under the Local Government Code. The key role of local governments (provincial and municipal^{3/}) under LRM will be that of resource manager--linking local needs to local and external resources, and facilitating the marshalling and coordination of resource inputs needed to support local development. This involves managing systems for identifying priority target groups, introducing mechanisms by which target group members can contribute to the process of identifying their needs and opportunities, and facilitating the acquisition from the private sector and other public sector agencies of technical and financial resources needed by poverty groups to supplement their own knowledge and resources.

a. The Regional Development Council (RDC)

The RDC is the designated supervising and coordinating agency of subnational government activities. Under LRM, the RDC will:

(1) assess and select provinces to participate in LRM based on their commitment to LRM goals and objectives, relative need for resources, and capacity to implement and maintain LRM systems and processes;

(2) in consultation with NEDA and MOB, make budget allocations among participating provinces;

(3) coordinate regional line agency activities in support of LRM field operations, including subproject design and implementation;

(4) review provincial strategies and annual program plans leading to release of funds for provincial subprojects. In this regard, the RDC will:

- approve annual provincial LRM budget levels based on approved strategies and past LRM subproject implementation performance;

^{3/} Chartered cities are autonomous but will be treated as municipalities of a province for both planning and administrative purposes. Provincial-City memos of agreement will set forth terms and conditions for the cities participating in the LRM provincial program.

- request release of funds by the MOB based on favorable review of annual program plans and provincial subproject proposals;
- hold provinces accountable for proper and effective use of LRM funds based on monitoring and evaluation reporting.
- provide reports to MOB, ODA, and other national agencies interested in LRM activities.

b. The Province

The province is the focal point for most LRM planning, implementation, monitoring, and evaluation activities. Under LRM the provincial government, working with municipal officials, will be responsible for:

- poverty studies and analysis of constraints and opportunities;
- provincial strategy formulation;
- annual program plan formulation;
- subproject identification, design, implementation and management;
- reporting; and
- accounting for LRM subproject funds.

Each province will have to meet certain conditions in order to participate in LRM. Essentially, these include commitment, staff capacity, and desire to participate in the program. Each province will have to do the following:

- a. Pass a provincial assembly resolution endorsing LRM.
- b. Have a PDS which is fully staffed (according to the approved staffing pattern) and operational.
- c. Execute a memorandum of agreement with the RDC whereby the province agrees to:
 - (1) establish a special account for subproject funds and provide regular reports to the RDC on utilization of these funds;
 - (2) provide local counterpart, as agreed upon, to central government subproject funding contributions;

- (3) commit provincial administrative machinery to LRM implementation;
- (4) release PDS and other staff for LRM workshops and training programs; and
- (5) involve municipal and barangay officials as well as beneficiaries to the greatest extent possible in LRM implementation.

As provided under the Local Development Code, the provincial governor has responsibility for general supervision of the municipalities and, as such, he and his PDS are a critical coordinating link to the intended beneficiaries through the municipality and to the line agencies which provide LRM technical support.

c. The Municipality

Although most implementation actions will take place at the municipal level, the provincial government will initially assume most implementation and management responsibility at this level, given the general lack of capacity and staff at the municipal level. Over time, however, municipal governments participating in LRM will be strengthened through the various inputs and should be able to assume a greater role in managing local development.

The contributions of the selected municipalities will be key to LRM since the most direct government linkage to the beneficiaries is through the municipality. Establishing and maintaining this link will require reorienting and training municipal officials to work actively with the intended beneficiaries to help them identify their needs, evaluate alternatives for meeting those needs, and decide upon a course of action. To the extent that municipal development staff are available and capable, the municipality will be directly involved in subproject design and implementation.

Under Track 3, Beneficiary Participation (discussed below) selected municipalities will take a more active role in work with provincially-based private sector organizations (e.g. PWO's) in developing beneficiary organization models and integrating the lessons derived from testing these models into future provincial strategies. The municipality will also be responsible for the approval of the design of the beneficiary group subprojects, and, together with the private agencies, their continual monitoring and evaluation.

B. Project Implementation

1. Scope of Phase I

Over the Phase I period, six provinces in the three regions will participate. Three provinces will be inducted into the program beginning in late CY 82, followed by an additional three in mid-CY 1983.

2. Implementation Tracks

The three implementation tracks are interrelated, can be implemented at their own pace, and will converge over time. The pace of convergence is a function of local capacities and resources as well as the understanding and commitment of local officials to LRM concepts.

a. Strategy and Local Project Development

The local planning process is phased and iterative. It begins with a multi-year strategy for addressing the needs of the selected poverty groups and is followed by an annual provincial program plan which outlines broad planning approaches. The annual planning process is completed with the presentation of a set of fully packaged local development projects which meet LRM criteria.

The process is iterative in that each subsequent round of planning and new province induction will take advantage of past experience and respond through planning adjustments to new information flows from research, monitoring and evaluation, and process documentation systems. Key implementation steps in the planning, budgeting, and subproject review and approval process are:

- The province develops its strategy with the help of municipal officials, line agencies, research, and technical assistance inputs.
- The RDC reviews and approves the strategy and certifies that it is consistent with LRM guidelines.^{4/}
- Central NEDA informs the province of its indicative subproject planning level for the coming year.^{5/}
- The province develops an annual program plan with a project listing and estimated budgets based upon the indicative planning level.
- The RDC reviews and approves the annual program and requests the MOB to budget funds for the program.

^{4/} After the first year only refinements will be made to the approved strategy.

^{5/} This figure will be derived from the provincial subproject funds allocation formula discussed in Annex H (or one similar to it). See also Part III, B.

- The MDS approves the indicative planning level for the province based on the RDC's request and enters the approved amount in the budget.
- The province develops detailed subproject proposals.
- The RDC approves the provincial subproject proposals based on sound design and reasonable cost and requests the MDS to release funds to the province in an annual lump sum.
- The MDS releases the funds, which are deposited by the province in special accounts for implementation of the approved subprojects.
- The province and/or municipality implements the subprojects, drawing down funds as needed and reporting their use to the Regional NEDA and RDC on a quarterly basis.

The following provides additional discussion of major steps listed above:

(1) Provincial Strategy Formulation

The PDS will formulate the strategy with the assistance of municipal officials, NEDA, line agencies, and resource institutions such as AIM. Research findings will provide basic inputs to the strategy formulation. The RDC will review and approve the strategy according to the following criteria^{a/}:

- (a) The adequacy of the poverty group analysis and the significance to the province and region of the poverty group selected in terms of its relative size and incidence of poverty.
- (b) The relevance of the province's proposed research agenda to supporting further development of the poverty group analysis and action strategy.
- (c) The extent to which the focus of the strategy is on improving the livelihood of target group members.
- (d) Evidence of consultation with municipalities, barangays, and beneficiaries and use of expertise from governmental and non-governmental institutions within the province in the preparation of the proposal.

^{a/} A weighting system for each criterion will be developed during Phase I to standardize the analysis.

- (e) The extent to which the strategy provides scope for private sector initiatives in its implementation.
- (f) The extent to which the strategy is designed to mobilize a range of financial and non-financial resources within the province, using external funds primarily as a catalyst.
- (g) Evidence that initial actions called for under the strategy are realistic given existing provincial resources, capabilities, and related past accomplishments.
- (h) The potential of the strategy for generating lessons of broader relevance to the province, as well as to other provinces in the region.
- (i) The interest, capability, and appropriateness to the strategy of the municipalities chosen for initial area focus.

With RDC and USAID approval of the multi-year strategy, the province can initiate the development of the annual program plan and begin subproject development based upon the indicative planning level supplied to it by NEDA.

