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EVALUATION

**BUHI UPLAND COMPONENT
BICOL INTEGRATED AREA DEVELOPMENT III
(RINCONADA - BUHI / LALO)**

MARCH, 1982

MANILA, PHILIPPINES

BUHI UPLAND COMPONENT
of
BICOL INTEGRATED RURAL DEVELOPMENT
and
BICOL INTEGRATED AREA DEVELOPMENT III
(Rinconada/Buhi-Laloc):
Projects No. 492-0303 and 492-0289

PROJECTS EVALUATION REPORT

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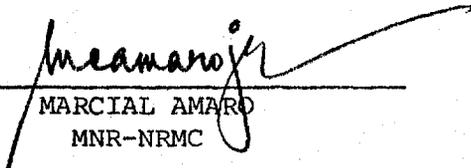
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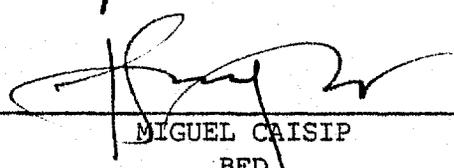
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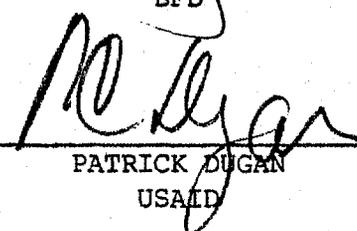
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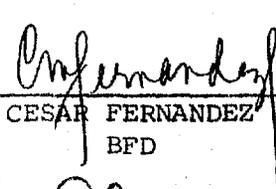
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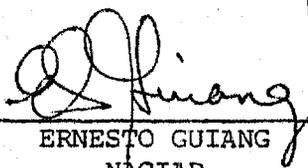
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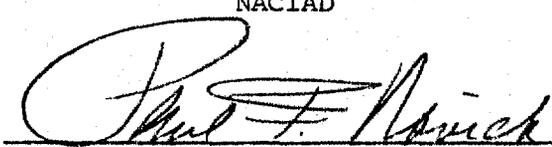
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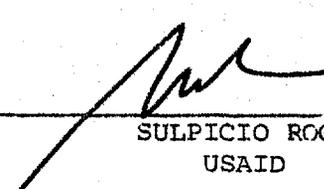
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PREFACE

Eight persons served as members of the evaluation team and contributed to data collection and analysis efforts in the preparation of this Report. Jerry Silverman served as Team Leader and was responsible for the integration and the comprehensive editing of the various contributions. Those persons who provided initial written drafts of each section are identified in the Table of Contents and under the appropriate Section or Subsection headings. Because complete unanimity on all points in an evaluation of this scope would be impossible, Jerry Silverman assumes final responsibility for the conclusions in this Report. The comprehensiveness of this Report will probably seem disproportionate to the size of the Project and the level of funding provided (USAID is committed to provide a total of only \$220,000 over a period of 4 1/2 years). However, it should be understood that one of the important purposes of this Report is to provide the GOP and USAID with "lessons learned", which can be incorporated into the design of a future multi-site Agro-Forestry Project.

A first draft was presented to the BFD Region V Director, Project Coordinator of BRBDP, the BFD Project Manager, the Deputy Project Manager and PMO Planning Officer on Friday, February 26, 1982. Following discussions at that meeting, the initial draft was rewritten by Jerry Silverman and reviewed by Cesar Fernandez, Ernesto Guiang, Sulpicio Roco, and Jerry Silverman. A few other minor revisions were made following suggestions offered at a meeting attended by USAID and GOP representatives on Wednesday, March 3, 1982. However, in response to the second draft, a memorandum dated March 16, 1982 was submitted by the BFD Region V Director to the BFD Project Management Staff in Manila. In that memorandum, the Director took exception to several of the findings of the evaluation team.

Thus, the current version is a fourth which includes consideration of information provided by the Director in his March 16, 1982 memorandum. It has been written by the Team Leader; Jerry Silverman. The Team Leader is not in complete agreement with all of the Director's conclusion. Therefore, some differences of opinion continue to exist. However, those differences have been reduced. The reader can assess the Director's view by reading Annex B; the complete text of the Director's memorandum.

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I. EXECUTIVE SUMMARY
(Jerry Silverman)

OVERVIEW. Between 1951 and 1981, the U.S. Government, through AID, has obligated approximately \$ 132.7 million towards helping the Government of the Philippines (GOP) increase agricultural production and incomes of rural poor through a wide variety of Programs (e.g., Rural Electrification, Provincial Development Assistance and Rural Roads). Since 1974, a major emphasis among those Programs has been support for a GOP integrated area development (IAD) program in the Bicol River Basin in Southern Luzon, an area characterized by extensive rural poverty despite abundant resources. To date, USAID has obligated \$28.4 million for five separate loan projects and two grant technical assistance projects in the Bicol River Basin. Obligations totalling \$46.8 million have followed from the Asian Development Bank and European Economic Community. The subject of this Evaluation Report, the Buhi Upper Watershed Sub-Project, is but one small component of this overall effort involving USAID obligations of \$220,000.

The four stated objectives of the project are: (1) increased agricultural production and productivity per hectare; (2) increased productive employment opportunities; (3) increased farmer participation in developing activities affecting them; and (4) reversal of the deterioration of upland watershed areas. Subproject activities include agro-forestation and reforestation nurseries, research, farmer training, and small farm development (including planning of both tree and vegetative cover crops, bench and vegetative terracing, contour ditching, and establishment of firewood plots). Related project components include training of staff and local farm leaders, some technical services and consultants, enterprise development, and backyard livestock programs. The project is being implemented by the Bureau of Forest Development (BFD) with heavy involvement of the local government and residents.

KEY FINDINGS. While the Project has experienced problems, it is only a pilot and is moving toward success as hypotheses/assumptions are being replaced by knowledge, and operational elements are being adapted to fit realities. Most problems result from GOP and USAID inexperience with this experimental approach and erroneous initial design assumptions, concerning technical and institutional capacity of implementing agencies. While the Project is about a year behind schedule, many problems are well on the way toward resolution. Key findings include:

- o Project continuity has been a major problem. During the three years since project inception two different lead implementing agencies and five separate project managers have been involved with the Project.
- o It is too early to assess impact on either the beneficiaries or the environment. Primarily because of late financial disbursements by the GOP, substantial delays in implementation have occurred. An extension of the PACD from December 31, 1983 to December 31, 1984 will probably be necessary.

- o Cash flow problems were experienced during 1981 in part because the USAID contribution to the Implementation Plan was not prepared in time for the submission of the budget to the GOP. GOP project staff judges AID technical assistance and monitoring efforts to have been adequate and appropriate. However, a conclusion in this Report is that USAID's follow-up to consultant's reports varied in timeliness.
- o Procedural problems have been significant. GOP standard regulations did not permit hiring of local personnel or using readily available local materials for some project construction work. The rigid interpretation of GOP regulations by the Regional Auditor and lack of a petty cash system have hindered implementation efforts.
- o While BFD project administration has been weak, this is a generic problem due to inadequate preparation and training rather than any unique administrative neglect or lack of interest on the part of BFD.

MAJOR RECOMMENDATIONS FOR IMMEDIATE CONSIDERATION

1. Considering the pilot nature of the Project, benchmark soils should be gathered, in order to begin measuring the impact of agro-forestry projects;
2. Project management should submit to the MOB no later than March 1983 a supplementary budget based on an assessment of funds required to meet the demand for participation by farmer cooperators;
3. BFD and USAID should request an exemption from the relevant MOB Circular in order to permit paying Project staff salaries equal to the level paid during Phase I;
4. A petty cash fund should be established for use by the Deputy Project Manager;
5. The ₱19,100 released by MOB from the AID loan advance must be reprogrammed consistent with the Terms of the Agreement;
6. The Project Manager should submit a budget request for the entire quarterly loan advance instead of piecemeal partial requests;
7. OCPC/MOB should create a category that would include para-professional, local leaders, and key farmers;
8. The PMO should be reorganized to provide additional integration of the reforestation and agro-forestation components of the Project; and
9. The specific steps should be identified leading to the development of institutionalized capacity within the Farmers Associations to take over management of the system by the PACD.

MAJOR LESSONS

- Designers of projects which rely heavily on local participation should: have a clear and specifically stated definition of the concept, make sure counterparts and contractors share this understanding, and design specific means for achieving it.
- In designing and implementing experimental, pilot, or other novel projects, careful attention must be paid to the institutional capacity, existing workloads, common operational methods, and official regulations of proposed implementing agencies, particularly line agencies. If exemptions from standard regulations are required, they should be written into project agreements.
- While local and host country commitment are necessary for project success, they are not sufficient. Considerable attention must also be focused on technical and administrative capacity.
- Local commitment to the Project can be increased by hiring local residents as project staff or project extension workers.
- The primary concern of poor (upland) farmers is subsistence. Projects which run contrary to this short-term goal, in spite of obvious long-term desirability, will not succeed.
- Local governments can play an important role in Philippine development programs because they are the most accessible intermediary between national government and local inhabitants.
- In order to assure the availability of GOP counterpart funds, proper documentation must be prepared prior to March of the preceeding year, the deadline for submission of budget proposals for the General Appropriation.
- Successful agro-forestry programs in the Philippines require (a) long-term commitment of financial resources, at least ten years, (b) mutual agreement among implementors, tenants and land owners. before initiation of land improvement measures, (c) reliance on tree seedlings which farmers know will benefit them and, (d) effective project staff interaction based on person to person contact (group meetings can inhibit frank exchange).

PROJECT IDENTIFICATION FACTSHEET

1. COUNTRY: The Philippines

2. PROJECT TITLES: Phase I Bicol Integrated Rural Development Project
Phase III Bicol Integrated Area Development III (Rincodanada/Buhi-Lalo/Buhi Upland Component)

3. BILATERAL PROJECT NO. 492-0303 (AID Grant Number 78-19) 492-0289 (AID Loan Number 492-T-056)

4. PROJECT IMPLEMENTATION

a. Project Agreement	FY 78	FY 82
b. Final Obligation	FY 80	Ongoing
c. Final Input Delivery	FY 82	Ongoing

5. PROJECT FUNDING (UPLAND COMPONENT)

a. AID Bilateral Funding (\$15,000: Orig. Amendment, FY79) (\$5,000: Amend., FY 80) (\$35,000: Amend., FY 80) (\$165,000 Loan, FY 84)

b. Other Major Donors None None

c. Host Country Funding*

Orig. Budget	\$ -	\$ 92,455
Costs to date (March, 1982)	\$ -	\$ 39,010
Allocated	\$ (through _____, 1982)	\$103,114 (through December, 1983)
Estimated Costs Through Completion (December, 1983)	\$ _____	\$103,114

6. MODE OF IMPLEMENTATION

a. Project Agreement between USAID/Manila and National Economic and Development Authority; Government of the Philippines	a. Grant Agreement (March 10, 1978)	a. Loan Agreement (August 1, 1979)
--	-------------------------------------	------------------------------------

*At prevailing exchange rate of ₱8.35 = \$1.00.

