

RP

301.3709914

B612

Proj. 4920236
~~100-~~

ACCELERATING PROVINCIAL DEVELOPMENT IN THE PHILIPPINES :

**... A General Evaluation of the
Operations of the Provincial Development
Assistance Project, 1968-1970**

A.I.D.
Reference Center
Room 1000 N

**Report submitted by the
Joint Philippine-American
Evaluation Team, September 1970**

FOREWORD

The following pages reflect the ideas and work of many people, only a few of whom we can adequately thank here. The idea for the evaluation came from Mr. Bienvenido G. Villavicencio, Deputy Project Director, Provincial Development Assistance Project, (PDAP) who instructed the Team to be fully objective and frank in its analysis of the project. Mr. Villavicencio has extended the PDAP's full support to the Evaluation Team, so we hope the results will measure up to his expectations. We would also like to thank the many provincial officials and citizens who contributed so much of their time and who exhibited a great deal of patience with our endless questions. Finally, we express our gratitude to the members of PDAP and USAID who designed the study guidelines and helped the Team carry out its analysis.

While the undersigned prepared the final evaluation report and take full responsibility for its contents, other members of USAID and PDAP served on the Evaluation Team. Mr. Harold J. Datta replaced Mr. Brady on the visits to Palawan and Mindoro Oriental while Mr. LeRoy Knutson replaced Mr. Brady on the trip to South Cotabato. Mr. Ramon Cardenas of the Presidential Economic Staff also participated in certain portions of the study.

This report covers what we believe to be the most important general findings of the evaluation. We have concentrated more on those broader conclusions and recommendations which would be of interest to the provincial officials and Project personnel attending the proposed PDAP conference which will be held as a follow-up to the evaluation itself.

Any corrections of facts or suggestions for improving the report will be welcomed by the undersigned.

The PDAP Evaluation Team:

Roberto E. Fronda, Deputy Executive Director,
National Food and Agriculture Council and
Member of the PDAP Planning and Coordinating
Committee

Mariano J. Guillermo, Training Specialist
Local Government Center, College of Public
Administration, University of the Philippines

James R. Brady, Deputy Manager of Off. of Rural
Development, USAID/Philippines and Member
of the Planning and Coordinating Committee

Manila
September 4, 1970

TABLE OF CONTENTS

	Page
I. PURPOSE AND METHODOLOGY	1
II. THE STATUS OF THE PROJECT IN GENERAL	3
III. PROVINCIAL DEVELOPMENT ORGANIZATIONS	4
A. The Development Councils	4
B. The Development Staffs	8
IV. GENERAL DEVELOPMENT PLANNING AND IMPLEMENTATION	10
A. The Lack of Integrated Planning	10
B. Identifying Roles and Responsibilities	11
C. An Overview of Priority Programs	12
V. GENERAL CONCLUSIONS AND RECOMMENDATIONS ..	25
A. Improving Strategy and Organization of PDAP	25
B. Improving Provincial Structures and Operations	31
C. Other Recommendations	34

A GENERAL EVALUATION OF THE OPERATIONS
OF THE PROVINCIAL DEVELOPMENT
ASSISTANCE PROJECT, 1968-70

I. PURPOSE AND METHODOLOGY

This report is a summary of the findings and recommendations of the Evaluation Team assigned to conduct an assessment of PDAP operations and the status of development programs in the PDAP-assisted provinces of Bulacan, Laguna, Iloilo, Cebu, Leyte, South Cotabato, Palawan and Oriental Mindoro. Specifically, the Evaluation Team reviewed the extent to which the pilot provinces as well as the Provincial Development Assistance Project have met their respective commitments as provided in a Memorandum of Agreement entered into by both parties. The Team also looked into the working relationships of the PDAP and the provinces in the joint endeavor to improve the administrative capacity of the provinces to undertake development programs and projects.

In view of the limited resources of the PDAP, assistance to the provinces was initially extended in the three priority areas of (1) fiscal administration, (2) agricultural production and marketing, and (3) public works facilities and equipment management. Assistance was to be extended with the condition that the provinces would fulfill the following commitments:

1. Constitute a Provincial Development Organization suited to the conditions and requirements of the province;
2. Assign to the Development Organization a full-time competent staff to be headed by the Development Coordinator who can act in the name of the Governor in matters relating to the operation of the provincial development program;
3. Provide necessary support to the development staff, such as office space, equipment and supplies;
4. Commit an increasing part of its resources for development purposes; and

5. Provide staff members of, or consultants sent by, the PDAP with office space, living quarters, equipment, supplies and transportation within the province that may be required in the performance of their duties.

For the PDAP, the following commitments were to be accomplished:

1. Assist in constituting a Provincial Organization and in formulating and implementing a provincial economic development program;
2. Assign for such period as may be agreed upon, a member of the PDAP staff to provide assistance in carrying out the first commitment, to act as liaison between the province and the PDAP, and to review project requests made by the province; and
3. Provide its staff members and consultants to the province with transportation and per diems at rates authorized under existing regulations.

A three-man group was organized to constitute the Evaluation Team. The membership of the Team varied during the study period (July 10-August 5, 1970) due to illnesses and other reasons. All eight provinces involved in PDAP operations were visited. (Misamis Oriental was not included because of its very recent addition to the Project.) Semi-structured interviews were conducted in the provinces with all cooperating Governors except one (who was ill). Interviews were also held with selected Provincial Board members, Development Staff members, and Chiefs of offices in the PDAP priority areas (e. g., Treasurer, Assessor, Engineer, and Agriculturist). The Team also had informal discussions with PDAP and USAID personnel involved in the Project. In the current social science terminology, we have tried to be as objective as possible but have made little effort in the following report to make sharp separations between descriptions of conditions and prescriptions or normative suggestions for improving such conditions. We felt no need to identify specific provinces during most of the discussion which follows and have concentrated more on general findings and recommendations.