(2) The Provincial Annual Program Plan

Preparation of annual program plans is an established procedure which LRM will also follow. The annual plan is tied to the regional budget cycle and is prepared by the PDS. The plan provides a general description and estimated cost of local subprojects proposed for funding. Subprojects proposed for LRM funding may include budget estimates for needed project specific research and feasibility studies. Technical assistance in preparing the annual plan will be available from resource institutions and project technical and management staff.

The Provincial Development Council will approve the plan and budget estimates for submission to the RDC. The RDC will review the program plan to assure its consistency with the provincial strategy. The approved plan and subproject proposals will then be incorporated in the Regional Development Investment Plan (RDIP), which is reviewed during MOB regional budget hearings. The MOB-approved RDIP budget serves as the basis for establishing a budgeting planning figure and an appropriation level for MOB to enter in the national budget. After budget submission and approval by the RDC and MOB, the provinces will start developing the detailed subproject proposals.

(3) Subproject Development and Implementation

Under LRM, the PDS will be ultimately responsible for development of subproject documentation, including the required feasibility studies for submission to the RDC. Technical personnel from the national line

agencies will assist in these efforts. LRM-financed resource institutions will also assist the PDS by providing technical assistance and organizing seminars, workshops, and local brainstorming sessions to elicit ideas and share knowledge needed for better subproject design and implementation.

Subproject development will involve considerable interaction among municipal officials, line agency personnel in the provinces, associations or representatives of poverty groups, and the private sector. To facilitate such interaction, especially for mixed private and public sector activities, local private sector organizations such as PVO's are expected to play an increasing role in assisting municipalities and beneficiary organization in subproject identification, design, and implementation. The objective is to build the capacity of municipalities and poverty groups to develop and implement subprojects independently and at their own pace. With experience and technical assistance, the number of subprojects managed by associations of poverty groups should increase.

The degree of participatory involvement in subproject activities will be determined by the needs or the logic of the subprojects. In any event, it will be the responsibility of the PDS to seek information that the PDS needs to adequately design subprojects from the target beneficiaries or their responsible representatives, e.g. church leaders and/or officials of local PVO's, service or civic organizations, and the barangay officials. Priority will be given to those subprojects which hold promise for development of municipal capacities to organize and serve poor groups and to those subprojects which promote private sector participation.

The province will submit to the NEDA Regional Office (NRO) fully developed subproject proposals for referral to the RDC. The proposals will be submitted annually to meet regional budgeting cycles described in Annex E. The NRO will review the proposals for conformity with the basic LRM eligibility criteria and transmit them to the RDC. The RDC technical committees will again review the proposals against the following basic criteria:

- (a) Consistency with an approved poverty group strategy;
- (b) Sound design as reflected in adequate feasibility analysis, including technical, social, economic, environmental, and financial aspects;
- (c) Potential for significant economic and spread effect in terms of numbers benefiting;
- (d) Lack of other ready sources of funding (e.g. line agency, KKK);
- (e) Being within the funding limits set by RDC based on the province's level of readiness/capacity to implement and manage subprojects and reasonableness of cost;

- (f) Adequacy of counterpart funding in keeping with the Province/RDC agreement supported by the Provincial Development Council resolution;
- (g) Evidence of some beneficiary, barangay, and municipality involvement/consultation in project selection and design; and
- (h) Adequacy of the evaluation plan for monitoring progress, identifying lessons for improved design and implementation, and evaluating impact.

Following review and approval by the RDC of subproject design and implementation plans, funds will be released by the MOB to the province for one year's requirements. After the first year of operation, subsequent subproject funding limits will be recommended by the RDC according to the province's proven capacity to design, implement, and manage subprojects.

Most if not all subproject costs, e.g. materials and supplies, will be of a local cost nature. It is expected that labor for subproject implementation will be provided by the community or provided through some cost-share arrangement involving LRM funding. RSC experience suggests that as subprojects are designed increasingly to generate income and employment, there will be need to include as an initial subproject cost, funding for technical and managerial assistance and some initial salary costs of poverty group individuals hired to work on a full-time basis on the subproject. As the subprojects become viable activities, such operating and management costs will be paid for from income generated.

(4) Research Administration and Utilization

LRM will support development of a local research capacity directed at understanding local poverty dynamics which serves planning and information needs at provincial and regional levels. The research will be structured so as to simultaneously strengthen local poverty research capabilities and build effective working relationships between provincial and regional government agencies and local research institutions.

At the provincial level, initial research efforts will be directed at answering such questions as which beneficiary groups in the province represent sizeable populations and have a high incidence of poverty, and where these groups are concentrated geographically within the province. This will involve not only determining where households belonging to the group(s) are concentrated, but also how their distribution relates to physical resources, topography, and administrative boundaries.

Once a province has identified the group for priority attention, more focused studies will be carried out at the local level (municipalities and barangays) to further understand the problems faced by typical households regarding such topics as:

- their access to resources;
- their means of livelihood;
- the constraints they face to increasing household productivity and well-being; and
- the potentials of the group for self-reliant development as key constraints are identified and relieved.

A strong underlying theme will be to understand relationships between the poor and the resource base from which they derive their livelihood. The output of such studies will provide inputs to subproject identification, annual program planning, and refinement of strategies. As annual program plans progress, research funds will be made available to determine the feasibility of various identified interventions. When implementation of program activities is initiated, research funds may be used to monitor impact within the communities and the relationship of observed changes to program interventions.

At the regional level, LRM-supported research will be aimed at understanding the dynamics of poverty regionwide and providing other information needs to facilitate the phase-in of additional provinces and replication of processes. This research information will be built into the NEDA Integrated Regional Information System (IRIS).

The rigor and detail of research will be dictated by the needs. Rapid reconnaissance methods for data gathering will be encouraged to allow for timely decision making and quick action on problems identified at the local level that are having an impact on implementation.

A research fund will be established in each Regional NEDA office. The research fund will be used to finance proposals generated by the provinces or to meet regional research needs. Research proposals of interest to LRM originating at all local government levels of interest to LRM will be evaluated by LRM management and technical staff. Criteria for financing include:

- (a) Relevance of data as inputs to provincial strategy formulation, annual program planning, and subproject identification and design.
- (b) Nonavailability or inadequacy of such data from line agencies, GOP statistical data sources, academic institutions, etc.
- (c) Soundness and appropriateness of scope and methodology of proposal (simple, relevant, cost effective) and likelihood that results will be produced in time to meet users' needs.

- (d) Extent to which the work is to be done by a local firm or institution. (In cases where justification exists for contracting outside of the region, links to local institutions will be required.)
- (e) Proven capacity of the proposed firm or institution to carry out the study and provide suitable reports.

b. Local Financial Administration

The objective of this track is to strengthen local governments' financial position through development of cost-effective improvements and systems for improved local revenue administration, including revenue mobilization and financial management. Systems development will follow very closely pilot efforts undertaken in the RSC project, whereby decision makers are trained to understand the revenue capacity of the province and municipalities through timely and accurate estimates of incomes and expenditures. Local government financial management teams will be created in each province/municipality and in workshops staged to bring together key decision makers, i.e. local executives, key members of the local council, development coordinators, treasurers, budget officers, and auditors to analyze financial reports generated by an improved monitoring system. The "brainstorming" workshops will serve to help participants develop a clearer understanding of local financial conditions, problems, and resources needed to meet local development goals.

The techniques involved in data gathering are relatively simple. However, the process requires a period of continual follow-up to maintain teamwork and build long-term capacity to:

- organize data, analyzing and reviewing previous years' finances and trends;
- diagnose problems and potentials;
- forecast revenues and expenditures;
- develop realistic revenue and expenditure budgets for planning and developing activities;
- establish simple financial monitoring and reporting systems; and
- improve cash management procedures.

In the RSC experience, the continued interaction among key provincial officials has resulted in greater mutual trust, a better understanding of roles and responsibilities, and more informed decisions which all can support.