- | | <u>Phase I</u> | <u>Phase II</u> |
|-------------------------------------|--|----------------------|
| b. Project Agreement Amendments | b. (i) Mar. 10, 1978
(ii) Jan. 25, 1979
(iii) Oct. 29, 1979
(iv) Feb. 28, 1980
(v) Jan. 15, 1981 | b. (i) Aug. 29, 1980 |
| 7. PREVIOUS EVALUATIONS AND REVIEWS | None | None |
| 8. RESPONSIBLE MISSION OFFICIALS | | |
| a. Mission Directors: | Peter Cody (78/79)
Anthony Schwarzwaldner (79/Present) | |
| b. Responsible Project Officers: | David Heesen (78/81) Design & Implementation
Paul Novick (81/Present) Implementation | |
| 9. HOST COUNTRY EXCHANGE RATES | | |
| a. Name of Currency: | Peso (₱) | |
| b. Exchange Rates | | |

	<u>Planned PP</u>	
At Project Inauguration (<u>March/1978</u>)	₱ 7.50	= \$1
At December 1981	₱ 7.50	= \$1
At Evaluation (2/82):	₱ 7.50	= \$1
	<u>Actual</u>	
At Evaluation (2/82)	₱ 8.35	= \$1
Average to date	₱ 7.68	= \$1

ABBREVIATIONS

ADB	-	Asian Development Bank
AID	-	Agency for International Development
AID/W	-	Agency for International Development, Washington, D.C.
BFD	-	Bureau of Forest Development
BIAD	-	Bicol Integrated Area Development
BIDA	-	Bicol Integrated Development Area
BRBDP	-	Bicol River Basin Development Program
BRBDPO	-	Bicol River Basin Development Program Office
COA	-	Commission on Audit
DPM	-	Deputy Project Manager
FAR	-	Fixed Amount Reimbursement
GOP	-	Government of the Philippines
IAD	-	Integrated Area Development
JPIL	-	Joint Project Implementation Letter
LBUDPP	-	Lake Buhi Upland Development Pilot Project
MA	-	Ministry of Agriculture
MAR	-	Ministry of Agrarian Reform
MLGCD	-	Ministry of Local Government and Community Development
MNR	-	Ministry of Natural Resources
MOB	-	Ministry of Budget
NEDA	-	National Economic and Development Authority
PACD	-	Project Assistance Completion Date
PCV	-	Peace Corps Volunteer
PM	-	Project Manager
PMO	-	Project Management Office
PRP	-	Project Review Paper
RIADP	-	Rinconada Integrated Area Development Project
TA	-	Technical Assistance
UHP	-	Upland Hydroecology Program
UPLB	-	University of the Philippines at Los Banos
USAID	-	United States Agency for International Development

II. KEY FINDINGS, RECOMMENDATIONS AND LESSONS LEARNED
(Jerry Silverman, Patrick Dugan, Ernesto Guiang and Paul Novick)

1. OVERVIEW: INTRODUCTION TO THE BUHI UPLAND PROJECT

Since January 1, 1981, the Buhi Upland sub-project has been included as a sub-component of the broader Bicol Integrated Area Development Project III (Rinconada/Buhi-Lalo). Although total funding for BIAD III^{1/} is \$11,191,600 (USAID loan and grant funding = \$5,000,000; GOP counterpart funding = \$6,191,600), the Buhi Uplands portion is only \$268,114 (USAID funding = \$165,000; GOP counterpart funding = \$103,114). However, the Sub-Project was also funded during its initial phase (May 1979-December 31, 1980) as part of the Bicol Integrated Rural Development Project (USAID grant funding = \$55,000). The total AID funding of \$220,000 has been largely justified by the intention to test and demonstrate a community-based approach to agro-forestry development in the Philippine uplands.

The Buhi Upland Project ^{2/} consists of two primary sectors with four subsectors as follows:

Sectors

- o Reforestation; Land development and watershed management on public (i.e. Government controlled) land; and
- o Agro-forestation; Land development, agricultural production, and watershed management on privately owned land.

The following three categories are all subsumed under the Agro-forestation sector since re-forestation is limited to conventional activities of the Bureau of Forest Development (BFD) within the Project areas:

- o Institutional Development; mobilization, organization, participation, and training of farmers within the Project Area in order to create the institutionalized self-sustainability of the Project.
- o Enterprise Development; collateral economic activities which will re-inforce the economic sustainability of the Project.

^{1/} The project abbreviation used by AID is BIAD III. However, the abbreviation used by the GOP is BIDA III. For purposes of consistency, we shall use the designation BIAD III in this Report. Further, this Evaluation Report considers only the Upland Development component of the more comprehensive BIAD III, Rinconada/Buhi-Lalo Project.

^{2/} Throughout the remainder of the paper the term "Project" rather than "Sub-Project" will be used in the interest of simplicity.

- o Research; in order to identify the most beneficial technical inputs and learn lessons on social organization for improvement of this Project's implementation and design of other future agro-forestry projects.

The history of the Project to date has been uneven. It has been the successive responsibility of three different GOP agencies during its first 30 months. It has also had five GOP Project Managers during that same short time period. Despite significant delay in implementation, noticeable forward movement towards Project objectives has continued since the initial project start-up. In general terms, the Project is approximately one year behind schedule as of February 28, 1982.

2. OBJECTIVES OF THE PROJECT

The Project Paper and Implementation Plan for BIAD III specifies four sub-goals:

- (i) increased agricultural production and productivity per hectare;
- (ii) increased productive employment opportunities; (iii) increased farmer participation in development activities affecting them; and
- (iv) reversal of the deterioration of upland watershed areas.

Although formal recognition is given to these four objectives by USAID and GOP officials associated with the Project, and different understandings of Project objectives among various participants has not yet emerged as a problem, the potential for conflict over the programmatic consequences of differing priorities remains.

3. CURRENT STATUS OF THE PROJECT

Technical and financial assistance is being provided to support land development (reforestation and agro-forestation), enterprise development, institutional development, and research activities. As of December 31, 1981, no significant activities were underway in either the enterprise development or research sectors. In the other two sectors, progress has been made, although all activities (with the exception of formal farmer training and organization) are substantially behind schedule. The current status of the Project is summarized below:

- o Determination of optimum combination of agro-forestry systems for each farmer cooperator, to achieve both environmental and economic objectives has not yet been made.
- o The number of farmers trained in farmer classes, exposed to new ideas, and possibly disposed to participating in the Project, far exceeds the number of cooperators the project can work with given current budgetary limitations.
- o A determination of the most suitable combination of reforestation species in the project area has not yet been made.

- o After a series of trainings, sessions, meetings and field assistance, some cooperators are still confused about the administrative technicalities of participating in land development activities: bench terracing, orchard development and firewood development.
- o The forms used for reporting seedling distribution do not coincide with the implementation plan.
- o There is no regularly updated comparison between Target vs. Accomplishments and Programmed Funds vs. Expended Funds.

Issues

- o Should all reforestation activities be handled by the Project or should some activities be subcontracted to indigenous local groups?
- o What is the likely number of farmers who will want to participate in the Project?
- o What type of small scale industries and income generating ventures can be introduced among the farmers?
- o What sources can be tapped to provide technical assistance on enterprise development?
- o Should upland development extension workers continue to come from within the project area considering bureaucratic hiring constraints?

Lessons Learned

- o There is a need to determine through surveys what farmer cooperators want to plant before agro-forestry projects begin propagating seedlings. This is currently one of the basic strengths of this Project, and might be considered a step forward in the process of participatory approaches to development.
- o Considering the present complex land tenure system in the uplands, implementors must appreciate the need to secure mutual agreement between land owner and tenant before any land development measures are initiated, in order to minimize future conflicts and save time, money and effort.
- o Locally recruited extension workers and project staff increase commitment to the upland development process.

Recommendation

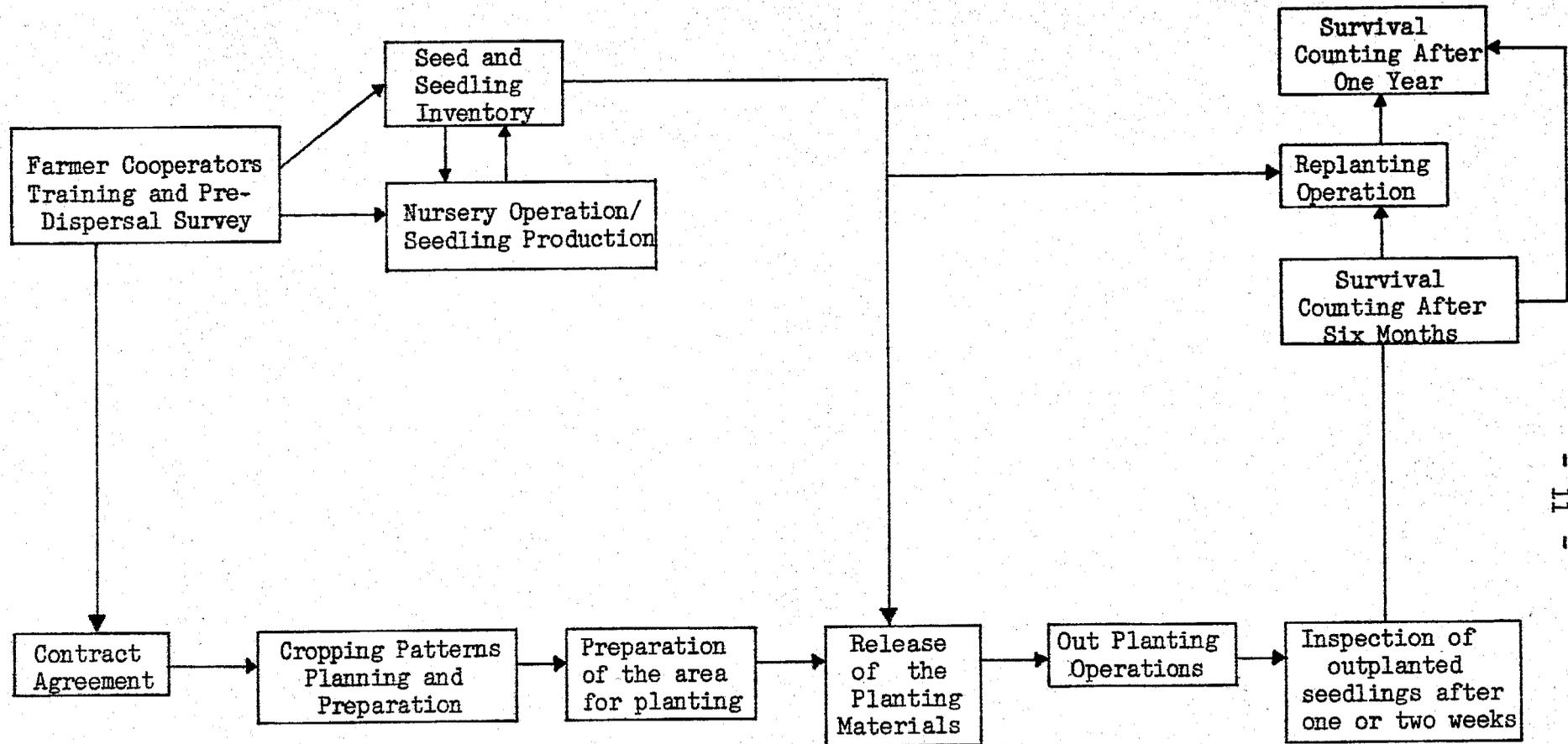
- o Standardization of training materials for the farmer cooperators and the upland development extension workers.