II. THE STATUS OF THE PROJECT IN GENERAL

The term "Project" as used in this report, refers to the joint undertaking of the PDAP and the respective pilot provinces as generally outlined in the commitments of the parties in the Memorandum of Agreement. The Team found out that such commitments at this stage of the Project have not been substantially fulfilled.

The provinces have formally constituted their Provincial Development Councils. Each has some form of Development Staff headed by a Development Coordinator or its equivalent. Office space, equipment and supplies have been made available to the Staff. The Team noted the attempts by most provinces to commit more of their resources for development purposes.

In each of the provinces, development programs and projects are certainly being implemented; a number of them have already been completed. This is particularly evident in the sectors of agriculture and public works. Of particular significance to PDAP, however, is the extent to which the province has involved its Development Council and Development Staff in the planning and implementation of these programs and projects.

The Team has noted the efforts of provincial committees or task forces, usually representing or acting for the Development Councils, in drawing up sectoral programs of development. These groups have normally been assisted by the Development Staffs, especially through the provision of data needed in program formulation. In some provinces, the Development Staffs have likewise extended assistance in drafting and finalizing these programs. In a number of cases, the Development Staffs have made serious efforts to compile and consolidate the various sectoral program papers together into one action document for the province.

Viewed in the light of the problems and difficulties that have been met in the initial stages of the Project, the provinces have made notable strides. However, the Team is of the opinion that there is still much to be done particularly in making the Provincial Development Councils as effective planning and coordinating bodies and in developing the capacity of the Provincial Development Staffs to provide quality support to the Councils and the Provincial Governors in the formulation and implementation of provincial programs and

projects. The success of the Project in each of the provinces will depend much on the sincere efforts of the provincial governors and other provincial leaders in vigorously prosecuting an integrated development program for their respective provinces.

On the part of PDAP, the Team believes that it did a satisfactory job of assisting most provinces in such areas as improving procedures for motor pools and equipment management and in the development of an agricultural program. However, it could have given more assistance in the organization and training of development staffs and in the preparation of an integrated economic development program. The Team believes that its assistance was vitally needed in relating the various projects or sectoral programs so that they could be integrated and made to jibe with the overall priorities of the province. More consideration could have been given on how the common objectives of the sectoral programs could be achieved by a pooling of effort and resources thus reducing costs to a minimum.

The weakest program in the priority areas is fiscal management. The new tax mapping activities assisted by the PDAP and USAID are not progressing as fast as expected. Plans for raising more provincial revenues through improved assessment and collection methods remain largely on paper. The increase of revenues from tax collections has sometimes occurred because of normal developments (such as urbanization) rather than any special improvement effort of the province. The PDAP could therefore extend more assistance to this priority area since it is a vital means of supporting any of the development programs of the province. The financial improvement program is discussed in more detail in Section IV.

III. PROVINCIAL DEVELOPMENT ORGANIZATIONS

A. The Development Councils

Organization of the Provincial Development Councils was normally done pursuant to the general guidelines outlined in Executive Order 121, issued February 26, 1968. There are provinces, however, which claim to have organized their respective councils even before Executive Order 121 was signed

by the President of the Philippines. This is one evidence of the sincere attempts of these provinces in launching development efforts.

Right from the establishment of these Councils, there cropped up the problem of unwieldiness due to large membership. Except for one province, whose Council has twenty two members, the rest of the Councils have memberships of over fifty people.

While each Council is expected to meet at least once a month, not one body has met regularly because of the difficulty of getting a quorum. Infrequent meetings have negatively affected the effectiveness of the Council as a planning and coordinating body. The unwieldiness of the Council has somewhat been compensated for by the formation of different committees. Conforming with PDAP priorities, the most important of these committees are those in finance, infrastructure and agriculture.

The efforts of these committees to draw up their own sectoral programs deserve appreciation. The Team noted, however, that one tendency of these committees is to formulate their respective programs independently of the other sectors. In most cases, this tendency produces a parochial view of development among the members of the committees. The failure of the Council to meet as a body to consider the plans and programs of these committees in terms of the total needs, requirements, and priorities of the province has likewise contributed to this narrow concept of development.

One potential source of support for the development program of the provinces is the private sector. A look into the membership of the various Councils would show that this sector has not been overlooked. Nevertheless, since the Council as a body has not been functioning effectively, the support of the private sector has been likewise minimal in most provinces. The provincial leadership should find better ways and means by which the support of this sector could be availed of.

In some provinces, the formulation of an Executive Committee to act for and in behalf of the Council represents an attempt to solve the problem of unwieldiness and infrequent Council meetings. Its effectiveness as a committee, however, depends on the support given by the Provincial Governor, and the ability of the members to perceive not only the specific needs and problems of the province but also to see the interdependence and inter-relatedness of such problems and needs. While some provinces have established objectives to be achieved in the various sectors of development, more attention must be directed toward the overall objective of an integrated development program for the province. For instance, the public works program should be, as far as practicable, supportive of the program of agricultural production and marketing. The fiscal management program should be seen in terms of its support to the other sectors and primarily as an instrument to increase provincial revenues to support development.

Since the failure of the Council to meet on a regular basis is traceable to its large membership, something must be done about it. One factor that has contributed to this large membership is the number of representatives from the different sectors. For instance, there are several offices and/or agencies belonging to the Department of Agriculture and Natural Resources. The heads of these offices are members of both the Council and the committees in charge of their respective sectors of development. Oftentimes, they are the same people who serve in the Task Forces assigned to implement programs and projects.

One way of making the Council more effective, therefore, would be to limit the membership to a manageable number. The different heads of offices under one department, e. g. , the DANR, could be represented just by one of them. Since there is already a Director for the NFAC program at the provincial level, he may be authorized to sit in the Council to represent the various member agencies of NFAC. The other DANR office heads could still be members of the agricultural committee of the Council. Similarly, the chairmen of the other committees could represent their respective members in the Council.

Another way of making the Council more functional is to strengthen the Executive Committee. The provincial heads of the offices directly concerned with finance, agriculture, and public works facilities should be members of the Executive Committee since these sectors are the priorities in the PDAP program. However, in cases where there are several offices and agencies involved in one priority area, as in the case of agriculture, only one should be appointed as the group's representative to the Committee.