Local finance advisors will assist provinces in early implementation stages to make more realistic strategies and plans based on a good understanding of the financial resource base.

c. Beneficiary Participation

For purposes of administrative efficiency under this track, NEDA will contract with a national organization which in turn will establish a working arrangement with a local private sector organization such as a PVO. Both will undertake the development of participatory models in collaboration with selected municipal governments.

Implementation of this track will depend on the approach proposed by the national entity selected by NEDA and the early project experience at provincial levels in identifying requirements and opportunities for beneficiary organization. The national institution and NEDA technical and management staff will work closely with both the province and the municipality to develop ways to integrate the lessons from this effort into the provincial strategy formulation and subproject generation process. The objective will be to maintain the integrity of the strategy while at the same time increasing its responsiveness to locally identified needs.

The interactions between the national organization, the local organizations, the municipality, and the beneficiaries will be carefully documented to better understand the dynamics of the community organizing process. This information will prove useful in identifying organizing approaches which are responsive to the needs of the poor and which can be replicated in similar types of communities elsewhere.

Subproject ideas generated as a result of local beneficiary organization work may first be proposed for inclusion in the provincial annual program plan for regular LRM subproject funding. However, given the experimental and small nature of most of these subprojects, proposals will also be eligible for funding under a special separate "Community Project Fund" administered by the national organization for NEDA. Under the latter arrangement, financing will be available for up to 90% of subproject direct costs, up to a limit of P120,000 (\$15,000) per subproject. This funding will be extended on either a loan or grant basis depending on circumstances. In either case, a proposal must have the approval of the municipal government in order to be considered. It is anticipated that the initial subproject proposal generated will be predominantly for small-scale infrastructure, but that as experience is gained, will increasingly deal with income and employment generating subprojects.

3. Technical Assistance Requirements

Technical assistance requirements for the project have received special attention since LRM efforts will extend beyond more traditional approaches to planning, budgeting, and resource mobilization. The following

// RSC projects involving beneficiary organizations range from P10,000 to P180,000, with the average cost at about P120,000. Under RSC, the income generating subprojects are financed on a cost-share loan basis with the repayments going to a trust fund account for the continuation/expansion of similar programs.

provides a brief background statement and summary of the terms of reference for technical assistance (scopes of work are to be finalized by August 31, 1982 and RFTP's issued):

a. Technical Assistance Requirements for Strategy and Local Project Development (Track One)

(1) The technical assistance requirements for this track are rather specialized. Since the concepts underlying the LRM targeted approach are as yet not widely known, understood, or proven feasible, prototypes of the desired process need to be tested, methodologies refined, and the existing planning systems and procedures modified to utilize targeted approaches which prove successful. The technical assistance will support Track 1 by strengthening and accelerating the process through which an organization learns from its own experience.

Requirements: Assistance of a local resource institution able to provide personnel with a good understanding of existing local government structures and operations, an understanding of and commitment to the LRM concepts, and a demonstrated ability to help the implementing units evolve new planning approaches and management systems as an outcome of their testing of these concepts.

The Asian Institute of Management (AIM) has been identified as one institution which can provide the necessary support services. AIM has been involved in developing new management concepts and methodologies such as those on which LRM is based. It has been working with the Ministry of Agriculture on application of a targeted approach to regional agricultural planning, much as LRM proposes. AIM has also had a central role in development and application of institutional learning approaches in communal irrigation work under the Philippine National Irrigation Administration.

A contract or operational grant financed by AID but administered by NEDA will be provided to the resource institution selected to support institutional learning under this track. Such an arrangement will help to foster long-term supportive arrangements which the GOP can draw upon in replication of LRM targeted approaches nationally.

(2) The overall success of LRM is highly dependent on a reliable and predictable flow of GOP financial resources to support subprojects. Related local budgetary and financing/revenue generation policy concerns and recommendations discussed in Part IV, Feasibility Analysis, (Section A.2., Technical Considerations) also need to be addressed.

Requirements: Specialized technical advisory services will be required to review and define improved intergovernmental budgetary systems, facilitate the flow of resources to local levels, and monitor progress. In part, this will involve reviewing current budgetary

procedures and policies, identifying those which restrict the efficient flow of resources to local governments, and helping to develop improved budgetary systems and procedures which support the implementation of government development programs.

A. U.S. consultant has been identified who could provide the necessary support. Having worked with MEB and MOF, he is familiar with the existing budgetary systems and procedures.

(3) A system for collecting, organizing, storing, and disseminating data is basic to LRM's institutional learning process. An information management system will be designed to bring together information from monitoring and evaluation, process documentation, and research in a timely and efficient manner so as to meet the needs of various GOP agencies (e.g. RDC, MOB, etc.) and local government units related to decision making, replanning, replication, etc.

Requirements: An experienced U.S. or Filipino information management consultant with demonstrated ability to help the implementing agency design and test a low-cost system and provide training in its use.

(4) Other technical assistance for research: Philippine and U.S. consultants will be contracted as needed to assist Regional NEDA Project Staffs in building provincial staff capacity to manage research effectively and conduct feasibility analysis training (e.g., social analysis, environmental assessment). Short-term consultants will help provincial staffs develop the skills they need to identify planning information needs, to devise research strategies to meet those needs, to review research proposals and final products for quality and reasonableness of cost, and to actually utilize research findings. Consultants will also be contracted to assist local educational and research institutions in developing their capacity to respond effectively to research requests initiated by the provinces and regions.

(5) An important source of technical assistance will be experienced provincial development staff who will provide guidance to their counterparts in other less prepared provinces through short-term TDY's arranged through LRM.

b. Technical Assistance Requirements for Local Financial Administration (Track Two): The experience of the PDAP, the Rural Service Center projects, and other USAID-supported projects points to the serious need to improve local government financial administrative practices and procedures. Of particular concern to LRM and other GOP programs is the issue of recurrent local government costs and revenue generation to maintain/expand local development programs. In this regard, the RPTA Project is developing systems for improved real property tax administration. The deficiencies, however, go beyond just tax collection. Various studies and recommendations for strengthening the

fiscal performance and financial conditions of local governments are available but have not yet been operationalized.^{8/}

Requirements: Assistance of a local resource institution with a good understanding of the existing government structures; an understanding of existing processes of local government finance; the capacity to help local governments evolve new financial administrative methods and management systems; the capacity to provide on-the-job training to local government officials; and the capacity to monitor the implementation of systems.

The Local Government Center (LGC) of the University of the Philippines has been identified as one institution which can provide the necessary support services. It has participated in the studies of local revenue administration (in collaboration with PIDS) and has extensive experience in working with local government. The LGC administers various career development courses for senior local government officials and has an established relationship with most of the local government units.

A contract or operational grant financed by LRM and administered by NEDA will be provided to a local resource institution such as LGC. This arrangement will make possible both procuring the technical assistance needed under this track and fostering long-term supportive arrangements which the GOP will require for expansion of the improved systems nationally.

A financial management specialist will also be needed to backstop the local resource institution. The consultant will insure that financial systems are appropriate to local planning needs and integrated and linked to the broader LRM targeted planning effort. The consultant will be hired under a contract administered by NEDA. An American consultant has been identified who is familiar with the RSC approach and Philippine fiscal systems and has broad experience in local government planning and administration.

c. Technical Assistance Requirements for Beneficiary Participation (Track Three): The beneficiary participation discussion (Part II, D.3.) described the need to link the expertise of private sector agencies having experience in beneficiary organization with municipal level development activities in support of provincial strategies. Viable models for involving beneficiary groups in planning and subproject implementation should increase LRM's impact. However, it is clear that local government has had little if any experience to date in working with poverty groups. The work that has been done in this regard has been done primarily by private voluntary organizations (PVO's), but with little linkage to the public sector. Thus, there are

^{8/} See Strengthening the Fiscal Performance of Philippine Local Governments: Analysis and recommendation, Syracuse University report submitted to PIDS research group on local finance. June 1981.

opportunities to mobilize these PVO's and other private sector entities including civic and social organizations to assist local governments and poverty groups in organization, planning and self-development.