- o Inclusion of a livestock component should be seriously promoted. Although this is included in the project implementation plan, nothing has been done so far to integrate animal husbandry with other upland development activities. The inclusion of this component provides a ready source of cash for the farmers during the planting/harvest interim required for firewood or orchards to mature.
- o The current number of agro-forestry species, especially the fruit plantation crops, should be screened; based on the following criteria:
 - suitability/adaptability of species in the area;
 - acceptability of the species by farmers;
 - marketability of the species in the long-run;
 - availability of technology for the given species; and
 - availability of seeds.

The above criteria may also be used in evaluating other potential agroforestry species which may be introduced in the area.

- o Current nursery operation procedures, both in production and dispersal of seedlings should be improved. Figure 1 on the next page shows the recommended nursery operational procedures. Those new procedures would rationalize seeding production and requirements.
- o A list of trees which are already thriving in the area should be prepared. This would facilitate selection of indigenous reforestation species that have proven adaptability. Other criteria should also be considered, including availability of seeds and marketability of products.
- o Small-scale rural industries and/or other income generating ventures which are complementary/supplementary to the different agroforestation activities should be identified; e.g., bamboo production for cottage industries, tool-making, and food processing.
- o Information needs of farmer cooperators in upland development should be identified. These would be the basis for designing responsive training programs.
- o Short primers on terracing, orchard, and firewood development, written in the vernacular, should be prepared to guide farmers following training sessions.
- o Consideration should be given to revising the training program. Other topics may be covered in follow-up training programs or in monthly meetings with farmer cooperators.

FIGURE 1. RECOMMENDED NURSERY OPERATIONAL AND FOLLOW-THROUGH PROCEDURES



- o The capability of upland development extension workers who serve as the major link between technical staff and the cooperators should be continually monitored and, if found necessary, upgrading training should be provided by BFD and BAEx personnel. They need adequate technical background as well as an ability to communicate with beneficiaries.

- o Considering the pilot nature of the Project, benchmark data should be gathered in order to begin measuring the impact of the agro-forestry projects. The following areas should be researched:
 - The effects of different engineering and vegetative agro-forestry schemes on soil erosion, accumulation, etc. This will involve building run-off sample plots for each type of intervention, i.e., contour farming, bench terracing, orchard/plantation, crops, etc.; such data will be helpful in assessing environmental improvement over time.

 - Water quality at the two falls in the project area, which will require installing measurement instruments in the two catchment areas. Over time, as land development continues, the degree of water quality improvement can be analyzed.

 - Vegetative cover changes in the different agro-forestry farms. This will yield qualitative information on how the vegetative cover of the farms change over time.

 - Farmer cooperators' income over time as it relates to the improvement of the environment. This will document the accomplishment of the Project's objectives after the Project itself is over.

Figure 2. Recommended Topics for the Farmer Cooperators Training Program

In-Door Sessions

1. Objectives and purpose of BULDPP.
2. Conceptual framework of Upland Development.
3. Agro-forestry schemes as alternatives to Upland Development.
4. Construction of bench terracing, vegetative terracing and contour ditching.
5. Cropping pattern with cover.
6. Orchard/plantation development.
7. Seed procurement and selection.
8. Nursery techniques.
9. Livestock raising.
10. Care and maintenance of outplanted seedling.
11. Group dynamics and principles.
12. The role of the farmer cooperator in Upland Development.

Demonstration Sessions

1. Each of the items from 4 to 11 should have some kind of practical sessions.
 2. Group dynamics.
 3. Johari Window.
- o Cash inflow and outflow records should be established and regularly updated in terms of target activities and accomplishments.
 - o Project Management should prepare a supplementary agro-forestation budget for submission to the MOB no later than March 1983 based on assessment of funds required to meet the demand for participation by all potential farmer cooperators in the Project Area.

4. COMMITMENT OF THE GOP

Various GOP ministries with programs affecting farm families are beginning to modify what has heretofore been an almost exclusive focus on the lowlands by increasing emphasis on development of upland areas. In addition to related programs of the Ministries of Agriculture, Human Settlements, and Agrarian Reform and the National Irrigation Administration, the Ministry of Natural Resources and its Bureau of Forest Development have established an Upland Development Working Group and have assumed lead line implementation agency responsibility for both the AID assisted Lake Buhí Upland Development Project and the ADB assisted Lake Bato Upland Development Project. Two specific conclusions can be identified.

- o The National Environmental Protection Council and the Natural Resources Management Center have identified soil erosion as the most serious environmental problem in the Philippines. Erosion is also the principal reason for declining upland productivity and is, therefore, one direct cause of poverty.
- o Jurisdiction conflicts can be expected to arise between the Ministry of Natural Resources and the Ministry of Agriculture in agro-forestry projects.

Lesson Learned

- o Notwithstanding a clear commitment to agro-forestry at the highest level of the GOP, virtually nothing has been done at the operational level to amend or modify administrative procedures so that they are consistent with policy. Many issues have not been addressed. Clearly, social forestry and agro-forestry do not fit the usual GOP Project mode.

5. EFFECTIVENESS OF GOP IMPLEMENTATION

Project administration and financial management have been characterized, from the very beginning of Phase I (May 1979), by weak initiative and follow-up. It is true that many GOP personnel, procurement, and financial disbursement regulations are inappropriate for the efficient and/or effective implementation of an experimental, small-scale community based project. However, it is also true that anticipation of problems and initiation of required administrative action and follow-up by management staff could have substantially reduced the negative effects of those regulations. However, it should be noted that the Evaluation Team's assessment of the weak administrative performance in this case is primarily a function of inadequate preparation of GOP implementation staff, not administrative neglect or lack of interest on their part. That weak administration is a generic problem rather than a unique characteristic of a specific agency is suggested by the fact that it has reoccurred under the administration of both the MLGCD and BFD.

The BFD Project Manager and Regional Director--as well as the Project's backstop officer in the PMS in Manila--now have a clearer understanding of what "went wrong" and why it "went wrong". Some remedial steps have already been taken. Thus, the difficult process of "learning by doing" might now be on the verge of bearing fruit. If so, we can expect to see substantial improvement of BFD's project implementation performance in the next few months.

A number of specific conclusions can be drawn.

- o The extreme delay in the release of funds (both OI and MOE) from the Ministry of Budget to BFD was the single most important factor for the dismal performance of the Project in 1981. It created serious morale problems among the Project staff and a feeling of mistrust of the Government's support for the Project.
- o AID loan funds in 1981 were tied to the release of GOP counterpart despite the fact that AID had already advanced this money to a special BFD account in the National Treasury. As a result, the loan release to the Project was delayed for four months.
- o Once funding was released to the regional BFD there were delays in making cash advances to the field and processing vouchers. The financial management system within BFD did not work smoothly with respect to the special Buhí Project.
- o An unharmonious working relationship has developed between the Regional Auditor assigned to the BFD and BFD project management. This has probably hindered project implementation and will cause future problems unless rectified.
- o In at least one instance, voucher processing was delayed due to insufficient documentation submitted by the project staff.

- o To date no petty cash system has been established for the project. Project staff, BFD management, and USAID have agreed at least twice in past meetings that this would be a useful mechanism for paying representational expenses and making small emergency procurements of seed materials.
- o USAID and NEDA have signed a Payment Agreement committing loan funds to the Project. The Agreement clearly states five discrete activities which the loan is to support. Only one request for release of the loan has been submitted by the Project Manager. It is for ₱19,100 for equipment procurement. However, equipment procurement is not covered under the Agreement.
- o The first quarterly advance of the loan made by USAID to the GOP Treasury was for ₱209,000. The Project Manager only submitted a request for the ₱19,100 described above. The intent of providing advances was to move the full amount to the regional level quickly. If the Project Manager goes through the time-consuming process of seeking MOB releases of the loan several times--rather than just once--by making request for only partial amounts, the intention of the Agreement is subverted.
- o GOP position/classification rosters for personnel do not provide a category under which para-professionals from the local community--both leaders and key farmers--can be hired. Civil Service Commission regulations are equally non-responsive in this regard. Local participation is made difficult if provision for such positions is not explicitly recognized by GOP regulations.
- o BFD is not unique in its weak capacity to implement a new experimental project which requires substantially new and different management and administrative structures and behaviors than have been required in the past. In the absence of prior orientation and training, BFD is slowly evolving new approaches and capabilities based on the painful lessons learned during the past year.
- o BFD is under no obligation to coordinate or cooperate with local governments during project implementation. However, if local governments are ignored, a community based project creates tensions between the line implementation agency and local governments.

Lessons Learned

- o If the annual budget is submitted late to MOB for approval then it will not receive priority consideration for funding in the following year. Its support will come from the Foreign Assisted Project Support Fund subject to the availability of monies in that fund.

- o Despite the language in the Payment Agreement (signed by NEDA and USAID and approved by MOB) providing for a special advance, that mechanism does not work. It appears that MOB regulations, stating that all donor-assisted funds have to go through the same fiscal process as GOP counterparts, took precedence over the Agreement.
- o When BFD took control of the Project, the assumption was made that there was sufficient excess capacity within the regional financial management staff to undertake the responsibilities for backstopping the new project. In fact, the regional staff was already overworked handling the financial details for seven district operations. In addition, a new cashier was hired who was underqualified and lacking in sufficient knowledge of BFD financial procedures to adequately perform her job. It's clear now that before the Project actually was transferred to BFD, the Regional Office should have created new cashiering and accounting positions to handle the Buhi Project. Timely handling of fiscal transactions for the Project could not be assured through the part-time attention of overworked regional personnel. These positions are sufficiently critical to the financial process that they need qualified personnel to fill them who are fully knowledgeable about BFD requirements.
- o The emerging dominance of the auditing function in response to the unusual requirements of this new type of project, was not adequately foreseen by project management or designers. Project management, not fully aware of COA regulations that govern project activities, view the auditor as unduly hampering implementation. The auditor tends to view management as avoiding or at least not paying proper attention to the regulations. Regardless of who is correct, the auditor does have absolute control over all financial transactions and management will have to work through her.
- o Given the physical separation of the Buhi staff and the Regional Office in Naga City, needless delay results in processing vouchers and disbursing cash advances if documentation is not complete.
- o In the past, the Deputy Project Manager and other personnel have had to advance their own money to pay for food and refreshments that are served to the numerous visitors that frequent the project site. This has needlessly tied up their limited resources---a situation that was exacerbated by the slow payment of salaries.
- o Local governments can play an important role in agro-forestry programs. They are the most accessible intermediary between national government and local inhabitants. Furthermore, local governments can legally contract with BFD to perform definite activities (e.g., graded trails). With few exceptions, GOP line agencies are ill-prepared by experience to administer experimental, small-scale community based Projects. GOP regulations which are functional for the management of conventional line agency activities can be disfunctional for the management of projects on the "cutting edge" of development.