In the final analysis, however, the effectiveness of the Development Council will depend on the extent to which the Provincial Governor will utilize its services. The Council may be composed of recognized and outstanding authorities in their own lines of endeavor but unless the Provincial Governor will exert efforts to fully tap this reservoir of expertise, the presence of the names of these persons in the Council roster will merely be a decoration. The organization of the Provincial Development Council or Committee is one of the commitments of the province in the PDAP memorandum of agreement but unless this body is made effective, its formation would just be a formal compliance and not a substantive one.

Some Governors complained that certain provincial heads of national offices felt little loyalty to the province and preferred to carry out their own programs without coordinating these with the efforts of the provincial government. Where the provincial government is sincerely trying to carry out a development program, the non-cooperation of national officials appears to be a violation of Executive Order 121 which states: "All departments, bureaus, offices, agencies and instrumentalities of the government, including government-owned or controlled corporations, are hereby directed to cooperate with and assist the Committee [Provincial Development Council] in the prompt accomplishment of its responsibilities." While the Evaluation Team noted that some national officials in some provinces did display an overzealous attitude about keeping their operations separate, many expressed a willingness to cooperate with provincial officials. It appears that good cooperation is achieved where the Governor and Development Staff have a clear concept of their development objectives and of the manner in which the interests and resources of both

national and local officials can be integrated to meet the needs of the people.

B. The Development Staff

All the pilot provinces have organized their respective Development Staffs with varying degrees of permanency and operational involvement. The general pattern is to have personnel from the different offices detailed to the Development Staff. In only one province have the members of the Development Staff been appointed on a permanent basis. Except for Bulacan, which has a Development Coordinator as well as a Chief of the Development Staff, all of the provinces have assigned one individual to exercise both of these functions.

The Chief of the Development Staff in one of the provinces serves only on a part-time basis because his main job is that of provincial chief of another office. In two provinces, the heads of the Development Staffs are on full-time detail from their respective offices. In two others, the heads of the Development Staff are appointed as such by the Provincial Governor and serve on a full time basis. In another province the head of a division under the Office of the Governor serves concurrently as head of the Development Staff. One Governor has assumed direct stewardship of the Development Staff after the Executive Director resigned to accept another government job. In this province, the Chief of Plans and Programs of the Development Staff has been assisting the Governor in running the office of the Development Staff. Several Development Staffs have undergone different degrees of revamping over time. This has ranged from the change of a Development Coordinator in one province to a general reorganization of the Development Staff in another.

The change in the provincial leadership of two provinces was significant as far as the prospects of the provincial development program are concerned. The incumbents were then vice governors but were promoted to the governorship when the duly elected provincial executives resigned to run for other elective office in the November 1969 elections. One of these new governors not only retained the members of the Development Staff, but also elevated the staff to the status of a division receiving its own appropriation under the Office of the Governor.

The other governor appointed his own man as head of the staff. Hopefully, the change is for the better. The new head not only enjoys the confidence of the Governor but also serves on a full time basis unlike his predecessor whose main job was to head up another office so that he could devote only part of his time to the Development Staff. A separate building within the provincial capitol compound is being rennovated to be the Office of the Development Staff.

IV. GENERAL DEVELOPMENT PLANNING AND IMPLEMENTATION

A. The Lack of Integrated Planning

In the initial stages of the Project, there were efforts in the provinces to prepare comprehensive development plans but the process of data gathering and the actual drafting of the comprehensive plans required plenty of time. However, many Provincial Governors were impatient to start their development programs, so some projects were determined by the Provincial Governor without any prior feasibility studies. The results were sometimes uncompleted projects or overly costly projects. In several provinces, the committees of the Provincial Development Council, assisted by the Development Staff, then shifted their attention to drawing up short range programs particularly in the PDAP priority functional areas. In the preoccupation with the development of these sectoral programs, little effort was made to integrate these programs, so that each could be made to support or reinforce the other. In one province, for instance, it was only after a pilot demonstration project in rice production was launched that the need for a barrio road in the pilot area was determined. If this had been considered at the initial stages of planning, the provincial infrastructure program could have included this barrio road as one of its priorities. Another instance where closer coordination could benefit overall development planning is to relate the fiscal management program to the other programs. In most cases, the objective of increasing revenues through improved assessment and collection is set without establishing the linkage between increased revenues and the programs and projects to be financed out of the extra revenues generated.

After it appeared that most cooperating provinces were not progressing very rapidly on a comprehensive program, the PDAP also had its personnel place more emphasis on helping in the development of individual projects or one-year action programs. The PDAP believed that the Provincial Development Staff could gain planning experience by working on these shorter term efforts which would put them in a better position to prepare more comprehensive programs at a later date.

The Team does not feel very strongly about any particular approach to putting up an integrated program, i. e., whether it should be constructed from the top down or from the bottom up. However, regardless of approach, the end result should be an overall program which integrates planning and development for as many sectors as possible. The achievement of such a comprehensive program has yet to be realized in any of the PDAP provinces.

The quality of the sector plans varies from province to province. The plans tend to be more adequate in terms of describing the general situation and program objectives but are weak in specifying the inputs or resources required to achieve objectives, targets and time deadlines, and who is to be responsible for doing what. The best planning appears to be occurring where there is an adequate number of full-time specialists and clerical support personnel assigned to the Development Staff. The worst planning probably occurs where the Governor is trying to personally make all of the planning and implementing decisions.

B. Identifying Roles and Responsibilities

Preparations of sectoral programs are often done by Committees which are usually identified as part of the Provincial Development Council. The Development Staff, within its competence, also renders assistance and sometimes guidance to the Committees as needed. Since the Development Council has not really been functioning as a body, the Committees finalize their programs and submit them to the Executive Committee or, in the absence of one, to the Provincial Governor for his blessings and then to the Provincial Board for funding. Implementation is usually accomplished through the regular technical agencies which also were represented on the Committees which drafted the programs. The role of the Provincial Coordinator is to see to it that such efforts are coordinated and problems solved at the various stages of planning and implementation.