Requirements: Assistance of a Philippine national organization to administer the experimental model development. The assisting organization must have an understanding and commitment to LRM concepts, experience in working with local government, understanding of local poverty group needs and potentials; and an understanding of the local community generally. The national entity will work jointly with local private sector organizations and, therefore, must have a proven capacity to manage and monitor the local organizations' day-to-day activities in community organization and development of capacities within beneficiary communities to plan and implement barangay level activities. The national organization will be responsible for coordinating these subactivities with NEDA and provincial and municipal governments. It will also monitor and evaluate local subactivities and document the experience for use in planning replication.

Examples of national organizations which could undertake this activity are the Philippine Business for Social Progress (PBSP) and the International Institute of Rural Reconstruction (IIRR):

PBSP is a PVO sponsored by the Philippine business community. One hundred twenty-three member companies pledge 1% of their annual net income before taxes to social development activities, with 60% of the amount designated for PBSP. About 70 of these are regular contributors and provide the major core financing. Its total budget is approximately US\$1 million per year. PBSP in turn provides funding and technical assistance to some 100 local private voluntary development groups working at the barangay level throughout the Philippines. It backstops these activities with a strong monitoring and evaluation program. It has a full-time core staff of some 30 professionals. While its past experience in working with local governments is limited, PBSP is presently rethinking its own programming strategy with the intent of reorienting its operations from a project-by-project approach to a provincial program approach which would concentrate on particular types of activities within a given province and involve a tie-in with provincial government development plans.

IIRR is an international PVO based in Cavite Province. It provides technical, financial, and training support to affiliated national rural reconstruction movements in Thailand, Colombia, Guatemala, Ghana, and the Philippines. It carries out its own community-level development activities in Cavite Province, which serves as its social laboratory for development of new concepts and methodologies. It has worked closely with municipal governments in Cavite and is working on the problem of how to help municipal governments apply its methods, with IIRR playing a supporting role. One attractive and effective IIRR concept is the People's School, which offers training to community-selected leaders in basic technologies which are then shared with other community members. IIRR is presently assisting Antique province in application of its methods and is supporting efforts by World

Vision to apply them in Mindoro and other parts of the Philippines. IIRR has a close working relationship with the Philippine Rural Reconstruction Movement (PRRM) and would probably work in collaboration with it in any LRM involvement.

C. Illustration of How Planning, Research, and Project Identification Might Unfold Under LRM (Round 1)

Let us assume that Antique will be one of the three initial provinces selected for LRM and illustrate the process using it as the example. (Note: Antique has already identified fishermen for priority attention and prepared an "action plan" for organizing available resources for helping fishermen in view of the significant constituency they represent in that province (i.e. 15,000 households or 35 percent of rural households)^{9/} and the Governor's personal concern for their plight.)

The first step in the strategy formulation process will be to map the location by municipality of the greatest concentration of fishermen. The province will then pick the priority municipalities for participation in LRM based on such factors as concentration of fishermen within the municipality, degree of economic depression, etc. Then the province will undertake quick reconnaissance and group interviews with fishermen in some of the selected municipalities to determine the major constraints to improving their livelihoods. These data will be compared with any other information available from research conducted on fishermen similar to those in Antique and will serve as the basis for initial strategy formulation and definition of a research agenda. Using financial survey techniques piloted under RSC, a profile of the financial condition of the province and some of the selected municipalities will be developed to assess what commitments can be made from local revenue resources. A resource survey of local private voluntary, civic, and social organizations will also be conducted to determine other available resources.

Following analysis of available data and with assistance from LRM management and technical staff and resource institutions, a multi-year provincial strategy will be formulated which will outline the problems, available resources, and initial key intervention points for improving fishermen's livelihoods. The strategy will also provide rough budget estimates for the next 3-5 years. The strategy will be then submitted to the RDC for approval. NEDA will then provide Antique an indicative planning figure for the following budget year.

The next step will be for the province (either as part of the strategy submission or after approval) to prepare an annual program identifying say two or three subprojects proposed to the RDC for LRM funding and perhaps a couple of subprojects for financing by line agencies such as the Bureau of Fisheries

^{9/} Region VI has enough data from the PCARR/SEARCA 1975 surveys to identify the major resource groups with a high incidence of poverty, including their relative importance by province. These data are reflected in the Poverty Profile of Western Visayas, Region VI, (USAID: January 1981) Table 3, p.8.

and Aquatic Resources (BFAR). Subproject identification should grow out of surveys, research, and discussions with mayors, barangay officials and local leaders and the fishermen themselves (or their representatives). LRM technical staff and line agencies along with resource institutions will help provincial staff through this planning process.

With approval of the plan and subproject ideas by the RDC, the PDS will then develop, in collaboration with municipal officials, detailed plans including feasibility analyses for the subprojects, again assisted by LRM technical staff and line agencies. The feasible proposals will then be reviewed against established criteria and approved by the RDC for implementation, following which the RDC will request the release of funds for approved subprojects.

At the municipal level, local organizations such as PWO's, assisted by a NEDA-contracted national organization such as IIRR and collaborating with municipal officials, will work to organize beneficiaries and design two or three small subprojects. These could be financed from the "Community Project Fund" and would be implemented and managed by the poverty groups themselves. The process will be carefully documented and analyzed to allow for better participatory planning in future rounds, and results will be provided to other local governments entering the LRM program.

Meanwhile, the province will refine the initial strategy by pursuing more in-depth research on fishermen as identified in the research agenda and incorporating lessons from the ongoing beneficiary participation efforts. In the first instance, the province will be looking at existing data available through line agencies and the Regional Data Bank (which Region VI is now developing). Any data gaps remaining can be filled through surveys or special studies conducted by local research institutions.

Simultaneously, the region will be pursuing a broader research agenda on fishermen aimed at strengthening Antique's program and developing additional information relevant to other provincial strategies focusing on fishermen.

D. Implementation Schedule

The following lists major project activities for the first 18 months of operation and several pre-project actions that need to be taken before actual implementation begins. An updated and more detailed implementation plan for each succeeding year will be prepared following annual reviews to reflect new information and experience. USAID, of course, understands that there may be no disbursements of AID funds, nor even approval of documentation pursuant to which disbursements will be made, prior to the GOP meeting appropriate CPs. All actions indicated as being undertaken prior to CPs being met will either not require any disbursement of AID funds, will be undertaken by the GOP, or will be a preliminary action with commitment and disbursement only after the CPs are met.

LRM 18 MONTH

PROJECT PLAN OF ACTION

Project Tasks/Activities	Action	1983 Project Months																		1984	
		J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J
	Pre Project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
I PROJECT DOCUMENTATION																					
A. LRM Project Paper Approved:																					
1. USAID		X																			
2. GOP		X																			
3. AID/W			X																		
B. Authorization of Funds	AID/W			X																	
C. Project Agreement	USAID/GOP			X																	
D. Initial Conditions Precedent Met	GOP						X														
II PROJECT MOBILIZATION																					
A. RDC and Province Project Orientation and Consultation - Seminars/Workshops*	NEDA/USAID			X	X	X	-	(and continuing)	-												
B. Provincial Selection:	RDC																				
Group I				X																	
Group II									X												
C. NEDA Central/Regional Offices Estab.; Management & Technical Staff Assigned				X	X																
D. Local Resource Inst. Agmt./Cont:																					
1. Preparation of Scope of Work for Technical Assistance	NEDA/USAID			X	X																
2. Request for Technical Proposal Issued	NEDA			X																	
3. Proposal Received/Reviewed	NEDA						X														
4. Grants and Contracts Awarded							X														
E. Commodity Procurement: (Vehicles, data processing equipment, etc.)																					
1. Plans and Specs	NEDA/USAID			X	X																
2. PIO/C's Issued	NEDA/USAID				X																

*NEDA Organized/Financed Inputs for Pre-Project Activities.

