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Suggested Frameworks for Local Resources Management Program

The following thoughts were put together following the October 29-30 conference in Iloilo dealing with the design of the Local Resources Management Program and reflect insights gained from that experience.

Purposes

The proposed program will have two simultaneous and mutually reinforcing purposes.

1. Assist priority poverty groups in making more effective use of local resources (physical, economic, social, financial, and bureaucratic) to increase their incomes and/or production for home consumption .

[The concept is to build action around priority poverty groups which have been identified on the basis of their existing livelihood strategies toward the end of increasing the opportunities available to them to benefit from productive activity. The emphasis will be on getting greater returns from local resources through improved management by local peoples and governments. These resources include land and water resources, capital assets, markets, labor, organizations, and a whole range of existing government programs and personnel which otherwise may not be fully tapped to the benefit of local peoples. A subsidiary purpose is to encourage local government to recognize the broad range of non-financial local resources which may be exploited in addressing local needs.]

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2. Build the capacity of local government units (provinces, cities, and municipalities) for independent initiative, especially in addressing the needs of local poverty groups.

[The focus is on the three basic units of local government and on their capacity for independent initiative. These are the three units of government which combine a capacity for executive action with a reasonable awareness of local people and their needs. Three subsidiary purposes are to help legitimate the concept of decentralizing control over action programs to local government, to test mechanisms for such decentralization, and to strengthen the involvement of local government with the needs of their poor constituents. The emphasis will be on actions involving a partnership between local government and poor constituents which in turn enhance the capacity of the poor for productive self-help action.]

#### Intended Local Government Actions

Local government units will be encouraged to identify their own poor populations by household type disaggregated on the basis of livelihood strategies, to develop an understanding of these strategies and the constraints on more remunerative outcomes, to engage in dialogue with representative households from specified household groups to arrive jointly at actions which may allow them to gain greater returns from the resources already at their disposal and to gain access to additional resources as appropriate to their needs and circumstances, to facilitate self-help initiative on the part of these households, and to gradually expand the circle of beneficiaries. At the initial

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stages it is anticipated that cities and municipalities may emphasize the development of small scale enterprises which make effective use of local inputs and/or provide products needed locally.

Provincial level government might sponsor similar activities, or engage in efforts to build linkages between economic activities initiated in individual municipalities. But their most important role is likely to be in efforts which build capacities for community management of local land and water resources to the benefit of local peoples for fishing, irrigation, grazing, and woodlot production. Key objectives would be intensification, equity, and long term maintenance of the resource base. A related concern might be the development and promotion of cropping systems technologies appropriate to local conditions.

Such differentiation of the efforts of provincial from those of city and municipal government is based on the presumption that programs specifically geared to land and water management are most likely to cut across municipal and city boundaries, be somewhat larger in scale, and require greater political resources to deal with problems of access rights and to draw on the technical capacities of relevant line agencies of the central government.

#### Building Knowledge and Capacity Through Action

Many aspects of the program will be developmental in nature.

- Development of procedures for target group identification and for collaborative project formulation between local government and beneficiaries.

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- Development of procedures for releasing funds to local government in ways which maintain minimum required accountability while providing maximum flexibility, discretion, and speed of action.
- Development of procedures for releasing funds to local government levels to assist priority poverty groups in strengthening their livelihood strategies.
- Development of the technical assistance capabilities to backstop the above efforts.

This program will involve a good deal more than use of existing procedures and established organizational capacities to apply known methodologies and technologies. It will require a willingness on the part of all involved (Government of the Philippines, USAID, beneficiaries, participating local governmental units, and supporting technical assistance groups) to enter into a collective learning process involving risks and requiring a willingness to take corrective actions as experience is gained.

The discussions in Iloilo suggested that there is the necessary commitment and willingness to experiment with procedural reforms on the side of the Government of the Philippines. Success will depend on obtaining approvals for commensurate flexibility on the USAID side as well.

Facilitating Agency

As we learned in Iloilo the term "lead" agency is ambiguous and carries a good many connotations inappropriate to the purposes of this project. Perhaps it may be possible to use a different term for this project such as facilitating or supporting agency. As I followed the discussions there are at least three possible choices for structuring accountability for funds releases.

1. Release of funds directly in specified amounts to specified provinces with each province essentially accountable on behalf of the Government of the Philippines directly to USAID. This would be a relatively radical choice and would best approximate the concept of devolution of authority. It would exhibit maximum confidence in the provinces give them maximum flexibility in using the funds as they see fit in response to locally determined priorities, and minimize control over the funds by both USAID and the Government of the Philippines. It means, however, that to the extent that it did become involved USAID would be dealing directly with "x" number of provinces, and might well find itself playing the role of de facto lead agency. No agency would be in a central support role able to capture and disseminate learning from individual provincial experiences or to coordinating supporting technical assistance. There would be no central agency in a position to extend the program to other provinces throughout the country should this prove to be desirable. There would be no central government agency with an

interest in protecting the funds from co-optation by other line agencies or with responsibility for performing an auditing function to insure that expenditures conformed to the intent of the loan. It is also questionable whether the Government of the Philippines would actually agree to such an arrangement since ultimately it would be accountable to the U.S. government for whatever uses are made of the funds and ultimately for loan repayment.