- o Comprehensive orientation and, if necessary, training in administrative requirements must be provided all line agency personnel responsible for implementation prior to the commencement of field activities.
- o When one technical line agency assumes jurisdiction, cooperation from other agencies declines unless explicit incentives and mechanisms for cooperation and integration are explicitly designed into a project.
- o Preparation of the Implementation Plan should be used as an on-the-job training exercise involving relevant personnel from implementing agencies, COA, MOB and USAID.
- o Exemptions to standard GOP regulations, required to implement an experimental project as designed, should be written into the Project Agreement. All GOP Ministries from which explanations are required should be signatories to the Project Agreement, thus giving effect to those exemptions.
- o The MOB should be requested jointly by BFD and USAID to give an exemption to MOB circular in order to allow salaries to project personnel at an equal level to that paid during Phase I.

Recommendations

For all projects the annual budgets should be submitted by the line agency to MOB for approval during the end-of-year budget hearings. In this way they will be recorded in General Appropriation and be assured of more timely funding in the coming year. This is especially important for new projects which are very vulnerable to problems in their initial "starting up" period.

- o The primary intent of the Payment Agreement was to provide adequate and timely funding for a new project during the crucial first year or two while the GOP developed its financial support process. Therefore, serious consideration should be given to structuring the Payment Agreement so that it covers all actual project costs in the early years and then tapers off its support as the GOP takes over the bulk of the financing responsibilities.
- o There will have to be greater cooperation between management and the auditor if project implementation is not to suffer. Management should better familiarize itself with COA and other GOP regulations and should seek assistance from the auditor on how to legally attempt financial activities that it is unsure about. By the same token, the auditor should not be content merely to sit back and cite regulations on why management cannot do certain things. She should be more service oriented. This GOP project, which is created solely to help improve the livelihoods of the upland poor, is a good activity. If it fails because it is overly burdened by unbending regulations then

it is the beneficiaries who suffer; not BFD and not the auditor. The auditor has the responsibility to enforce regulations, but she should also assist project management in solving implementation problems which result from conflicts between project activities and COA regulations. She has demonstrated flexibility in interviews with evaluation members. She fully supports the establishment of a petty cash fund and would relax certification requirements when seeds are procured on an emergency basis. This type of cooperation should be fostered and continued.

- o All BFD personnel presently detailed to the Project are fully knowledgeable about the requirements of the financial system. However, it's still possible at this date that some non-BFD project staff are not fully familiar with certain financial aspects. This concern was voiced by at least one member at the Regional Office. If this is the case, then it might be worthwhile for the Regional Accountant and Auditor to conduct a one day training session at the project site for the benefit of those staff who might still lack some information on financial requirements.
- o A petty cash fund should be established as a priority action. The auditor has stated that it is relatively simple to establish a petty cash fund. All the Project Manager has to do is design a set of guidelines on the use of the fund. Those guidelines can be approved by the Director, Auditor and Accountant within the Regional Office. Given an arbitrary amount of ₱2,000, the Auditor has stated that the account could be continually replenished upon liquidation of 80 percent of the expenses. This would always leave a balance of ₱400 in the account to be used while awaiting the next cash advance. The fund could also be used for emergency procurement of plant material when routine procurement cannot be followed. In special cases where it is not possible to contact the auditor in time to count the seeds then the Auditor has agreed that procurement can be reimbursed if receipts for the procurement and signed statements by the recipients of the seeds are submitted with the voucher.
- o The ₱19,100 released by MOB from the AID loan advance must be reprogrammed as soon as possible, consistent with the Terms of the Agreement, before any additional loan funds can be disbursed to the Project. Substantial delay in doing this will cause reversion of the loan back to USAID.
- o The Project Manager should submit a budget and request for the entire quarterly loan advance amount once each quarter so that the money will move to the region in a more timely manner.
- o There should be an Assistant Project Director to act on project matters in the absence of the RD/PD. Such a person should be assigned full-time in the BFD Regional Office to assist the Project Director in the preparation of papers and correspondence for the two forestry special projects.

- o OCPC (in the Ministry of Budget) should create a category that would include para-professionals, local leaders, and key farmers. Civil Service Commission rules should be amended to include a blanket waiver which would apply whenever local community based government projects involving recruitment of beneficiary para-professionals is specified.
- o BFD should explore and develop effective linkages with local government. Contracting out graded trails to local governments would be one place to start.
- o Government should adopt a policy classifying soil conservation activities as social investments wherein government will provide reasonable levels of financial subsidy to cooperating upland farmers.
- o The PMO should be reorganized in order to provide some additional integration of the Reforestation and Agro-forestation components of the Project while streamlining the organization chart. The recommended new structure Figure 3A (on the next page) also anticipates further changes which will be required in order to progressively integrate farmers into the decision-making process (refer to Figure 3B and 3C in Section II, 6).

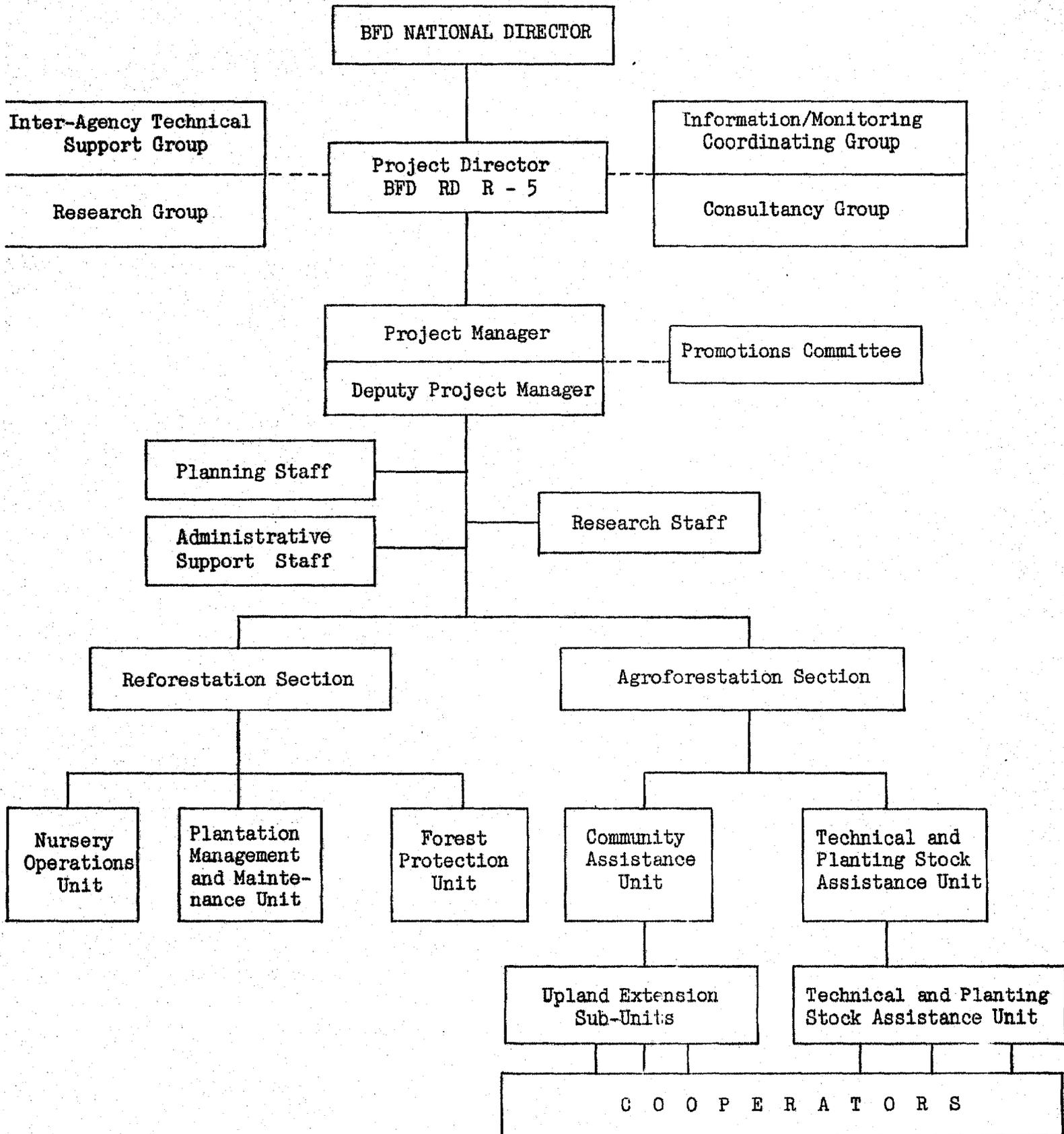
6. LOCAL COMMUNITY PARTICIPATION

It is apparent to the Evaluation Team that the concept of "Participation" was nebulously understood by project proponents and designers. Although there was general agreement that participation is good and desirable, nobody had any clear indication of what it meant and how it was to be implemented. Although increasing participation was stated as an objective, little was done to design specific mechanisms for achieving it.

However, the need for specific provisions is rapidly approaching. Although three Farmers Associations have been organized, they currently serve in a purely advisory capacity. Nevertheless, if current schedules are maintained, farmers will be required to assume all management and administrative functions required for on-going agro-forestry activities by the end of December 1983. Some of the current issues of importance are:

- o The people from within the community (Bahi) who are not cooperators (outside and inside the project area) have little knowledge about the objectives of the Project. Some non-participating people from the local community have developed negative attitudes towards the Project and, through direct interacting with project cooperators, have created some instability of cooperators' commitment to project activities. Project extension officers do not have the time to work outside the limited area of the project site. It is the role of the Promotions Committee to explain Project objectives and activities to non-cooperators in the project area. However, because BFD has

FIGURE 3A. RECOMMENDED REORGANIZATION OF PROJECT MANAGEMENT OFFICE (FIRST STAGE)



not agreed to pay committee members, the costs of attendance at meetings, the Promotions Committee is currently moribund.

- o BFD is not financially accountable to the clientele it would serve in agro-forestry projects nor are field level staff given access to books of account.
- o Mechanisms have not yet been designed for developing sufficient management and technical capacity within Farmers Association to enable them to assume overall responsibility for on-going agro-forestry activities beyond December 1983.

Lessons Learned

- o Field level implementation of land development (i.e. working with farmer cooperators) is accomplished on a person-to-person basis. In this project, individualized attention to farmer cooperators' needs is supplied by para-professionals recruited and trained on site. This linkage is crucial.
- o Distrust and credibility gaps can develop if farmers or field level staff do not know where project funds are being spent.
- o If farmers have access to and receive the seedlings they choose, these seedlings will be planted and maintained. Conversely, species that are not interesting to farmers will not be planted, or if planted will not be maintained. Money is wasted if tree seedlings produced in project nurseries are not planted by farmers.
- o "Participation" means different things to different people. To some it mean carrying-out tasks specified by others. To others it means participating in purely advisory dialogue. Yet to others, it means having a role in decision-making. Inherent in the expectation that Farmer Associations will assume responsibility for carrying forward activities initiated by the project beyond December 1983 is the expansion of farmers' roles in decision-making. In any event, project designers who set "participation" as either a means or an end must be clear in their own mind what they mean, be able to articulate that meaning, and design mechanisms through which it can be organized. "Participation" does not just happen simply by holding meetings or paying people for their labor nor can effective participation -- of whatever kind -- be achieved without some structural process specifically directed towards it.
- o The primary concern of poor upland farmers is subsistence and no amount of training, workshops nor seminars will change this quickly.
- o Project activities which run contrary to or prevent achievement of beneficiaries' short-term goals, in spite of obvious desirability, will not be acceptable to many.