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PROJECT PLAN OF ACTION

Project Tasks/Activities	Action	1983 Project Months																		1984						
		J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F				
		Pre Project		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18					
III PROJECT IMPLEMENTATION																										
A. Planning and Information Systems Development:																										
1. Strategy Formulation -	Province																									
(a) Group I* -RDC Approval				X	X	X	X																			
(b) Group II -RDC Approval													X	X	X	X										
2. Annual Program Planning																										
(a) Group I Plan/Budget CY 84 (Round 1) CY 85 (Round 2) RDC Review/Approval					X	X	X								X	X	X									
(b) Group II Plan/Budget CY 85 (Round 1) RDC Review/Approval								X							X	X	X		X							
3. MOB Regional Budget Review							X	X													X	X				
4. Sub-Project Development -	Province																									
(a) Group I (Round 1) -RDC Approval -Budget Release -Implementation	MOB							X	-(and continuing)-																X	X
(b) Group II (Round 1)																	X					X	X			

*Initial financing of inputs for pre-project activities from GOP

#Provincial Budgets should be submitted to RNO by November. For CY 84, NEDA will process supplemental o/a January 1983.

X(cont.)
X(cont.)

PROJECT PLAN OF ACTION

Project Tasks/Activities	Action	1983 Project Months																		1984		
		J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F
5. Research/Studies		Pre Project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18		
(a) Baseline/Impact Surveys	NEDA/Res. Institutions					X	X															
-Group I provinces	"																					
-Group II provinces	"																					
(b) Other Surveys/Studies/ Feasibility Studies	"																					
-Group I provinces	"							X	X													
-Group II provinces	"																					
B. Financial Administrative Systems and Capacity Development	NEDA/Res. Institutions																					
Training; Seminars/Workshops																						
C. Testing of Participatory Approaches	NEDA/Prov./ Mun./Res. Institutions																					
D. Monitoring and Evaluation for Replanning:																						
1. Information-Management System (IMS) Development	NEDA/ Consultant																					
2. Implementation/Status Reports	Province																					
3. Process Documentation	Res. Inst.																					
4. Research Reports	Res. Inst.																					
5. Evaluation/Assessment	NEDA/USAID																					
6. Reports Issued from IMS	NEDA																					

x
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Project of the Government of the
Philippines

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PROJECT DOCUMENT

Title : Assistance in Regional Planning (Phase III) **Duration:** 2 Years

Number : PHI/79/015/A/01/42

Primary Function : Assistance in Development of Regional Planning and Plan Implementation

Secondary Function : Training in Regional Planning and Project Development

Sector : (Government Class) _____ (UNDP Class/Code) General development issues, policy and planning (U2)

Sub-Sector : (Government Class) _____ (UNDP Class/Code) Development strategies, policies and planning (U210)

Government Implementing Agency : National Economic and Development Authority (NEDA)

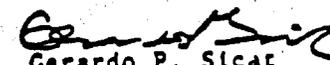
Executing Agency : World Bank

Starting Date : April 1, 1980

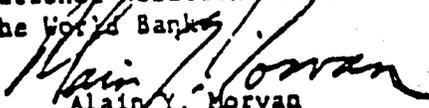
Government Contribution : ₱8,973,000

UNDP Contribution : \$1,647,400

Signed:


Gerardo P. Sicat
Minister of Eco. Planning (Director-General), NEDA **Date:** 3 July 1980
on behalf of the Government *MSA*


Shirley Boskey, Director
International Relations Department
The World Bank **Date:** 6/26/80


Alain Y. Morvan
Resident Representative a.i. **Date:** 3 July 1980
on behalf of the United Nations Development Programme

PART I **LEGAL CONTENT**

This Project Document shall be the instrument referred to as such in Article 1, of the Assistance Agreement between the Government of the Philippines and the United Nations Development Programme signed by the parties on 21 July 1977.

PART II **THE PROJECT**

PART III.A. **Development Objective**

One of the main objectives of the present development efforts of the Government is to improve the well-being of individuals, particularly those in the poorer segment of the population, who are in the depressed areas of the country. Towards this end, the Government has set high priority on regional development as the principal means of providing more equitable distribution of income, wealth and opportunities among the people and, at the same time, realizing an optimum level of economic growth. By assisting the Government in strengthening regional planning and project development capability, both at the national and regional levels, the project will facilitate the effective implementation of regional programs and projects essential in accelerating the rate of national development.

The overall objective of Phase III of the Project is to assist the Government through the NEDA in strengthening and institutionalizing the activities associated with the regional planning assistance effected in Phase I, which was focused on the formulation of interregional development framework and regional development plans and Phase II, which was directed towards the implementation of the regional development plans through the formulation of the regional development investment programs (RDIPs). To achieve these objectives, the Project will assist in further strengthening the regional planning and development institutions with emphasis on the NEDA, particularly, the regional offices which serve as the executing arm of the Regional Development Councils. The planning and implementing capabilities of both the national line agencies and local governments in the regions will be strengthened at the same time.

Towards this end, the Project will also assist in the establishment of the Philippine Center for Regional Development, an institution designed to provide the long-term and continuing assistance required in regional planning and regional

plan implementation (Annex 2). The Center will embark on four principal concerns namely: a) the provision of training services in development planning and project development in consonance with the requirements in the regions and in the context of the national planning process, b) systematic coordination of various training activities in regional development planning and implementation c) conduct of research to build up an integrated body of knowledge on regional development, d) provision of advisory services on regional development planning, administration and project development to government agencies, local governments and private institutions. In particular, the Project will focus its assistance on the training activities of the Center.

Phase III will emphasize the continued utilization of Philippine management and development talents to the fullest extent possible. Foreign consultants will only be employed where specific inputs of technology or outside skills are required. Efforts in hiring local consultants will be intensified.

PART II.B. Immediate Objectives

1. To assist the Government, particularly the NEDA regional offices, regional line agencies, other government regional development bodies and local governments in the refinement of the regional development investment programs within two years. This will mainly consist of activities designed to replicate and improve on the experience of NRO VII in formulating the investment program for Central Visayas. At the same time, the Project will assist in undertaking feasibility studies for strategic projects contained in the RDIP, including the negotiation for funding such studies.
2. To assist the Government in the assessment and refinement of the strategies of the short, medium and long-term regional development plans currently being implemented.
3. To assist the NEDA, Regional Development Councils and local governments in the setting up of a regional/local project monitoring system, including the establishment of a system for the regular evaluation of plan implementation activities relative to the development objectives and strategies of the regions.
4. To assist the Government, particularly the Regional Development Staff of NEDA and the NROs, in staff development in terms of building capabilities and expertise in integrated area development planning, project development and evaluation, project management and monitoring as well as in formulating and undertaking regional planning and policy research. In particular

the Project will assist in the establishment and operation of the training activities of the Philippine Center for Regional Development (PCRD). It is envisioned that staff members who have gained the necessary expertise under the aegis of the Project will eventually be tapped in providing assistance to the PCRD, in training line agency and local government members of all RDCs in effective regional and sub-regional planning, programming, implementation and monitoring.

5. To assist the Government in setting up project development units in the RDC organizational framework in each region to further strengthen and institutionalize project development capabilities at regional and local levels.

PART II.C. Special Consideration

Phase III of the project is a continuation of the activities in Phase I and II with a particular emphasis focused on refining and institutionalizing the activities on planning and plan implementation undertaken during the preceding two phases. Particular considerations will be given to integrated area development based upon a rural-urban development framework which will take into account population growth and distribution and the fullest utilization of natural and human resources in the rural areas.