The Team noted that one of the important phases of program implementation that has not been given serious consideration in most provinces is that of evaluation or

review. This should be done at predetermined stages of the program to ascertain whether operations are proceeding as expected and if not, to find out the causes and possible remedial measures. Plans should contain specific units for measuring the progress of the program, such as the goals and targets expected to be achieved at certain specified time sequences. This is also when a system of program reporting has to be devised. The questions of who should make the reports and who should receive them for evaluation and follow-up must be settled before the start of implementation. When the expected date of completion or termination of the program arrives, one can then readily compare the actual results against original expectations.

C. An Overview of Priority Programs

This portion of the report is a more detailed account of the findings of the Team on programs and projects undertaken by the pilot provinces in accordance with PDAP program priorities.

1. The Agricultural Program

The general thrust of most programs being formulated and implemented in the agricultural sector is still to achieve self-sufficiency in rice. The strategies of the program include the planting of high-yielding rice varieties; the adoption of improved farm practices, and the improvement of marketing and storage facilities. The team approach so effectively used in the RCPCC Priority I provinces in 1966-68 is being applied in some provinces with varying degrees of success. Basically, the general directions set by the national agricultural agencies appear to be the same for the provinces except that the scale, stress and emphasis vary among provinces. Some Provincial Governors have added some projects which they feel are of particular value to their constituents.

Most of the agricultural programs are for a province-wide coverage. Some provinces, however,

have chosen to start on a modest scale by selecting pilot areas where the program inputs could be concentrated to produce a more effective impact. Based on the experience gained, these provinces expect to expand the program to cover more pilot areas. The success of the pilot operation is expected to generate a spread or multiplier effort so that farmers not included in the pilot areas will endeavor to duplicate what has been successfully demonstrated to them. By that time, the province will also be ready in terms of staff experience, organization and resources to cover a larger area.

One of the major problems of the agricultural programs is the lack of specialists or field technicians to serve on a province-wide basis. In a briefing conducted for the Evaluation Team in one of the PDAP provinces, it was discovered that the total personnel complement for the program was 29 and judging from the total hectareage programmed for coverage, each field technician should be covering about 2,000 hectares. And yet this case is not an extreme one, for in another province, there were fewer personnel and each had to cover a much wider area than 2,000 hectares.

There are the usual problems of lack of high yielding rice seeds, high cost of fertilizers, farmers' reluctance to employ modern agricultural practices and the lack or the difficulty of getting credit. In a pilot agricultural development project, a farmer interviewed by the Team reported that an application for a loan from the local ACA organization would take at least two weeks before it could get approved because of the practice of waiting for more loan applications in batches. Then, if the application is approved, the farmer still had to travel to the capital of the province to get the loan.

One of the powers granted to the Provincial Governor under Republic Act 5185, the 1967 Decentralization Act, is the appointment of his own provincial agriculturist. However, even before the passage of this law, each province already had a provincial agriculturist, under the Agricultural Productivity Commission, so the most expedient course of action by the Governor was to take in the same provincial agriculturist and give him a provincial appointment. In some of the provinces where this was done, there arose a conflict in the loyalties of the provincial agriculturists. They originally served under the APC and it was difficult to totally sever their emotional and organizational attachments. In some provinces, the Provincial Governors were disappointed with the performance of their provincial agriculturists who exhibited little, if any, initiative in the formulation and implementation of the province's own agricultural program. Some Governors have started vegetable projects, swine dispersal activities, and other programs through agricultural personnel on the Development Staff without directly involving the Provincial Agriculturist. Such situations could lead to a setback in the program since this is an area where field technicians are scarce and most of those serving under the Provincial Agriculturist are still under the APC.

In recent months, officials of the National Food and Agriculture Council (NFAC) have initiated efforts to better integrate the activities of national and provincial agricultural agencies. Such cooperation seems particularly essential where the agricultural goals of the new national Development Plan are similar to the province's objectives. The Team hopes that national agricultural officials in Manila will continue to motivate their field personnel to put up more realistic and dynamic programs. The Team also urges both provincial and national agricultural officials to work together more closely to make the most effective use of scarce technicians and other resources.

2. Public Works Facilities and Equipment Management

This area is considered a priority in the Project because it is supportive of the agricultural program. Equipment owned by the province could be used in heavy construction work on agricultural projects such as irrigation structures or farm-to-market roads. The prohibitive costs entailed in acquiring new construction equipment has been a problem nagging most of the provinces in their desire to build up an equipment pool that could meet the demands of the infrastructure program. To partially meet these demands, the NEC and USAID have worked out a procedure whereby the pilot provinces could acquire at minimal cost excess U.S. property under Sections 607 and 608 of the U.S. Foreign Assistance Act.

Some requirements to be fulfilled by a participating province are the development of an infrastructure program and the installation of an effective equipment maintenance and management system. Many of the PDAP provinces are still completing the construction of their motor pools or revamping their facilities. Since efficient equipment management depends to a large extent on the facilities of the motor pool, several of the provinces have not yet developed an effective system for repair and utilization. PDAP and USAID fieldmen have been assisting the provinces in putting up their motor pools and in designing an efficient system of handling equipment. It has been conveyed to the Team from various remarks of Provincial Governors that the representative of the USAID Equipment Pool Improvement Project was quite effective to the point of bluntness in bringing to the attention of the Provincial Governors, provincial engineers and motor pool superintendents the deficiencies of their motor pool and equipment management. These specialists are of course bound by the high standards specified in the NEC/USAID project agreement on equipment pools and U.S. Government regulations which are rather specific and rigid regarding the repair and utilization of excess military property.