- o Hiring a deputy project manager drawn from the local private sector and not from among qualified personnel of the BFD had positive effects on the project. Not only did the Project get an implementor familiar with the social patterns in the area, he has also provided the only significant continuity to the Project.
- o In agricultural areas, innovative land development activities are never introduced into an occupational vacuum. All households to survive have one or more members generating income through one or more activities. Thus, time required by new activities often conflicts with the time required by pre-existing demands. The built-in hindrance to acceptance, then, is the fact that land development for agro-forestry purposes requires rather lengthy time and effort which cannot easily be fitted into the residents' occupational routines. Moreover, because of the nature of agro-forestry, its outputs do not provide farmers immediate returns.
- o Upland farmers are willing to apply appropriate soil conservation technology if they receive levels of financial assistance sufficient to help defray opportunity costs.
- o A long history of traditional hierarchial relationships suggests that: (i) rural people are not yet ready to address policy questions directed beyond their immediate household or community needs; and (ii) superordinates in local community relationships, in spite of agreement with general principles of participation, are themselves not ready to relinquish historically determined behavior patterns. However, a valid test of the population's desire and capacity for substantive decision-making roles will not occur until specific provision is made for it in project design and implementation.

Recommendations

- o Project staff should begin immediately to identify the specific steps in a process leading to the development of an institutionalized capacity within the Farmers Association to take-over management of the system by the Project Activity Completion Date (PACD). For purposes of illustration, Figures 3B and 3C on pages 24 and 25 are provided as benchmarks towards which the process should be directed. If Project staff, once designing that process, determine that it cannot be completed prior to the currently scheduled PACD (December 31, 1983), they should either recommend to BFD and USAID an extension of the PACD or recommend a management structure which could serve as an alternative to turning the system over completely to the Farmers Association.
- o An extension and information campaign for non-cooperators who are members of the community (within the project site and in the poblacion area) should be re-established through the Promotions Committee in order to inform them about the objectives and programs

of the Project. A collateral recommendation is that the BFD should provide the necessary support--financial and otherwise--to the Promotions Committee.

- o In order to be acceptable to proposed beneficiaries, projects should be designed so that beneficiaries would be assisted first in achieving, at least minimally, necessary short run benefits before requiring commitment to long-term objectives.
- o BFD should be required to account to project clientele and field level staff. Entries in ledgers, journals and other records should be summarized at least quarterly, and presented for inspection in a simple manner that can be readily understood by laymen. If necessary, at least two members of each farmers association should be trained to read and understand BFD project financial accounts. Basic targets should be set by farmers with provision to expand on these targets through introduction of promising new species.

7. EFFECTIVENESS OF AID SUPPORT

The record of AID support to the Project is mixed. The Technical Assistance provided has been of high quality; as has the field reporting. Required follow-up of field warnings and requests for action have varied in timeliness. Many of the problems identified throughout this Report are due to erroneous assumptions in the design. However, it should be mentioned that this was a new type of project with which USAID and the GOP had little previous experience. Precisely because of this, the Project was designed as a pilot effort, a learning experience, that would serve as the basis for future design of other agro-forestation projects. Commitment of AID financing levels has been inconsistent; ceilings have been raised slightly twice and substantially reduced once to the current level which is judged adequate for the designated term of the Project. However, that term is itself much too short given the long-term nature of this type of project.

Lessons Learned

- o The maximum 5 years AID planning and programming term is too short to fully implement agro-forestry projects. Agro-forestry programs require a longer term commitment of financial resources if those programs are to succeed.
- o In order to assure the availability of GOP counterpart funds during the first year of project implementation, USAID and the GOP implementing agencies must prepare whatever budget documentation is required prior to March of the preceding year.

Recommendation

- o GOP/AID decision makers should modify policies to allow the programming of agro-forestry projects over a minimum time span of ten years.

FIGURE 3B. RECOMMENDED REORGANIZATION OF PROJECT MANAGEMENT OFFICE (SECOND STAGE)

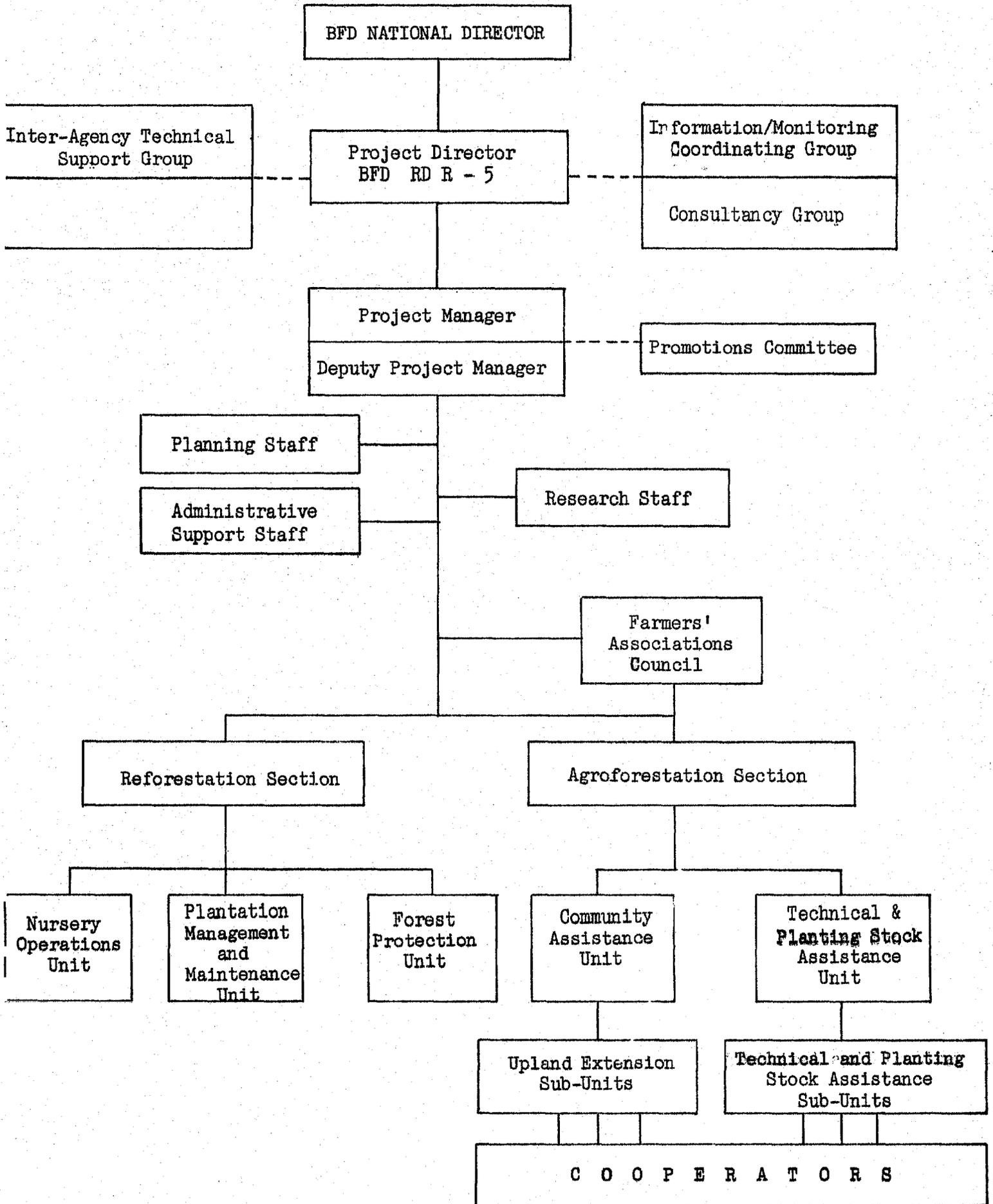
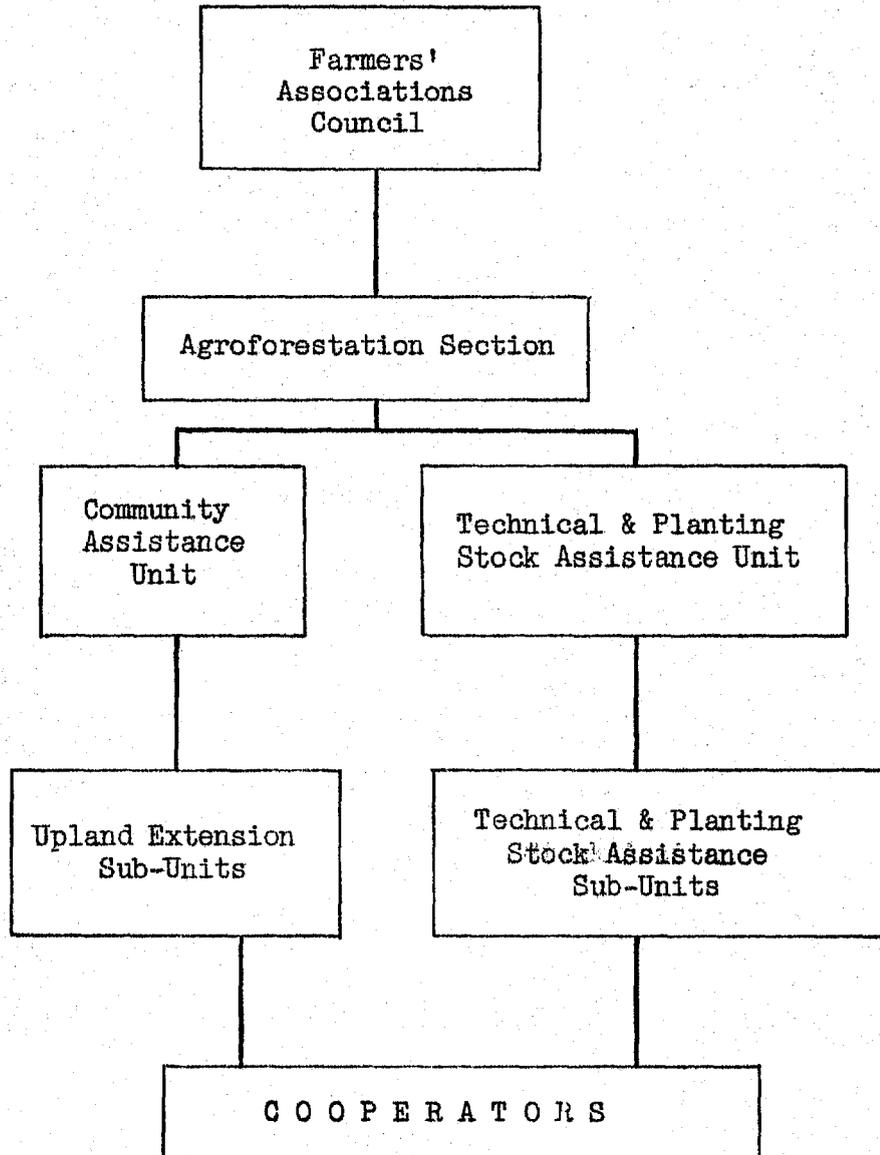


FIGURE 3C. RECOMMENDED REORGANIZATION OF PROJECT MANAGEMENT OFFICE
(THIRD STAGE)



8. IMPACT OF PROJECTS

It is too early to observe any significant impact on either Project beneficiaries or the physical environment. However, a number of households in the area have temporarily benefitted by the hiring of persons as laborers on the Project.