PART II.D. Background and Justification

1. By agreement dated April 1975 between the Government of the Philippines and the United Nations Development Programme, the Assistance in Regional Planning Project (Phase I) was executed with the IBRD as the Executing Agency. This phase which terminated in December 1977, focused on two major areas, namely:

a) strengthening of the machinery for regional planning; and

b) the formulation of integrated regional development plans.

2. The regional development plans for all regions except Metro Manila were prepared and approved as of January 1978. To these plans entered substantial inputs from the Phase I Project which included, aside from the technical and financial supports, the series of major documents on regional strategies for national

development. These documents were used extensively by the RDCs in formulating their respective plans.

3. The Project was extended to a second phase for a period of two years starting in January 1978 as specified in the Assistance Agreement between the Government of the Philippines and the United Nations Development Programme signed by the Parties on July 21, 1977. The Project's emphasis has been on initiating the implementation of the regional development plans. Towards this end, Phase II provided assistance, among others, in the preparation of the Regional Development Investment Programs (RDIPs) as a means of translating the regional development strategies into implementable programs and projects. Its activities have been also directed towards strengthening and improving the linkages of the machinery for local, regional and national planning and plan implementation.

4. Seminars and workshops on RDIP attended by the NEDA staff and line agency and local government personnel were conducted with technical and financial assistance from the Project.

5. The regions will be needing greater degree of both technical and financial assistance in a number of areas of planning and project work in the 1980's, the more immediate of which are in the conduct of the mid-term assessment of the five-year regional plans and the undertaking of pre-feasibility and feasibility studies in support of the RDIPs expected to be completed by the end of Phase II.

In this regard, the Phase III Project activities should be geared basically towards institutionalizing the activities undertaken in Phase I (plan formulation) and Phase II (plan implementation).

Successful implementation of these activities will not only strengthen efforts towards effective regionalization but ultimately hasten regional development.

PART II.E. Outputs

The output of Phase III will be as set out in the objectives. The most significant and tangible of which will be: (a) refined regional development investment program; (b) implementable list of selected projects in the RDIP for each region; (c) established system for the regular assessment of the regional plans; (d) revised regional/local development plans/strategies; (e) installed comprehensive regional/local development project monitoring system; (f) established training programs and arrangements for the operation of a Philippine

Center for Regional Development; (g) technical papers and related documents on regional development planning and implementation; and (h) improved capability of relevant government staff in planning and implementation.

In the achievement of the above principal outputs, the following complementary outputs are envisioned:

- (1) Manual on RDIP preparation, including linkage between project planning and budgeting;
- (2) Manual on procedures and guidelines on regional project development;
- (3) Manuals and training materials on project development and related areas;
- (4) Manual on plan assessment, including establishment of selected indicators and techniques of evaluating impacts of project implemented at the regional and local levels;
- (5) Proposal for the development of a comprehensive system of collection, compilation and dissemination of related information for regional/local planning and project development;
- (6) Revised provincial planning manual incorporating sectoral and physical planning;
- (7) Completed research studies on specific regional concern; and
- (8) Documented and widely disseminated Philippine experience on regional and sub-regional planning and programming with due attention given to analytical, conceptual and pragmatic lessons derived from Philippine experience.

PART II.F. Activities

See Work Plan.

PART II.G. Inputs

(4) Government Inputs

The Government will finance the Project in the total amount of ₱8,973,000 over its two year duration, of which ₱3,346,000 shall be in the 1980 and ₱5,627,000

in 1981 and first quarter of 1982.

The Government will provide the National Project Coordinator and qualified RDS staff who will be organized into task forces and with whom foreign consultants will work jointly. Staff on secondment, from NEDA regional offices will also be provided. Most of the staff currently assigned to the Phase II will continue in service and additional staff will be provided as required.

Details of the professional and other staff are set out in the attached budget sheet covering the Government contribution to the Project.

The Government input of service also includes provision for research and consultation support and sub-contractual services as well as support for in-service training. These are also itemized in the attached Government budget sheets.

The Government undertakes to provide all the necessary office accommodations for the Project, as well as all necessary office supplies together with the necessary inputs for the operation and maintenance of all equipment supplied by the UNDP throughout the Project. These items are also costed in the attached Government budget sheets.

(b) UNDP Inputs

1. Personnel

Location

1.1 Project Development/Evaluation Specialist

Manila and the Regions

Graduate degree in economics and/or engineering or sectoral disciplines with at least five years experience in project development, appraisal/evaluation. An experience in the field of finance and management is preferable.

1.2. Consultants

Manila and the Regions

Qualified and experienced short-term consultants both local and foreign in specific fields of regional concerns

such as systems development, integrated area planning, public finance, small and medium scale industries, agro-forestry and related aspects in the general areas of agriculture, social services, industry and infrastructure

2. Sub-Contract

Manila and the regions

Phase II of the Project provided an opportunity for the preparation of various studies ranging from "A Manpower and Systems Study on the Region VII Investment Program" to "Goat Farming Industry" and "Monitoring and Reporting." The Executing Agency will continue to sub-contract work on specialized or particular fields in the area of agriculture, industry and infrastructure as found to be necessary in regions other than Region VII which attracted much of the resources provided under Phase II.

3. Support Staff

- | | |
|-----------------------------|--------|
| a. Administrative Assistant | Manila |
| b. Librarian | Manila |
| c. Project Secretary | Manila |
| d. Executive Assistant | Manila |

4. Training

a. Fellowships

- | | |
|---|---|
| (1) Provision of fellowships at selected institutions for training of staff | to be determined by NEDA and Executing Agency |
| (2) Study tours for selected staff members | to be determined |
| (3) In-country group training as required | Manila and the Regions |
| (4) In-service training to be carried out by project personnel | Manila and the Regions |

5. UNDP Supplies and Equipment

	<u>Location</u>	<u>Delivery Date</u>	<u>Cost \$</u>
(i) Thirteen Typewriters (electric)	Manila and Regions	1980-1981	15,000
(ii) Library Books, Technical Journals and Supplies	Manila and Regions	1980-1981	35,000
(iii) Facsimile and Other Project Monitoring, Supplies and Equipment	Manila and Regions	1980-1981	45,000
(iv) One (1) Toyota Commuter	PCRD	1980-1981	14,000
(v) One (1) Toyota Hi-Acc Commuter (12 seater)	PCRD	1980-1981	6,000

6. Miscellaneous

(i) Publications	Manila and Regions	1980-1981	70,000
(ii) Sundry	Manila and Regions	1980-1981	7,400

PART II.H. Work Plan for 1980 to 1982*

<u>Project Activities</u>	<u>Location</u>	<u>Starting Date and Duration</u>
<u>Preparatory Action</u>		
1. Organization and preparation of detailed work plans.	Manila	April 1979
2. Recruitment of Project staff	Manila	May 1979
<u>Immediate Objective 1</u>		
3. Assistance in firming up of the RDIPs	Regions	Throughout
4. Strengthening of data base for RDIP use; and development of a scheme to facilitate data access to RDIP use.	Manila and Regions	Throughout
5. Assistance in sectoral and spatial rationalization of investment within and among regions.	Manila	2nd quarter 1980
6. Assistance in the refinement of RDIP.	Manila and Regions	3rd and 4th quarter 1980

* 1 April 1980 - 31 March 1982.