One of the problems of the provinces which had acquired trucks and other equipment from Japan or Spain was how to get spare parts to replace those that were worn out. No solution was apparent except to order the spare parts from Japan or Spain when they could not be requisitioned locally. This problem, hopefully, will be partially solved when the motor pool could have the equipment and facilities to manufacture some simple parts that are needed. Connected to this problem of spare parts is the auditing regulation against stockpiling. In some of the provinces the problem was brought to the attention of the provincial auditor and some internal arrangements were instituted to comply with the regulation and yet enable the provinces to stock enough spare parts for a specified period. The PDAP technical staff was supposed to be preparing a paper on this problem but this has not been forthcoming. However, the PDAP Equipment Specialist has prepared a manual on provincial motor pools which should be of value to all provinces.

In addition to providing equipment, tools, and spare parts, the USAID equipment advisors have been providing valuable training sessions, repair manuals, and improved forms and procedures to many of the PDAP provinces.

In closing this section, we should mention that most governors appear to have given top priority to infrastructure development, especially the construction of roads. This emphasis has sometimes led to the governor's neglect of the other priority areas of agriculture and financial management. Moreover, even while pushing for the expansion of infrastructure projects, the Governor has not devoted adequate attention to the need for systematic maintenance and repair of the equipment. Many provincial engineers and equipment pool personnel have done an excellent job of keeping equipment in operating order, given the cumbersome auditing and accounting rules covering the acquisition, storage, and utilization of spare parts. The governor's selection of competent motor pool personnel is one critical ingredient for success. His personal contacts with the Provincial Auditor and Provincial Treasurer to simplify procurement procedures can also contribute to more effective equipment maintenance. Finally, the

governor should give first priority to using most provincial equipment for established development targets rather than assigning it to any local leader or politician who requests to use it for a specific project. Many of these requests could be handled by more advance planning which incorporates their needs into the overall provincial program.

3. Improved Financial Development

a) Introduction

The PDAP has wisely placed the improvement of provincial finances as one of the three priority program areas to be given attention by cooperating provinces (along with agriculture and infrastructure). Provincial economic development will be accelerated only to the extent that local political leaders are really willing to (a) redirect existing financial resources into more productive activities; b) take steps to increase revenue collections; and c) attract more public or private investors to the province. The PDAP has placed greatest emphasis in its strategy statements on the improvement of real property tax assessments and collections. Although the property tax is not the major source of revenue, it is the only tax over which the province has had direct control. Provinces are still heavily dependent upon the central government for most of their finances. Moreover, even the real property tax is no longer the exclusive tax of the province since the passage of RA 5447.

b) The Impact of the 1969 Education Tax

RA 5447 (Special Education Fund Bill), passed in August 1968, doubled the property tax from 1% to 2% with the additional 1% earmarked for financing schools. Many observers of local development regard RA 5447 as a major blow to the cause of local autonomy because it blocks any possible increase of the property tax for bolstering the general revenue situation of the province. To some extent, the Governors themselves may be at fault for not doing a better job of looking after their interests. In fact, there is some indication that some Governors did not know what the bill was, even after its passage, or how it would affect their income. This may be another case where an effective association or league of local officials could have been of value in protecting the provinces' interests.

The net result of RA 5447 appears to have been a slowdown of property tax payments in most provinces. Some treasurers reported that where taxpayers are paying the additional 1%, many are doing so under protest. It also appears that procedures for the apportioning of partial payments between the regular 1% tax and the new 1% education tax are not uniform among the provinces. Some treasurers indicated that the taxpayer could choose which tax he wished to have credited while other treasurers said that payments have to be credited equally between the two taxes. A few treasurers were optimistic that collections would gradually get back to normal.

c) Provincial Efforts to Improve Tax Assessment and Collection

Even if property tax collections get back to "normal," this still means that most cooperating provinces are collecting only slightly more than half of what should be collected under the law. Even though improved tax collections is a priority objective of the PDAP, the Team did not feel that any cooperating province had a systematic program for achieving this objective. There also appears to be little or no effort being made in most provinces to penalize delinquent taxpayers. Several treasurers pointed out the delinquent tax penalty of 2% was too low since taxpayers could put their money in investments and earn more than enough to pay their taxes and the delinquency penalties. However, the basic question is whether such delinquents ever pay their taxes. The Team encountered no case where a treasurer knew of a tax violator's property being sold to recover delinquent taxes even though such recourse is permitted under the law.

The Evaluation Team was told by most Governors and some treasurers that the delinquent taxpayers were the poorer people of the provinces, but some officials indicated that the biggest violators were

those who were wealthy and powerful enough to ignore the law. There was also some buckpassing between Governors and treasurers as to who was responsible for the poor performance on property tax collections. Some treasurers indicated that Governors, as "politicians" were not interested in increasing collection efficiency and/or they would not give the treasurer the staff and facilities needed for improving collection operations. On the other hand, some Governors blamed their treasurers for not taking more initiative in improving tax collections and said that they had little control over their treasurers since the latter were responsible to the Department of Finance.

The improvement of property tax assessments is an integral part of any effort to increase revenues. Modern and simplified assessment methods utilizing aerial photographs were tested in 1968 in Laguna under a joint project of Laguna Province, NEC/USAID & the U. P. Training Center for Applied Photogrammetry. However, only one or two PDAP provinces are currently making an effort to apply these new techniques to produce more equitable and up-to-date assessments. In some cases, the province has not been photographed so the new method cannot be used. In other cases, the province has not really tried to initiate such a program even though photographs are theoretically available from central government agencies (such as the Bureau of Lands and the Land Authority). However, before any additional provinces do adopt these new methods, they should conduct a cost-benefit study to see if the costs of using the new methods will be offset by the increases in assessed values. In general, assessment levels appear to be rising, especially in provinces with growing urban centers (since the urban areas are easier to reach). However, reliance on the urban centers may be dangerous to long-range provincial finances because of the prevailing practice of creating new independent chartered cities when an area in a province becomes sufficiently built up.