In spite of the fact that observable impact is not yet available, the probability of potential improvements to the physical environment can be predicted with some confidence. Plants that can favorably affect the environment have been tested and it has been verified that these can survive Buhl conditions. Furthermore, measures that can be used to change land forms and thereby decrease erosion and increase infiltration rates on the aquifer have been demonstrated.

The impact of the Project on the BFD's approach to Upland Development is still difficult to judge. On the other hand, both the Regional Director and Project Manager appear genuinely committed to the policy implications of the Project. However, on the other hand, some of the implications for organizational and procedural changes required by the Project -- e.g., delegation of authority to local non-career BFD personnel and farmer groups -- do not appear to be as attractive to BFD officers.

III. PROJECT ENVIRONMENT
(Jerry Silverman, Marcial Amaro, and Sulpicio Roco)

1. Overview: Approach and Constraints to Development in the Philippines

The Philippines suffers from many of the generic problems associated with the concept of underdevelopment; some of which are:

- o Disparities between urban and rural areas and between outlying regions in access to and the use of: modern technology, private sector capital, communications, public sector agricultural and non-agricultural infrastructure, and off-farm employment opportunities;
- o A widening gap between the rich and poor in terms of income, retention of capital, health and nutrition, and occupational skills;
- o Less than a critical mass of the population in a viable middle class;
- o A declining real value in overall investment capital from savings in large part due to quantum increases in energy costs;
- o Out-migration from underproductive rural areas to overburdened urban centers (fueled by perceived economic and social disparities and rapid population growth);
- o Uncertainty about the Government's commitment to or its ability to sustain adequate levels of financial support for the current approach to development efforts.

Nevertheless, the Government of the Philippines has made a concerted effort over the last ten years to increase personal incomes and reduce class and regional disparities by emphasizing programs which increase the number of small-holder owners of agricultural land, the production of that land, and off-farm employment in labor-intensive, regionally dispersed, and export-oriented industries.

2. The Buhi Upland Project Area - Physical Environment

The project area is characterized by:

- o Occurrence of rain throughout the year averaging 2700 mm (106 inches) per annum with maximum precipitation in July-August and November-December (February through April are minimum rainfall months);
- o Generally rolling topography with some steep foothills, interspersed with a few patches of level land and mini-deltas formed where small streams drain into Lake Buhi;

- o Two types of upland soils: Tigzon clay and Macolod sandy loam which have developed from weathered products, including andesitic lava layers, varied types of pyroclastic materials, and volcanic ejects. Both types are rich in organic matter content and susceptible to erosion;
- o Two prevailing winds: the amihan flows from October-March and brings with it significant amounts of rains; the abagat prevails from May-October and is associated with increasing temperature and relative humidity;
- o A 1500-hectare virgin forest which facilitates protection for areas where headwaters emanate; and
- o Lake Buhi with a surface area of 1719 has.; which serves as a secondary source of livelihood for some residents in the project area.

The Rural Poor: Society and Economy

The primary beneficiaries of the Project are the roughly 500-600 households dispersed throughout the three barangays within the project area. Like most rural Bicolanos, these people subsist on a number of income sources. Some cultivate irrigated rice farms, others rely on fishing, a number gather firewood for a living and others still plant upland crops. Depending on seasonal variations, residence and individual needs, these farmers in fact shift from one income source to another during any given period. Using income figures from the provinces of Albay, Camarines Sur, and Sorsogon as indicators of average income among residents of the project area, we estimate annual net incomes to range from a low of ₱2,500/year for the Kaingin workers and a high of ₱5,000 for irrigated rice farmers and fishermen. Either way, average incomes are below poverty lines. Relying on subsistence income, the rural resident relies on various strategies of survival.

Three main considerations affect the survival strategies of rural subsistence farmers in the project area: subsistence agriculture, diversification, and socio-cultural factors. Their applicability is not limited to upland farmers but to most marginal agricultural farmers.

- o Subsistence Agriculture. Subsistence farming can be viewed in two ways. Traditionally, subsistence farming refers primarily to production of agricultural goods for home consumption. Whatever is produced is consumed by the production unit; in this case, the household. None of the produce is converted to cash and any surplus is kept for future use. At the extreme end of this system, we find food gatherers who consume daily whatever they gathered.

In a market economy, it is still possible to find subsistence farmers. Here, however, the produce is converted into cash which is kept for future consumption needs. In the strict sense, there is no surplus to talk about because the sale of their product is not invested to improve their standard of living; rather it is used to buy similar goods they themselves produced but later in time.

In a situation where there is one to one correspondence between household production and consumption, time is of the essence to the producer. Time subtracted from production activities is time lost; further, it lessens the quantity of goods to be consumed.

Where this situation holds, projects which require rechanneling the production time of subsistence farmers to project activities are viewed negatively if new activities do not provide immediate remuneration. The Buhi experience shows that beneficiaries are not so keen on land development activities because of time constraints. In a subsistence economy, few are willing to absorb a day's loss. However, the same farmers are willing to work as emergency laborers; indicating that an activity which allows for immediate and sure remuneration, no matter how brief, is welcome.

- o Diversification. For the very poor farmer whose main source of income is often inadequate for survival, there is a need to maximize use of every asset available. Reliance on a single source may mean insufficient food for their large households. Thus, there is a need to diversify.

Diversification can be practiced in various ways; for example, by diversifying crops, by multiple occupations, or by allowing more members of the household to work. All these can be broadly classified into two: diversified use of non-human and human assets controlled by or found within the household itself. Where it owns or rents some land, the household can engage in a number of other activities in addition to production of primary crops; such as raising livestock or poultry. Further, it can send older children to the city to find non-farm work. Those without any land can resort to similar activities with emphasis on diversified use of manpower within the unit.

In Buhi, we observed diversification in many of the households interviewed. Upland farmers often mix fishing or firewood gathering with their primary activities. That suggests that externally introduced activities may find an environment of acceptance among rural farmers. That is, people who in the past have relied on a number of income sources would probably be open to others which further diversify and thus strengthen their "safety net." This would be true, however, only under certain conditions; particularly in those cases where remuneration for participation in new activities is not delayed.

A number of socio-cultural realities also impact on rural Bicolano's survival. We refer primarily to cultural values which guide economic behavior. Foremost among these is the desire to be economically secure. The value of economic security requires the Bicolano to be economically self-sufficient, i.e., not dependent on others for satisfaction of needs. It provides impetus towards improvements, or at least the desire to improve; since non-satisfaction of desires may motivate them to do better. On the other hand, the concept of economic security may fluctuate depending on the household's perceptions of when its needs have been met. Thus, although the external observer may feel that the annual household's requirements have not yet been met, the members of a household might feel otherwise. Thus, economic security is a subjective matter and might be viewed by the subsistence farmer as requiring the protection of known but low-paying activities (i.e., the status quo). In that context, experimentation with untried systems which might upset the precarious balance of forces by which they currently survive is not particularly appealing.

Social Acceptance is another value affecting poverty. The pervasive desire to be "accepted by one's fellow for what one is, thinks oneself to be, or would like to be and be given the treatment due one's station" is attained primarily by maintaining good relations with neighbors, friends, patrons, and relatives. Since in their social and economic milieu, farmers place a premium on good relations with their superordinates, with whom they have traditionally had a functional relationship, innovations which affect the relationship are often viewed with caution.

Both economic and social values impact on the rural residents' socio-economic status in as much as each contains elements which prevent or impede the introduction of new ideas.

All the factors cited above contribute to the current situation of the rural poor in Bicol. Within the system, however, the poor survive and, in fact, the elements of survival are themselves found among the factors that spell their poverty. With that in mind, the following elements can be identified as being part of their overall survival strategy.

- o The primary mode of survival within the system hinges on success of the poor in diversifying uses of existing resources. Not able to maximize yields of primary occupation, the poor rely on off-farm and non-farm work. That emphasis is appropriate under existing conditions because available income figures show that these other economic activities give better returns than primary agricultural production. Implicit in their diversification strategy is their success in making the most of one of their major assets; available manpower.
- o Social factors also ameliorate the effects of poverty. Kinship and alliance networks and--although declining, traditional patron-client relationships--provide means to lessen the impact of poverty.

Observed in all groups is constant reference to remittances from non-household members as an additional income source. Although the total increment is minimal, the fact that it may be available in time of serious need helps lessen the burden. Related to this is the apparent willingness of household members to be considered an economic asset of the unit. This is manifested in the percentage of people who work as unpaid laborers, those who go to the cities as hired househelp and send home part of their earnings, and in household head's expectations that children should provide economic assistance both to their siblings and to their parents as they grow older.

Similarly traceable to social factors is the prevailing practice of free use of homelots and houses. Survey results show that most rural residents do not own their homelots, and yet almost all are allowed free use. We can posit that as long as traditional patron-client relationships are still at work, both clients and patrons can rely on what the other can provide most; support and service from one side and a modicum of protection from the other.

- o The rural residents' traditional non-willingness to change also forms part of their survival tools. For without the risks inherent in innovations and experimentation, the farmers at least assure themselves that subsistence requirements will most probably be met. Although that does not amount too much, they have nevertheless learned to live with it in times past.

Government and Participation

Significant efforts have been made by the GOP to mobilize the population of the Philippines. These efforts have consisted primarily of creating comprehensive mass organizations which include within their total membership every man, woman, and child over ten years of age. A major component of the Project is to assist in the development within the project area of such farmer organizations. However, mobilization per se is not a synonym for participation nor is participation a synonym for farmer initiative. In those terms, the level and type of farmer initiatives since 1979 in design and implementation has been low. It is currently believed by GOP and Project officials responsible for implementation of the Project that, given the current level of development of the farmers within the Project area, they must first be mobilized within organizations and controlled through them until such time as--through training--the farmers can take over with support from GOP agencies. Thus, the process is seen--although not normally articulated this way--in terms of a sequence from mobilization by the GOP through control and training to eventual self-sufficiency and initiative by farmers supported by GOP agencies.

IV. DISCUSSION OF FINDINGS AND RECOMMENDATIONS

1. OVERVIEW: INTRODUCTION TO THE BUHI UPLAND PROJECT (Patrick Dugan)

Pre-Project History

In October 1976, a Project Review Paper (PRP) was submitted to USAID, Washington (AID/W) which proposed a loan of \$21 million to finance the Rinconada Integrated Area Development Project (RIADP). RIADP was to be implemented as part of the comprehensive Bicol River Basin Development Program. The proposed project included a watershed protection component requiring an investment of \$2.83 million, which would be financed exclusively with GOP counterpart funds. USAID loans were proposed to support road construction, irrigation system improvements, and a diversion canal to reduce flood damage in the project area.