<u>Project Activities</u>	<u>Location</u>	<u>Starting Date and Duration</u>
7. Identification and selection of major RDIP projects, utilizing developed criteria for feasibility studies.	Manila and Regions	3rd quarter 1980 1st quarter 1981
8. Assistance in undertaking feasibility studies.	Manila	3rd quarter 1980 End of Project
9. Assistance in institutionalizing the national review of RDIP; and in the development of a mechanism for the RDIP-Budgeting interface.	Manila	2nd and 3rd quarter 1980
10. Consolidation and documentation of the first RDIP experience.	Manila	3rd and 4th quarter 1980
11. Preparation of a manual on project planning guidelines and project standards.	Manila	2nd and 3rd quarter 1980
<u>Immediate Objectives 2 & 3</u>		
12. Assistance in plan assessment and (when appropriate) in strategy development.	Regions	3rd and 4th quarter 1980
13. Assistance in developing and establishing indicators essential for the assessment of regional plan implementation and in the collection of relevant information.	Manila and Regions	Throughout
14. Assistance in developing, planning and plan assessment methods adapted to the constraints faced by the regional planner in the Philippines.	Manila and Regions	3rd quarter 1980 1st quarter 1981
15. Revision of the provincial planning manual to incorporate sectoral and physical planning.	Manila	1980

<u>Project Activities</u>	<u>Location</u>	<u>Starting Date and Duration</u>
16. Undertake research on rural-urban interactions; on the economic activities in the regions; and on other regional concerns.	Manila	1980-1982
17. Undertake a comprehensive research project on inter-regional and urban-rural migration	Selected	1980
18. Designing of an effective and efficient regional project monitoring system.	Manila	1st quarter 1980
19. Assistance in setting up of facsimile and implementing the regional project monitoring system.	Manila and Regions	2nd quarter 1980 - December 1981
<u>Immediate Objective 4</u>		
20. Preparation of training program for 1980-81 to strengthen regional planning and implementation capabilities.	Manila	2nd quarter 1980 (2 months)
21. Implementation of training activities.	Manila and Regions	3rd quarter 1981 - 1982
22. Development of other training services as needed.	Manila	1980-1981
23. Assistance in the establishment of the Philippine Center for Regional Development.	Regions	1980-1982
24. Assistance in the preparation, development and documentation of materials for regional development training programs.	Manila	1980-1982

<u>Project Activities</u>	<u>Location</u>	<u>Starting Date and Duration</u>
<u>Immediate Objective 5</u>		
25. Assistance in the establishment of project development units in the RDC organizational set-up of each region.	Manila	1980-1981

PART II.I. Preparation of the Framework for Effective Participation of National and International Staff in the Project

The activities necessary to produce the indicated outputs and achieve the project's immediate objectives will be carried out jointly by the national and international staff assigned to it. The respective roles of the national staff will be determined by their leaders, by mutual discussion and agreement, at the beginning of the project.

PART II.J. Institutional Framework

The National Economic and Development Authority which will be the Government's Cooperating Agency for the project was created in the later part of 1972 when the reorganization of the Government took place. At the helm of the NEDA is a policy board chaired by the President, and is composed of cabinet ministers of the major agencies of the government and other executive officials. The NEDA board is back-stopped by a technical staff headed by a Director-General who is also the Minister of Economic Planning. It has four major offices for the above-mentioned purposes: a) Planning and Policy Office, b) Programs and Projects Office, c) Operations Office, d) Statistical Coordination Office. The Planning and Policy Office incorporates a Regional Development Staff as one of its major three units.

Specifically, the NEDA is responsible for formulating national development objectives, policies and strategies, and long-range and annual socio-economic development plans and programs in the public sector; initiating certain projects; exercising wide coordinating function in physical and human resource policies; and for preparing national sectoral and regional development plans and programs.

For planning and administrative purposes, the country has been divided into twelve regions, and later into thirteen regions. Subsequently, a Regional Development Council was established in each region, excepting the thirteenth region which is the Metropolitan Manila, since, the region has adopted the Commission type governmental structure.

The principal function of the Council are: i) to prepare long range and annual socio-economic plans for their respective region; ii) to conduct surveys, studies and researches required for planning purposes; iii) to provide technical assistance in planning and relevant matters to local governments, private entities and regional offices of national sectoral agencies; and iv) to coordinate all planning activities of national local government bodies functioning within the region.

The RDC is headed by a chairman, an appointee of the President. The Council Proper which is its policy making body is composed of: a) the governors of provinces and mayors of chartered cities within the regions; b) the regional directors of the Bureau of Agricultural Extension and Bureau of Plant Industry of the Ministry of Agriculture; c) the regional directors of the Ministry of Public Highways, Ministry of Public Works, Ministry of Transportation and Communications; d) the regional directors of the Ministry of Education and Culture, Health, Local Government and Community Development; e) the General Managers of any regional and/or sub-regional development authorities existing in the region; and f) a representative of NEDA.

The technical staff is the NEDA regional office, headed by the NEDA representative. The Executive Committee and the technical staff will act as counterparts for the UNDP advisers on all planning matters at the regional level while the Regional Development staff of the NEDA will act as counterpart at the national level.

The Philippine Government has appointed the Deputy Director General of NEDA, who is also the Deputy Minister of the Budget, as a National Project Coordinator. The Coordinator will have overall responsibility on behalf of the Government for implementing the project, recommending to the Executing Agency the engagement of consultants and consulting firms and assuming responsibility for their work, recommending to the Executing Agency the purchase of equipment and supplies, preparing progress reports and maintaining on-going contacts with the Executing Agency on all matters affecting the implementation of the project.

The Director of RDS will be responsible for the day-to-day operations of the project and for coordinating and supervising the work of the project staff. He will be designated as a Deputy National Project Coordinator.

PART II.K. Future UNDP Assistance

Further assistance from the UNDP may be necessary in the field of training particularly after the establishment of the Philippine Center for Regional Development.

PART III. SCHEDULE OF MONITORING, EVALUATION AND REPORTS

PART III.A. Tripartite Monitoring Review: Technical Reviews

The project will be subject to periodic review in accordance with the policies and procedures established by UNDP for monitoring project and program implementation.

PART III.B. Evaluation

The project will be subject to periodic review in accordance with the policies and procedures established by the UNDP. The organization, terms of reference and timing of the evaluation will be decided by consultation between the Government, UNDP and the executing Agency.

PART III.C. Progress and Terminal Reports

Progress reports on the activities of the project shall be prepared in accordance with the procedures of the UNDP which is currently every six months. A terminal report shall be prepared at the end of the project.

ANNEX H
PROPOSED ALLOCATION CRITERIA
FOR THE
LRM SUBPROJECT FUNDS

Working Group C has considered several criteria that could be used to provide an objective basis for allocating the available subproject funds each year among participating provinces as indicative planning levels. Primary considerations were data availability, reliability and simplicity. A number of suggested criteria were discarded as failing to meet these tests. The Group agreed to prepare a formula composed of five indicators measuring three key areas of concern:

1. Need. The basic criteria for fund allocation should be the relative need of the populations involved. The group recommends the use of the absolute size of the provincial population below a poverty line (Pn) as the starting point. This basic figure can then be adjusted up or down by multiplying or dividing it by ratios derived from the other indicators, and the results used to divide the available funds proportionally among the participating provinces according to their adjusted poverty populations.

The first adjustment would be to divide Pn by the ratio derived from normalizing the average family income of the province on the average family income of all participating provinces, or by

$$\frac{Y_n/N_n}{Y/N}$$

where Yn and Y are the total family income figures for the province n and for all participating provinces, respectively, and Nn and N are the respective total family populations. This adjustment will increase the allocation for those provinces with a lower average family income and reduce it for the richer provinces.

To obtain the bracketed family income data by province required to make these calculations the LRM Project will have to request special computer tabulations of the 1975 Family Income and Expenditure Survey from the National Census and Statistics Office.

2. Tax Revenue Effort. It is considered important to provide an incentive to local governments to increase their own tax collection efforts in order to mobilize sufficient local resources to fund a more satisfactory level of local development activities. The LRM Project itself will result in higher demands on local government coffers for counterpart contributions to initial subproject costs and to meet the on-going operations and maintenance costs many of them will incur.