Another area of tax assessment which needs to be explored is the ratio of assessed value to market value. Most assessed values appear to be very much below the market value. One province which boasted of a high tax collection rate of 65-70% was thus found to be assessing property at only 20-25% of market value. In other words, any program to improve tax assessment and collection must consider the three elements of developing adequate and current assessment records, placing assessed values at levels closer to market values, and increasing collection efficiency.

d) Improved Provincial Budgeting

Another PDAP concern has been to improve provincial budgeting to produce a more effective use of funds to promote development. It is intended that a provincial governor make more use of the budget as a personal tool to improve management and development programs. However, most provincial budgeting systems are traditional line-item budgets which list the objects for which funds are expended but provide relatively little information on how much a given activity or function costs the province. Under an earlier (1967-68) project of NEC/USAID and the U. P. Local Government Center (LGC), activity-type budgets were prepared for two provinces under Operation SPREAD. However, as far as the Evaluation Team could ascertain, neither of these provinces actually used these "model" budgets or tried to change their basic approach to budgeting. Another outgrowth of the LGC project was the formulation of a handbook on provincial budgeting which is reportedly in the process of being reproduced.

In closing, we should mention that some of the Governors in PDAP provinces have acquired a pretty good grasp of the amounts being spent for particular programs. A few of the Governors have also tried to simplify the cumbersome procedures required to procure goods and services. A few also articulated the desire to initiate better

financial development programs and the Team had these more interested Governors in mind when it made many of the specific recommendations in the next section.

e) Recommendations for Improving Provincial Finances

1. The PDAP should continue to give high priority in its objectives to the improvement of taxation and financial management in the provinces. Assistance should not be extended to any province which is unwilling to take measures to help itself in this important area. However, the PDAP should make its objectives clearer in this area and replace the broad statements in the PDAP-province agreements with more specific improvement targets which are relevant to the particular province.
2. The PDAP, the LGC, and the Department of Finance should sponsor a study to identify ways of improving provincial budgeting and real property tax assessments and collections. The ultimate objective of their efforts would be to make more funds available for development needs.
3. One of the greatest contributions the Department of Finance could make to provincial development is to develop higher levels of performance standards for local treasurers. Too many treasurers in PDAP provinces are approaching retirement age and, consequently, becoming increasingly conservative about decision-making of any kind. Given the critical role played by treasurers in budgeting, procurement, and taxation, the Department of Finance should either find ways of improving the quality of service rendered to the province or take steps to place these conservative treasurers where they will be less detrimental to the cause of local development.

4. The PDAP should analyze the experience of the two provinces now using aerial photographs in tax assessments to identify the general advantages and disadvantages of this approach. Such information should then be widely disseminated.
5. Most Provincial Governors should make a greater effort to learn more about the budgeting and financial system of their province and the crucial role this plays in their development efforts. The Governors should also involve their Provincial Development Staffs more intimately in the planning and execution of budgets, especially since development projects must usually be planned within existing financial constraints. After acquiring some experience, a Development Staff should be able to tell the Governor which provincial activities or offices are contributing the most or the least to his development priorities and at what cost. The Governor would then be in a better position to reallocate financial or staff resources to make the greatest contribution to economic development or improved levels of public service.
6. Each PDAP province which has not done so should immediately initiate a special campaign or program to improve the assessment and collection of real property taxes. While assistance in designing such projects can be obtained from the LGC, PDAP, Department of Finance or other sources, many provincial officials already know what has to be done. They only lack the will to get started. The Governor and other elected provincial and municipal officials must provide the general leadership and political support needed for a successful tax campaign. A systematic and detailed plan for conducting such a campaign might be drafted by a Provincial team representing the Development Staff, the Provincial and Municipal Treasurers, the Assessor, and the Provincial Fiscal or Provincial Attorney.

7. The PDAP should recruit more staff members who can serve as competent consultants in the areas of tax assessment, tax collection, and budgeting. In spite of instructions to become very familiar with the budgets of the provinces where they were assigned, most PDAP Field Representatives and USAID Provincial Development Advisors do not seem to have done this. The system may be admittedly difficult to grasp for those who are not financial specialists, but consultants working in the provinces need some knowledge of the budget to effectively carry out their duties. In this connection, any future training program for project personnel should include sessions on provincial finance. The USAID should also consider recruiting financial specialists to help beef up their technical assistance in this area.
8. The PDAP should consider sponsoring a few pilot efforts in interested provinces to obtain more involvement of the private sector in financing, or otherwise supporting, local development activities. Special projects might also be initiated to attract outside investors to the province.

V. GENERAL CONCLUSIONS AND RECOMMENDATIONS

A. Improving the Strategy and Organization of PDAP

The Team feels that the PDAP's general purpose of helping local governments to do a better job of planning and executing economic programs remains a worthwhile goal. The PDAP's attitude of providing locally-oriented service and assistance is worthy of emulation by other organizations in the national set-up. However, as suggested in various places above, the PDAP could have done more during its 2-1/2 years of existence to achieve its basic purpose. While the Project was wise in limiting its attention initially to a few provinces, it did not make effective use of its staff and financial resources to serve these provinces. Far too much of the staff's time was spent in Manila and much of this was devoted to activities of marginal relevance or importance to the Project. Funds available in the project's counterpart budget were not fully utilized to support training, research, and other activities needed to help the Project properly carry out its functions. While a relative degree of conservatism may have been justified during the early stages of the Project, the situation now requires a more dynamic and concerted approach. More aggressive leadership by policy level personnel and competent full-time leadership in the home office of PDAP are essential to the Project's success.

Several actions to improve the operations of PDAP were recommended in two previous evaluation exercises (June 27-28, 1969 and November 20-22, 1969). While some changes have been made, most of the basic questions regarding organization and leadership in the home office of PDAP have not been resolved. Consequently, this report repeats some of the recommendations made in the two earlier evaluations. The Team feels that most of the recommendations made below can be implemented within the current financial and legal framework governing the Project. If necessary to facilitate change, the bilateral agreement between USAID and the NEC which covers PDAP could also be amended.

It is recommended that the NEC, as the primary Philippine agency responsible for the Project, take immediate action to help implement the suggestions below. If NEC is unable or unwilling to carry out the type of restructuring which appears necessary to strengthen the Project, the Team strongly recommends that the Project be transferred to the Office of the President or other appropriate agency.