AID/W approved a loan of \$5 million (of the \$21 requested). A consulting firm was engaged to conduct technical studies and provide data needed for preparation of a project paper. Watershed management was to be included as one of the project components. The 10,600 hectare catchment area draining into Lake Buhi, in the province of Camarines Sur, was identified as a target site for watershed management interventions. A combination of AID loan and GOP counterpart funds would be committed to support watershed management activities.

There were two principal reasons for choosing Buhi as the project site:

- (1) Lake Buhi would be the source of water for the major RIAD project component (a downstream irrigation system); and
- (2) as early as 1971, the Buhi Municipal Government had submitted a petition requesting government intervention on the watershed. This request was reiterated in subsequent petitions to the National Government and the Bicol River Basin Development Program Office (BRBDPO).

The latter reason was considered to be significant since it indicated a positive and (hopefully) cooperative attitude on the part of the municipal government.

Throughout 1978, GOP and USAID planners (and consultants) assigned to design the watershed management project conducted a series of socio-economic studies, site surveys, and seminar workshops. These pre-project activities were intended to provide background information and insights into watershed management problems and issues that would impact on the future program. Perhaps the most significant output of these various activities was a general consensus among planners that watershed management problems at Buhi were primarily socio-economic in nature, and that technical issues were of secondary importance. It was further agreed that farmer cooperation was the key to a successful

program because farmers on the Buhi uplands had de facto control of the land. The manner in which they managed their farms would affect water retention, erosion, run-off and infiltration rates; in other words the basic criteria used to measure success or failure in watershed management. That perception, and the fact that most of the Buhi uplands were not being managed in a manner consistent with recommended watershed management principles, influenced the nature of project design.

Most Buhi upland farmers practiced slash and burn agriculture. This system had, over the years, denuded and/or badly degraded most of the catchment area. Project designers therefore approached their task with the following criteria in mind:

- 1) Project implementors would need to win farmer cooperation as a pre-requisite to pursuit of a successful program;
- 2) Community development and organization skills were crucial, and the lead implementing agency should be identified according to its competence in this regard.
- 3) Technical expertise, while less important than community organization skills, was nonetheless essential and would have to be provided.

Tentatively, it was decided that the Ministry of Local Government and Community Development (MLGCD), would be the most appropriate lead agency to implement this project because of its commitment to a "people oriented" approach. MLGCD was to be supported technically by the Ministry of Agriculture and the Bureau of Forest Development. However, it was recognized that the implementation approach in the project design to watershed management, including community-based participation, had never been tested in the Bicol Region. Other issues surfaced that clearly would not be resolved without more reliable data. Most of these issues related to measures that would promote farmer cooperation and the extent to which local government or local residents should participate in project management.

In order to develop the hard data needed to resolve a complicated set of issues, BRBDPO and USAID jointly agreed to initiate a pilot project. This would allow implementors (and/or potential implementors) to gain experience and thereby be in a position to furnish insights that would help guide project design teams. The pilot project would test and refine approaches, train a local staff and implement land development activities with farmer-cooperators. BRBDPO opted to administer the project while MLGCD agreed on a detail assignment for one of their personnel to serve as field level project manager. USAID approved an allotment of Grant funds to finance the project and further furnished the services of a consultant to provide technical assistance.

Grant Period: Phase I (1979-80)

Consistent with objectives and approaches agreed upon during the pre-project phase, the Buhi/Lalo Agro-Forestation/Watershed Development Pilot Project was initiated in 1979. A Joint Project Implementation Letter (JPIL-5) was approved by appropriate GOP/USAID officers on February 1979. This document earmarked grant funds to support a program of activities that would be used to test pre-project assumptions, experiment on approaches, and train future implementors.^{1/} Uncertainties regarding administrative arrangements, which had already troubled designers during the pre-project discussions, continued surfacing after JPIL-5 was approved. As a consequence, field level implementation was delayed for six months. During this interim, design work continued for a long range (loan-funded) Agro-Forestation/Watershed Management Project. Designers produced a Project Paper Annex to BIAD III which was in fact approved before grant-financed pilot activities got underway.

As planned, MLGCD detailed a project manager. BRBDPO hired a support staff chosen from among recommendees of the Buhi municipal mayor. With funds in hand and a staff chosen to begin implementation, field activities were started in July, 1979.

The first task was construction of simple, thatch-roofed building that would be a combination field office, meeting place for farmers' training classes, tool storage shed and sleeping quarters for project staff. Concurrently, land was cleared for a seedling nursery adjacent to this multi-purpose building, and plant propagation was started.

Administrative problems surfaced almost immediately. The Project's multi-purpose building was to be constructed with simple materials, most of which could be gathered free or purchased from farmers in the area. Only a few outside (i.e., store-bought) supplies were needed. However, BRBDPO procurement procedures required that the normal canvassing requirements for supply contracting be managed. These requirements are clearly impractical in the remote location selected as field headquarters. This site is reached by riding a small boat from the town proper (Buhi), crossing the lake and then hiking inland for a distance of approximately 1.5 kms. There are no stores in this area. Furthermore, there are no business establishments that register as suppliers of grass thatching and other native materials used to construct houses in upland barangays. These supplies are normally gathered (or purchased) on or near the construction site.

1 A copy of JPIL-5 is attached as Annex A.

The project staff started constructing the building under the assumption that since supplies were immediately available in the area, and further that it would be faster and cheaper to buy these materials on site, this is what would and should be done. However, BRBDPO could not or would not deviate from standard procurement procedures. Accordingly, there were delays in securing building supplies. A very simple shed, that farmers would normally complete in one week, took nearly a month to finish.

Perhaps a most vivid example of this mis-match between appropriate procedures (and technology) from a field level perspective of how to get the job done, and how these are affected by government regulations, can be illustrated by discussing the type of thatch used to roof the field headquarters. Farmers in the area normally use grass ("cogon"; Imperata cylindrica) for roofing. A grass roof can last from 10-15 years but there are no registered merchants selling roofing grass. However, there are lowland merchants who sell nipa thatch (from the palm, Nipa frutescens).

Government procurement procedures made it necessary to purchase nipa from the lowest bidder and transport this thatch to the site. Nipa costs more than cogon and bringing in materials from outside takes time. Additionally, nipa is only a good thatch when used in the lowlands. Upland areas are relatively closer to the forest where there is higher rainfall, therefore more insects, fungi and other decomposers that cause nipa to rot in a very short time. Nonetheless, in order to conform with standard government regulations and procedures, nipa was used. The field headquarters roof did not last a full year.

Another administrative problem surfaced early-on. BRBDPO personnel policies specified that persons employed to fill project staff positions could only be hired on three-month contracts. This created a feeling of insecure tenure on the part of project staff, a condition which incidentally exists up to this day.

Project staff members were expected to urge farmers to take a long-term view - plant trees, conserve soil, protect the environment. However, their personal planning horizons were restricted to three months |

The administrative problems listed above are symptomatic. Many similar examples could be cited in relation to procurement of tools, seedlings and supplies, training, hiring of para-professionals and so forth. However, it is probably sufficient to rely on these two examples to describe a problem that will impact on future agro-forestry programs. Agro-forestry is a new, complex and un-conventional development activity. Many existing government regulations are not appropriate to address the problems that will be encountered in agro-forestry programs, or at least not to address these in an economical, efficient and responsive manner.

To continue this description of the grant-funded pilot project, it should be mentioned that the administrative problems just discussed did not cause serious set-backs during the initial stages of implementation. These problems were addressed and temporarily overcome through informal interventions propelled by the enthusiasm often encountered during the start up phase of a project. The municipal mayor advanced personal funds for building materials. Municipal government employees were enlisted to do civic action work (at no cost to the Project) in order to expedite construction and land clearing. Staff members likewise used their own money to purchase project supplies and accepted the insecure job tenure situation in the belief that this would be resolved in time. USAID's consultant made use of a provision in his contract allowing for purchase of seedlings and other planting materials. In short, immediate objectives were attained.

Once the field headquarters building was completed and nursery operations were underway, the MLGCD project manager, local project staff and a BRBDPO representative assigned as project coordinator were sent off for training. Training took place at the University of the Philippines in Los Banos (UPLB) and was conducted by members of the Upland Hydroecology Program (UHP). This is a multi-disciplinary group that had been involved in upland development projects and studies for several years. UPLB-UHP is funded by the Ford Foundation and Bureau of Forest Development (BFD). UPLB-UHP trainers are recognized Philippine experts in both the natural and social sciences.

Training, which lasted for one month, included field visits at two on-going agro-forestation project sites and one research station. Lectures and workshops covered a broad range of subjects; forestry, soil conservation, community development, orchard crops, animal husbandry, report writing, etc. The objective was to equip implementors with the skills and attitudes required to perform effectively in the field. The municipal mayor, who was enthusiastic in his support for the Project, participated in one of the field trips.

After training was completed, the staff returned to Buhi and began implementation. The first major activity was a one-week farmers training class. The Project supplied meals and snacks throughout the day. Farmers returned to their homes (which were very near the field headquarters training site) and returned to continue attending training classes each morning.

Project objectives and mechanics were explained. Question-and-answer dialogue was encouraged in an effort to initiate a participatory process of joint planning and implementation between project and clientele. Trainees were encouraged to form an association which would be their instrument for synthesizing farmers' needs and project objectives. An association was formed. Officers were elected and duly inducted. Group dynamics and related motivational techniques were applied. Project staff and resource persons gave lectures on erosion control, multi-cropping,

tree farming, animal-husbandry and farming practices recommended for hilly lands. Farmers were asked to participate in the Project and to incorporate into their day-to-day farming activities those technologies that would improve productivity and repair environmental damage on the watershed lands (their farms). Technical, financial and materials assistance was offered to farmers who would modify their existing land use practices accordingly.

Municipal government and BRBDPO officers, line agency representatives, project staff and resource persons all concentrated on convincing farmers to join hands with the government and pursue project objectives together. Finally, farmers were asked to sign up as cooperators (most of the trainees signed up immediately) and a "graduation" ceremony/dance party was held. The stage was now set for implementation of on-farm, land development activities.

It should be mentioned that the format described above was followed in all subsequent farmer training classes, with only slight modifications. Each farmers' training class was limited to about 25 participants. Trainees were of all ages from 16-60 and often several members of the same family would attend. Trainees included landowners, tenants and owner-cultivators. In each training class, all trainees came from the same barangay; in other words they were all neighbors and usually cultivated adjacent farms. To the extent that it was possible, the objective was to address a group of farmers occupying the same hillside. The assumption was that it would be easier to explain the importance of working together to neighboring farmers since those living on lower slopes are directly affected by the land use practices applied by those living higher up.

It may also facilitate a better understanding of the processes operating in this project to describe the technologies that are being promoted and the manner in which technical/financial assistance is administered.