The Group recommends the use of two indicators to measure tax effort. Total tax collections (Tn) by the province (n) and its municipalities, not including national allotments and other forms of outside assistance, divided by total family income (Yn) would be a good measure of the total local government tax effort in relation to the level of income of its tax base.

(Local government taxes are derived mainly from two sources, the real property tax and the business license tax.) In addition, the ratio of actual real property tax collections (Cn) to collectibles (Bn) is an accepted measure of performance in one of the main taxing activities of local governments. Collectibles (Bn) should be defined as one or two percent of the total assessed value of taxable real property in the province, and not as that part of the total the Treasurer thinks he can collect. It is especially important to encourage real property tax performance among local governments, and elsewhere WG-C is recommending that a commitment be required of participating jurisdictions to undertake improved real property tax mapping, assessment, records keeping and collections activities.

It is suggested that Pn be multiplied by the product of these two indicators, Pn (Tn/Yn) (Cn/Bn), thus increasing the LRM allocations to those provinces with relatively better performance records in tax collections and reducing it in those with worse performance records.

3. Other Assistance. The Group agreed that some adjustment should be made to decrease the allocations of those provinces that have already received relatively more development assistance from other sources, not counting the BIR allotments, and to increase the allocations of those that have been relatively neglected. Comments from the field have indicated such an adjustment would be desirable in the interests of fairness. It is suggested that the total amount of such outside assistance received by each province (An) in recent years, as recorded by NEDA/PES, be divided by family population (Nn) to provide a per family figure. This number can then be normalized on the per family assistance figure (A/N) for all participating provinces and divided into the poverty population (Pn).

$$P_n \div \frac{A_n/N_n}{A/N}$$

4. The entire allocation formula recommended thus becomes:

$$\left(P_n \div \frac{Y_n/N_n}{Y/N} \right) \cdot \left(\frac{T_n}{Y_n} \cdot \frac{C_n}{B_n} \right) \div \frac{A_n/N_n}{A/N} = P_n',$$

or

$$P_n' = \frac{P_n (T_n/Y_n) (C_n/B_n)}{\frac{Y_n/N_n}{Y/N} \cdot \frac{A_n/N_n}{A/N}}$$

and the share (Xn) each province receives of the annual LRM subproject budget is determined proportionally to their share of the adjusted poverty population figure (P'), where P' = P1' + P2' + P3' + ... + Pn':

$$X_n = \frac{P_n'}{P'} = \frac{P_n'}{P_1' + P_2' + \dots + P_n'}$$

ANNEX I

COMMODITY PROCUREMENT PLAN

A. Methods of Procurement and Compliance with AID Regulatory Requirements:

NEDA will be ultimately responsible for all procurement actions for the project. Because of the limited amount and value of offshore procurement, it is envisioned that a U.S. Procurement Services Agent (PSA) will be utilized to purchase offshore commodity inputs for NEDA under a PIO/C issued by USAID. Payment for offshore commodities will therefore be made under an AID Direct Letter of Commitment issued to the PSA.

The authorized source/origin of commodities for the project is AID Geographic Code 941. However, local small value purchases (shelf items) are authorized as necessary within the local cost financing limits contained in HB 18 Chapter 18. No waivers are anticipated for this project.

Commodities procured offshore by the PSA will be marked by the suppliers/manufacturers with AID hand-clasp emblems. Locally procured items will be marked with like emblems which USAID Logistics Division will supply to NEDA.

B. Commodity List

<u>Item</u>	<u>Qty.</u>	<u>End User</u>	<u>Source/ Origin</u>	<u>Estimated Delivered Cost*</u>
Utility Vehicles	6	Regional NEDA	U.S.	\$ 66,000
	1	Central NEDA	"	11,000
Micro Computers	3	Regional NEDA	"	24,000
	1	Central NEDA	"	8,000
Electric Typewriters	6	Provincial Govt	Local	10,000
	3	Regional NEDA	"	5,000
	2	Central NEDA	"	3,000
Two-Way Radios	6	Provincial Govt	U.S.	35,000
Provision for other small value items				<u>38,000</u>
			TOTAL	\$ 200,000

* Estimates contain a 10% inflation factor from current prices. All commodities will be purchased as early as possible in FY 1983.

COUNTRY CHECKLIST

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

See Rural Energy Project Paper for discussion.

B. FUNDING CRITERIA FOR PROJECT

I. Development Assistance Project Criteria.

a. FAA Sec. 102(b); 111; 113; 28(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S.

a. This Project is specifically targeted at the involvement of the poor.

institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions;

(b) A major component will be the development of models for beneficiary organization.

(c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

(c) This Project move self-help concept to the local level.

(d) To a limited extent.

(e) N/A

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available:

(1) /103/ for agriculture, rural development or nutrition; if so
(a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made;
(b) extent to which assistance is used in coordination with programs carried out under

Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition poor and vulnerable people; and

(c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution?

Yes.

(a) A major focus of project is productive employment and increased income for rural poor. Each subproject will undergo analyses to assure social soundness of proposed interventions.

(b) to a limited extent; not a direct thrust of the project.

(c) N/A

c. /107/ is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor).

Yes.

d. FAA sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)?

Yes.

e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"?

No.

f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in government processes essential to self government.

Project draws on local institutions to support local government in developing strategies, program plans and sub-projects. Local resource institutions will provide skills training, organize seminars, workshops, etc. to solicit beneficiary and local officials ideas for more effective planning, management, monitoring and evaluation.

g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the

Yes.

development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

2. Development Assistance Project Criteria (Loans Only)

a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

Such capacity does exist.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan.

N/A

PROJECT CHECKLIST

A. GENERAL CRITERIA FOR PROJECT

1. 81 App Act. Unnumbered; Sec. 653 (b).

(a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project;

Project was included in FY 82 Congressional Presentation

(b) Is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that amount)?

Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be

Yes

(a) engineering, financial
other plans necessary to
carry out the assistance and
(b) a reasonably firm estimate
of the cost to the U.S. of the
assistance?

3. FAA Sec. 611 (a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? N/A
4. FAA Sec. 611(b); 81 App. Act. Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973? N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project? N/A
6. FAA Sec. 209. Is project susceptible of execution as part regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the

country to:

- | | |
|--|--|
| <p>(a) increase the flow of international trade;</p> | <p>No</p> |
| <p>(b) foster private initiative and competition; and</p> | <p>Yes; Subproject design encourages direct involvement of associations of the poor, PVO's, farmers, etc., as major actors and beneficiaries. The project has as a major objective development of systems and processes for self-help.</p> |
| <p>(c) encourage development and use of unions, and savings and loan associations;</p> | <p>Associations of poor will be encouraged to develop credit cooperatives when appropriate.</p> |
| <p>(d) discourage monopolistic practices;</p> | <p>N/A</p> |
| <p>(e) improve technical efficiency of industry, agriculture and commerce; and</p> | <p>To limited extent</p> |
| <p>(f) strengthen free labor unions.</p> | <p>N/A</p> |
| <p>8. <u>FAA Sec. 601(b)</u> Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprises).</p> | <p>Project involves mostly local cost financing. Nature of project would not lend itself to U.S. private trade/investments. A U.S. institution will be requested to provide technical services. Commodity procurement will be limited and will be of U.S. source and origin.</p> |
| <p>9. <u>FAA Sec. 612(b); Sec. 636(h);</u> Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and</p> | <p>GOP will provide a minimum of 25% of project costs in local currencies. Foreign currencies owned by the U.S. are not available to this project.</p> |

foreign currencies owned by the U.S. are utilized in lieu of dollars.

- | | |
|---|-----|
| 10. <u>FAA Sec. 612(d)</u> . Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? | No |
| 11. <u>FAA Sec. 601(e)</u> . Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? | Yes |
| 12. <u>App. Act Sec. 521</u> . If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? | N/A |