2. Release of funds directly to participating Regional Development Councils for allocation to individual units of local government. This would keep the funds out of the hands of a national line agency, but at the same time allow for coordination between provinces and establish a check on potential misallocation at the provincial level. While USAID would be dealing directly with a number of individual units of government, it would be a much smaller number than would be the case if the funds went directly to provinces. It is not clear who would coordinate learning process functions of research, technical assistance, and training or who would ultimately take the lead in extending the experience to other regions. Assigning the responsibility for allocation of the funds to a deliberative body of some 30 to 40 individuals with competing political interests is likely to mean that political considerations will outweigh technical considerations in the decision process. Since one governor heads the RDC it means that the parties to the negotiation would not be of equal status. If the RDCs

have no auditing capacity this would need to be developed. Many representatives of local governments have expressed strong reservations about any action which would strengthen regional control over their activities. The basic inclination of regional authorities is likely to be less toward a commitment to strengthen local autonomy than to gain control over local level planning processes to bring them into conformance with regional plans. This might run counter to the purposes of the project.

3. Channel funds to units of local government through a national line agency. This would provide a focal point of accountability as well as a focal point for learning process facilitation. The most likely choice would be MLGCD, building on the staff groups which have administered the various USAID special projects. They have established working relationships with most of the units in question, have demonstrated a willingness to allow local governments to set their own priorities within broad policy parameters, and have an established audit capacity. On the other hand this would mean giving control to a national agency, which would at least appear to be contrary to the intent of the program. Furthermore the established procedures of the MLGCD are slow, cumbersome and generally inappropriate to the kinds of activities which it is intended local governments will carry out under the proposed program. It has little or no demonstrated capacity to manage a learning process.

On balance, option three seems to me the preferred choice--if appropriate procedural innovations can be introduced. A key consideration is the established willingness of the special projects units to channel money directly to local governments for projects which conform to specified technical requirements--without attempting to dictate priorities or to pre-empt the implementing role of local government. The regional NEDA offices, which presumably would serve the secretariate function for the RDCs, are primarily oriented toward larger scale infrastructure projects and have limited orientation to people or to ecology. They also tend to be control oriented. One might give them a major role in the project on the grounds of attempting to reorient them more toward a social development perspective. On the other hand it might also be argued that strengthening their hand with regard to control over provincial budgets would in fact be a centralizing rather than a decentralizing move. A true local government strategy may call for strengthening the hand of the local governments vis a vis regional authorities, who in fact are local surrogates for national authorities. Being closer at hand, they have potential for closer supervision than do their national counterparts. I would opt for involving the regional NEDAs and the RDCs, but in clearly supporting roles without control over funds--channeling the funds directly from national to local governmental levels.

One key question is whether MLGCD would be willing to introduce drastically revised procedures for the handling of project funds. My sense

from the Iloilo meeting is that there is substantial openness to experimentation so long as it has the blessing of USAID. I gather that the procedures used by MLGCD with PDAP projects, which are now labelled as inappropriate by USAID evaluators, are procedures that earlier were recommended by USAID consultants and the procedures which the MLGCD understood USAID to consider appropriate. It may simply be up to USAID to change the signals and to assist them in introducing more appropriate procedures.

The central issue is not really so much whether the funds flow through the central government, than whether the procedures and style which govern this flow are responsive to locally established priorities and allow maximum scope for speedy flexible action by local government. The concept which I would favor and which I sense could be made acceptable to actors on the Philippines side would be for the MLGCD to transfer funds to trust accounts on which qualified units of local government could draw directly to support activities of their own choosing in accordance within guidelines agreed upon in approved program plans. I will elaborate on this later.

Another obvious concern is whether MLGCD is likely to develop a capacity to manage a learning process. Evaluations of PDAP revealed little such inclination or capacity. Yet little attempt was made under PDAP to encourage or assist the Ministry in such a direction. This might be made an important priority under the new program, with particular attention to providing appropriate technical assistance resources.

Differentiated Strategy Based on Levels of Readiness

While some units of local government have already demonstrated their commitment to the general objectives of the program and their capacity to use available funds to pursue those objectives, others have yet to exhibit either commitment or competence. This suggests that the program must be designed to allow a differential-incremental response geared to the level of readiness of the unit in question. This is one of the most important arguments favoring involvement of a central agency in overall management of the program.

A simple scheme to classify units by level of readiness might look something like the following:

Level 1: Little or no identified interest. In this instance the response should be to expose key officials to a series of sensitizing-motivating experiences intended to capture their interest. Any commitment of program funds to such units would be largely limited to this purpose.

Level 2: Clear interest identified, but with no capability in place for local action. For these units the program would concentrate on facilitating staff recruitment and training, and provide guidance in initial surveys, diagnostics, and the preparation of pilot project proposals.