The Evaluation Team would hope that action to implement the following recommendations, or appropriate substitutes, could be initiated during the PDAP evaluation and orientation conference to be held September 9-12, 1970.

Recommendations

1. The Planning and Coordinating Committee of PDAP should be renamed the Executive Committee and it should start to be a more vital and integral part of the Project structure:
 - a) The Executive Committee would serve as the overall policy arm of the Project as stated in the PDAP Operations Manual. In this capacity, it would assume the primary responsibility for implementing the recommendations contained in this report.
 - b) Since the various NEC Chairmen appear to have had little involvement in project affairs up to now, it is recommended that the Chairman no longer serve as Project Director. His title, authority, and responsibility for project affairs should be given to the NEC representative who currently carries the title of Deputy Project Director. The present position of PDAP Executive Officer should then be redesignated as Deputy Project Director.
 - c) The Project Director, under the new system, would be appointed by the Chairman of NEC to serve as the Chairman of the PDAP Executive Committee. The Executive Committee would meet at least monthly to decide broad policy and program issues facing the project. Members of the Executive Committee may

appoint the Chairman or a small Steering Committee to decide urgent issues in between regular monthly meetings. Such decisions would be subject to review and alteration by the subsequent meeting of the full Committee.

- d) The Deputy Project Director should serve as ex-officio Secretary to the Executive Committee. He would be assisted in this duty by the project stenographer or secretary.
 - e) The Executive Committee should immediately design a set of rules and procedures to facilitate its functioning. It could be assisted in this work by the Deputy Project Director and members of the technical staff.
 - f) The membership of the Executive Committee should be expanded to include at least one governor or former governor who can bring local leadership experience into the Executive Committee's deliberations. The Committee should also consider having a representative from the Office of the President as a member of the Committee.
 - g) The Project Auditor/Accountant should be required to attend all monthly Committee meetings.
 - h) The Deputy Project Director should be responsible for arranging meetings of the Executive Committee. Unless there are urgent and justifiable reasons for not doing so, the Deputy Project Director should provide Committee members with a copy of the proposed agenda and related papers at least three days before a meeting is to be held. Members of the Committee who do not attend monthly meetings should not receive an honorarium for that month.
2. The Deputy Project Director, under the new system, would be fully responsible for implementing project operations and for supervising all home office and field personnel:

- a) The Executive Committee should provide the Deputy Project Director with a written statement of his authority and responsibility. He should, among other things, be authorized to make expenditures, authorize travel, and deal with other agencies on behalf of the project.
 - b) The Deputy Project Director must be a full-time staff member and he must be provided with adequate clerical and technical personnel to be able to adequately carry out project operations.
 - c) The Executive Committee should agree on a competent and dedicated individual to serve as Deputy Project Director. He should be appointed no later than October 15, 1970.
 - d) Within 90 days after appointment, the Deputy Project Director should provide the Executive Committee with a proposed general action program for at least the next 12-18 months. (The Evaluation Team noted that the PDAP has really been operating without a written action plan which specifies targets, deadlines, etc.)
 - e) The USAID should be willing to assign a full-time advisor to work with the Deputy Project Director, if the latter feels the need for such assistance.
3. The Team recommends that the home office of the PDAP be reorganized as soon as possible to pay more attention to the functions of research, liaison, and training and to upgrade the quality of consultation services provided to the provinces:
- a) An organizational unit should be created for each of these four major functions (consultation, training, research and liaison) and be staffed by full-time qualified persons who will report to the Deputy Project Director. The new structure would place less emphasis on assigning individual field representatives or "generalists" to cooperating

provinces and give more attention to the originally - proposed concept of using general survey teams or individual specialists, depending on the type of the assistance requested by the particular province. Most provinces now in the Project indicated to the Team a desire not to have individual PDAP members returned to the province on a general type of assignment as has been done in the past. Most feel that the initial organizational work has been completed and that the current need is for subject matter specialists. While the Team agrees that some of the Provincial Development Staffs are sufficiently organized, others seem too small and weak to perform well. Consequently, the PDAP should still attempt to attract and/or train development or management generalists to assist provinces in improving their overall development organization and procedures. Such generalists would also play a critical role as members of the general survey teams assigned to new provinces served by the project.

- b) The new organizational structure should place more emphasis on policy research to be conducted in Manila and in the field so that the Project may make recommendations for new executive orders or legislation which will speed up the improvement of local government and development. The new research unit will also be responsible for initiating a reference library containing materials or studies relating to specific problems encountered by Project or provincial personnel. However, such a library should not duplicate the resources available in other units such as the University of the Philippines.
- c) The new structure should also contain a small unit which would be concerned with maintaining liaison between the PDAP and appropriate central government units, international agencies, or private groups operating in the provinces. This unit would also be responsible for helping visitors from cooperating provinces to make appropriate contacts when they come to Manila.

- d) The new organizational set-up should also have a unit to plan and conduct --- or at least sponsor --- training programs for local personnel and for the project staff. First priority should be given to training for PDAP personnel and for key personnel of the Provincial Development Staffs. This unit would work very closely with other training institutions such as the University of the Philippines.
4. The Team recommends that the PDAP discontinue the practice of entering into formal and highly generalized agreements which commit the Project to work with a given province on developing a comprehensive development program, but without any deadline being specified for termination of the relationship between the province and the PDAP. The following approach should be considered:
- a) When a province requests general assistance on its development organization and program, a simple, standard request form and agreement should be signed by the Governor and the Chairman of the Executive Committee which provides for a general survey team to be sent to the province. The agreement would set a deadline (usually 60-90 days or less) for completion of the survey report and provide that future cooperative activities would depend on the report.
 - b) Agreements on general cooperation, resulting from the survey, should cover no more than a one-year period. The cooperating province itself would have to request an extension of the program and show that it had complied with the previous agreement. Consequently, these annual agreements should contain specific objectives for both PDAP and the Province and establish benchmarks for measuring progress. One-year cooperative agreements should be authorized by the resolution of the Executive Committee, acting for the Project, and by resolution of the Provincial Board of the cooperating province.