Level 3: Qualified personnel in place, pilot project proposals in hand, but no track record. With these units MLGCD would release funds to a trust account on a project by project basis. Each project proposal would be subjected to a pre-release review process by

MLGCD staff to establish technical and social feasibility and the competence of the local government staff in question to see it through. This review process would be used as an opportunity for on the job training of the local government personnel involved. Funds released to the trust account could be drawn upon as required for the specific project or projects for which they were approved. Such assistance would be provided by MLGCD during project implementation as it deemed appropriate to build local staff capability.

Level 4: Successful track record established. At this level the local unit in question would be considered qualified to operate with a maximum of autonomy from central supervision and control. Units which on the basis of their performance at Level 3 establish that they are capable of identifying and managing their own project to established minimum standards would be invited to submit a proposal for a general program of activities along with a simple budget of three or four line items indicative of the distribution of expenditures by major categories. On approval of their program and budget, a block of funds would be released by the Ministry to their trust fund. Locally generated projects up to a specified maximum would be submitted to a local committee for review and approval. Their trust account funds could then be drawn on directly by the responsible local government officials for projects so approved. Copies of the documentation and reports of actions taken presumably would be forwarded to the Ministry for information. If deemed necessary the Ministry might have the

option of disallowing a project within a period of say up to 15 days after receipt of the documentation. All expenditures from the trust account would be subject to post-audit procedures by the MLGCD. As the trust fund is drawn down the local unit would submit a revised program plan requesting replenishment. Action on this request would be subject to a satisfactory audit report and program review. Locally generated projects which exceeded the authorized limit for local approval against the trust account could be submitted to the MLGCD for approval, either against local trust account funds or against unobligated central funds.

The critical point in this process is the graduation of a local government unit from Level 3 to Level 4. Holding a unit too long at Level 3 will defeat one of the two central purposes of the program. Yet too rapid a graduation to Level 4 may encourage lax administration of the trust account. The natural tendency of the Ministry is likely to be toward excessive control and too long a delay in graduation. The more they feel they are being held strictly accountable for the success of individual projects, the more pronounced will be this tendency. The appropriate orientation can be encouraged to the extent that it is agreed that their performance will be judged in terms of the progress achieved in successfully graduating local government units to Level 4 status. Successful graduation of course implies that units so graduated maintain some minimal level of performance.

Regional Development Councils and Regional NEDAs

The RDCs and the Regional NEDAs should be brought in in supporting roles. These roles will emphasize the carrying out of regional poverty analyses and the creation of strategic frameworks which hopefully will help local governments place their own analysis within a broader context. These regional analyses can also be helpful to line agencies in setting priorities for their own responses in support of locally generated initiatives. The regional level may also play an important role in facilitating regional exchange of experience, as well as setting regional target group and resource management priorities, monitoring and highlighting the implications of intra-regional migration, and collaborating with local governments in various poverty studies. The regions might also maintain inventories of the projects being carried out within their boundaries to highlight linkage opportunities. A key objective from the USAID perspective in the involvement of the regional level would be to sensitize officials and techniques at this level to problems of resource competition between priority target groups and central government sponsored development projects. The RDCs might well become forums for arbitrating these conflicts.

I see little utility at this point, however, in giving the regional level any sort of veto power <sup>over</sup> local initiatives generated under the local resource management program. Most of them are likely to be relatively small projects with limited implications beyond the municipality or province in which they are initiated. Giving a power of approval to the regional level would seem to serve little purpose, while slowing down the process and inhibiting the initiatives the program is intended to stimulate.

11-13

Learning Process

Given the developmental nature of the program, its accomplishments will depend a great deal on the successful incorporation of a learning process into its design. This calls for encouraging innovations, and for rapidly capturing, responding to, and sharing the lessons of emerging experience. Learning should be occurring at at least four levels simultaneously: the levels of the beneficiary organizations assisted by the program, the local government units, the MLGCD, and the USAID mission. As the most central organization in the program, it is within the MLGCD that the greatest attention should be given to formalizing the learning process.

For this purpose it is recommended that a Working Group be established under MLGCD auspices and leadership. This Working Group would designate certain local government units as learning laboratories within which program experience would be closely monitored for learning purposes. It would sponsor process documentation of program activities within these units which in turn would provide the basis for review and revision of MLGCD procedures, development of training programs and technical assistance services, and the phased expansion of the program to additional local governmental units. The Working Group would be comprised of persons from the MLGCD with key roles in the program, the USAID program officer, representatives of other institutions providing training and technical assistance under the program, and possibly representatives of the local governmental units which are serving as the learning laboratories for the broader program. Given its experience with the

NIA communal irrigation effort it is recommended that the Asian Institute of Management be contracted to advise on the formation and operation of the Working Group. Similarly the Institute for Philippine Culture might be contracted to carry out process documentation and assist with other research requirements.

This Working Group might well be formed immediately following acceptance of the concept by the MLGCD. Its initial focus could be on documentation of the CDAP experience with income generating projects. It might sponsor experimental implementation of the trust fund concept under CDAP in those cities which have already demonstrated their commitment and competence under the Rural Service Centers project. The procedures could be worked out in this context on a pilot basis for later incorporation into the design of the new project. The CDAP effort might also provide the basis for current actions toward strengthening the training and technical assistance capabilities which will be needed as the new and expanded program comes on stream.