These resolutions would, respectively, authorize the Chairman of the Executive Committee and the Governor to sign the agreement.

By addressing itself primarily to specific problems on which the province has requested assistance, the PDAP would be able to provide services to a wider number of provinces. In other words, a more flexible and informal approach to rendering assistance is called for. However, in order to effectively utilize the PDAP staff resources in responding to requests, the home office staff must be better organized and supervised, as suggested above, if it is to respond in a timely and effective fashion.

5. All existing agreements between PDAP and cooperating provinces should be terminated no later than June 30, 1971. Future activities would be governed by an annual agreement where appropriate.
6. It is recommended that the Project acquire additional office space in its present location or move to quarters which will be more conducive to professional types of activities. The physical facilities should project an image of efficiency and quality to the cooperating provinces or other personnel visiting the office. The present office is too small and cluttered to permit the effective staff work now required of the Project.

B. Improving Provincial Structures and Operations

All things considered, the Team feels that most cooperating provinces have made significant progress during the past two or three years in improving their approach to development organization, planning, and financing. However, there is still considerable room for improvement. The PDAP strategy of identifying the Governor as the key figure in development remains quite sound. Unless the Governor is personally interested and involved in the organization of an effective development staff and in the development of a systematic economic program, PDAP's efforts will not bear fruit. Consequently, the Team suggests that the Governors, Board Members and other leaders of the cooperating provinces consider the following suggestions for improving provincial development operations.

Recommendations

1. The Governor should review his own priorities for development of the province and discuss these with his fellow political leaders, officials, and key citizens. He should especially involve his development staff in this effort to reach agreement on the most urgent objectives to be pursued under the development program. The list of general objectives and strategy should then be reduced to writing so that all those who are involved in the creation of a development program will understand the end-results which are sought.
2. The Governor should appoint sufficient and qualified personnel to the development staff and assign them to develop a program which is realistic in terms of the resources which are currently available or which can be reasonably expected within the near future. Ambitious programs which are only paper programs and which cannot be implemented because of lack of funds should be discouraged. A regular dialogue between the Development Staff, the Governor, and other key personnel would prevent such an unrealistic program from being developed.
3. The Governor must be willing to delegate considerable responsibility for the planning and implementation of his development program to other personnel. The Team feels that where the Development Staff is being given a substantial amount of responsibility, the Governor is free to do the types of things which are more appropriately his personal responsibility. The Governor is, in these instances, being kept fully informed by the Staff through regular reports and consultations. It appears essential in all provinces for the Governor to place one of his competent and dedicated subordinates in charge of his development staff and program on a full-time basis. Although this requirement is specified in the agreement between a cooperating province and PDAP, the Team observed that several provinces are not adhering to the agreement. The Team does not believe that the difficult job of development planning,

implementation or evaluation can be done by assigning officials with other regular assignments to carry out this task on a part-time basis. However, the Team also recognizes that the Governor's willingness to delegate authority to the Development Staff depends upon the Staff's ability to perform. The training of the Development Staff members should therefore be an urgent concern of both the governor and the PDAP and this is why the Team recommended above that much more attention be given by the PDAP to training activities.

4. The Provincial Development Staff should be encouraged to expand its program involvement as fast as its capabilities permit. In the initial stages, the Staff may limit itself to working on programs or projects in the three areas chosen by PDAP as being of first priority: agriculture production and marketing; infrastructure and equipment management; and financial development. As the Development Staff acquires more confidence and competence, the governor should involve it in other programs being carried out in the province.

In other words, the Provincial Development Staff should become the Governor's primary source of objective or professional information and assistance for planning and monitoring the province's economic activities. The Staff should not try to usurp the responsibilities of the regular operating officials of the province, but it can often help these officials to do a more effective job of meeting the economic needs of the province.

5. As indicated earlier, the Governor should make more use of his provincial budget as a tool for development. If funds are being spent for activities which do not significantly contribute to provincial development objectives, reallocation of these funds to more productive activities may be called for. Preparation and review of the provincial budget should become the primary responsibility of the Development Staff, working in cooperation with the Provincial Treasurer.

If the Evaluation Team were pressed to name the most important requirement for accelerating provincial development, we would say that it was the quality of leadership rendered by the governor. This type of leadership is displayed in many ways. The governor must be clear in his own mind about the things he wishes to achieve for his province and be able to distinguish between the desirable and achievable. The intensity of the governor's own commitments to economic progress will greatly influence the attitudes of provincial and national employees as well as other members of the community. If the governor not only talks about the need for a systematic development program but personally devotes most of his time and energies to achieving it, others will follow his example. The governor should help his Development Staff and office heads to establish improvement goals and then he should establish a system to see that these are being achieved. The governor should encourage his Development Staff & Coordinator to take the initiative in solving problems and developing new ways of doing things. They should be permitted to make a few mistakes as long as they are gradually improving their effectiveness and thereby helping the governor to carry out his development program.

C. Other Recommendations

1. The PDAP and cooperating provinces should also give due consideration to implementing the recommendations contained in the PDAP Evaluation Report of June 27-28, 1969. These suggestions appear to be generally sound, but little has been done to implement them.
2. Before the termination of the conference called to review this evaluation report, there should be an agreement by the conference, on (1) who is to be responsible for following up recommendations, and (2) the deadline for taking action.
3. The PDAP should take the initiative to conduct or sponsor a research project to ascertain how the provinces can assume more responsibility for executing programs covered by the 1967 Decentralization Act.

Special attention should be given to the problems of transferring more responsibility from the national government to the provincial government for planning and implementing programs in agriculture, finance, and infrastructure (especially roads and irrigation). The research project would also propose ways by which the province could obtain the financing required to carry out such programs. The Project staff should work closely with such units as the Local Government Center and the Local Government Reform Commission in carrying out this research. Policy recommendations resulting from the research should be submitted to the proper authorities for their consideration.