There are only two basic options available to a farmer or land use manager whose goal is to produce crops and concurrently conserve soil and water on hilly lands. The farmer may either (1) plant the land with permanent crops that protect the soils or (2) reshape the existing land forms, through measures that convert slopes into level or relatively level fields. The first option is a zero tillage system. The second option is one which allows tillage but, wherein soil is not carried away because the land has been reshaped in a manner which eliminates or substantially reduces erosion. In either system it should be understood that "erosion control" is a relative term. Erosion is a natural process that always takes place, even on flat lands.

As originally designed the Project offered assistance to a farmer applying both of these options, zero tillage, and tillage combined with an alteration of existing land forms. The assistance package included bench terracing and the planting of orchards, firewood lots, permanent forage or leguminous cover crops.

Assistance was provided to help the farmer:

1. terrace 1500 square meters (M²) of hilly land,
2. plant one-half hectare (0.50 ha.) of orchards, and
3. establish a 2500 M² backyard firewood lot.

Technical assistance, seeds and seedlings were furnished free of charge. Tools were lent out at no cost. Labor costs were shared. The farmer would provide all the labor and the Project would reimburse (in cash) 50% of his labor costs. These costs were pre-determined, according to a formula based on the average number of days required to perform certain tasks (e.g. the number of planting holes an individual can reasonably be expected to complete during an eight hour day). Alternatively, the farmer could perform half of the labor required and hire neighbors to finish the other half. The Project would pay whoever he hired. Essentially, any system the farmer wanted to use would be acceptable as long as labor costs were shared on a 50-50 basis between project and farmer.

While this system sounds relatively simple to implement, it was not without complications. To begin with BRBDPO decided that since government monies (grant) funds were being spent, a contract was required between farmer and Project, describing how these funds would be used. In other words, the farmer would have to commit himself to build 1,500 M² of terraces, plant one-half hectare orchard and 2,500 M² of firewood. Furthermore, where farms were tenanted, the contract would have to be signed by all three parties: farmer, landowner, and BRBDPO representing the Philippine government.

Several problems emerged. First, farmers were not accustomed to signing written contracts and project staff often had difficulty explaining the reasons for a contract. A typical farmer reaction was, "what share of the produce will the government expect from the tree seedlings you give me and which I plant?" Farmer to government crop-sharing was obviously not part of the plan, but in normal farming operations whoever provides inputs receives a share. Viewed from this perspective, and now seen in retrospect, the farmer reaction described above must be considered very logical and should have been anticipated.

Future implementors of agro-forestation projects should probably expect this reaction and assure that training programs address this issue before it surfaces. In this instance, the project staff explained that government will make a profit by selling irrigation water to lowland farmers and that trees planted on the uplands mean more water to sell in the lowlands. Furthermore since trees (terraces, etc.) reduce erosion, the government could reduce expenses incurred for repairing roads damaged by landslides. The farmers were evidently satisfied with these answers because they began signing contracts.

While this issue was being clarified with tenants it also had to be discussed with absentee landowners. Their typical reaction was, "does this mean the government will eventually expropriate my property now that government funds have been used to help develop the land?" This question should be viewed from the perspective of land ownership patterns in Buhi and the government's land reform program.

Most Buhi landholdings are very small. In the project area, farms are seldom larger than two (2) hectares and often less than one (1) hectare. Many of these properties belong to absentee landlords living in town. These landowners are by no means the "wealthy gentry" that are (unfortunately) all too often automatically associated with the term "landlord". The typical landowner (or landlord) at Buhi is a minor government employee, the owner of a small store or someone who has inherited his or her share of land sub-divided by parents among several brothers and sisters. These small parcels of land often represent a major share of whatever worldly goods these "landlords" own. They are therefore very sensitive to real or imagined threats that relate to security of ownership. This sensitivity is further explained by the manner in which land reform has been applied in the Bicol Region. Theoretically land reform was intended to break up large landed estates and distribute the land to tenants. While this was the main emphasis in early years, land reform was also applied in some cases involving small-sized tenanted areas. Buhi landowners knew this had taken place and some were therefore suspicious that the Project was a forerunner to land reform.

The project staff used the same general rationale with absentee landlords that was concurrently being explained to tenants. These assurances were seconded by the Municipal Mayor who was asked to intercede.

Eventually, contracts were signed covering all of the farms targeted for land development.

In the meantime, work had started on several sites and new problems were created due to faulty interpretation and implementation of project design. The cost sharing system discussed earlier in this report was supposed to be an agreement between government and tiller. If the land was tenanted the tiller (or project staff) had to secure approval from the landowner, but, operationally the project staff would work with the tenant. MLGCD's detailed project manager deviated from the normal procedure. In two or three cases he approached landowners and asked them to advance 50% of labor costs in cash. This 50%, plus project financial assistance (another 50%), was used to pay the tenant or whoever worked on land development. This was a unilateral decision of the project manager, done over the objections of his staff, and without consulting BRBDPO or anyone else. Fortunately, this only occurred in a few instances but these were often enough to create misunderstandings. Tenants immediately got the impression that the project was there to create employment opportunities in the traditional sense, i.e. work-for-pay. The whole concept had to be re-explained to a number of farmer-cooperators.

Notwithstanding the problems described above, land development did proceed. Since the nursery was still new, seedlings were too young to plant. Additionally, it was dry season. Accordingly, land development activities were initially confined to bench terracing. The Bureau of Soils sent a team of technicians to lay out contour lines. Project staff members demonstrated how the work should be done and organized the first few work teams. In short order several farmers had built bench terraces. Now the manner of reimbursing 50% of labor costs had to be addressed. Government regulations require that work should be inspected by an auditor before payments can be made. The staff was therefore not in a position to disburse the 50% promised as support for labor costs in a prompt fashion once terraces were completed. After two months of negotiation, BRBDPO's auditor finally agreed that cash advances could be made to the project manager who would then release the 50% cash assistance to farmers. With land development underway, seedlings growing in the nursery and closer relations developing between farmers and staff, enthusiasm and morale were high. A graded trail was built to provide better access from lakeshore to the nursery site. This trail was financed by a cash donation from the USAID consultant and food-for-work donations from project staff and members of the farmers association organized during the training program. Farmer association members built the trail. Farmer visits to the field headquarters became a regular daily occurrence and there was a general optimism among the staff, BRBDPO and USAID that positive progress was being achieved.

However, there were some disurbing undercurrents. Salaries were continually delayed, as the MLGCD detailed manager proved to be unfamiliar with the administrative procedures required to move payrolls through the BRBDPO accounting system on time. He began to spend more and more time away from the Project. Each time he appeared, he was immediately confronted with a staff member asking him what happened to their salaries. Seeds and other supplies were not arriving on schedule. Tools purchased for the Project were of poor quality and, as it turned out, grossly overpriced. Formal notice of what appeared to be an anomaly regarding tool purchases was reported to BRBDPO management by the BRBDPO coordinator and USAID. After proper investigation, two employees from BRBDPO's procurement office were terminated as a result of this incident. Project staff, from the level of deputy project manager down to the level of daily laborer began to speak more openly about "them" and "us"; "them", meaning the outside bureaucracy that they perceived as responsible for delayed salaries, bad tools, no seeds, etc. The frequent absence of the Project Manager aggravated this situation and seemed to imply clearly that he (project manager) was clearly aligned with "them".

At this point, it should be explained that all project employees except the detailed manager were residents of Buhí. This was consistent with the project strategy which included development of a locally-based management staff as one of the reasons for starting a pilot project. The Project was extremely fortunate in the choice of persons appointed on this staff, especially the deputy project manager. He has received

specialized training in the Philippines and abroad (Germany, Indonesia, Japan) and has had ten years of field experience in cooperatives and community development. The quality of management supplied by a local resident surpassed that demonstrated by the MLGCD project manager, which probably helped reinforce an attitude that "we" can do the job better than "they" can. MLGCD's project manager soon committed other mistakes that further alienated him from his staff and cooperating farmers. He directed that fruit trees planted adjacent to the nursery should be in rows that ran up and down the hill, rather than on the recommended contour which was advocated during farmer's training classes. He did not attend farmers' association meetings, which had become a regular event. The final indiscretion was building a rearing pond for fish fingerlings on soil too porous to hold water. Staff and community were up in arms and the Municipal Mayor expressed his disgust at the state of affairs.

BRBDPO relieved MLGCD's project manager and approached BFD for a replacement. BFD had been identified as lead agency for the loan-financed share of the project, during negotiations between USAID and BRBDPO that were concluded in 1979 while the grant-funded pilot was in progress. USAID had been urging the designation of NIA as lead agency to simplify overall management^{1/} and because NIA was believed to have more experience than BFD in a community participation approach. Nonetheless, BRBDPO's position prevailed and BFD was designated lead agency; their responsibilities to begin in January 1981.

Consistent with plans for the future Phase II, BFD assigned a Project Manager. However, he rarely put in an appearance during the three months he was assigned to the Project. Then he effectively cancelled out any hope of becoming a successful manager when he publicly announced that he would rather be back in a regular field position with BFD because he could make more money "on the side" in two days than his Buhi assignment paid through salary incentives in one month. This individual left the Project and reportedly returned to his regular duties. Shortly thereafter, BFD designated another project manager who put in two appearances, left and did not return.

At this point, BRBDPO decided to manage the project themselves. BRBDPO had assigned two individuals to the project--a coordinator and a monitoring/evaluation specialist. They perceived BRBDPO's role as one of support for local initiatives and worked out an agreement with the Deputy Project Manager that he should take responsibility for all field activities and they (BRBDPO evaluator and monitor) would provide administrative backstopping. This arrangement was approved by BRBDPO top management and the Deputy Project Manager was duly appointed as OIC. The Project then entered what to date has been its most productive

1/ The Buhi uplands project was only a small component (\$165,000) of a larger loan project (total \$5,000,000) wherein all other activities had to do with irrigation and were managed by NIA.

period. The enthusiasm mentioned earlier was renewed, after having lagged for several months under nominal BFD stewardship. Salaries arrived on schedule and land development activities resumed. Two new nurseries were started, more farmers were trained and the Project entered a period of expansion. In the meantime, a new mayor had assumed office in Buhl Municipality after local elections in early 1980. He continued to extend the enthusiastic support shown by his predecessor. The new mayor's attitude was significant, given that he and the previous mayor belonged to opposing political factions. As the Project moved forward in this favorable atmosphere and under BRBDPO's new administrative arrangement, it began to attract considerable outside attention.

Observers from World Bank, ADB, Holland, Thailand, Indonesia and other organizations or countries came to observe the Project. Visits by GOP officials from provincial and national agencies became commonplace. The project staff was asked to (and did) conduct training courses for Peace Corps Volunteers, persons employed in other upland projects, Boy Scouts and many other organizations. This was the state of affairs at the end of 1980.

PHASE II - LOAN-FINANCED PROJECT

On January 1981, BFD took over project management and a BFD manager was assigned. There was a balance of unexpended grant funds in BRBDPO's possession. Arrangements were made to transfer Fifteen Thousand Dollars (\$15,000) to BFD. BRBDPO retained the balance to complete some activities that had been started but were still not completed. However, project management was not clearly a BFD responsibility.

Unfortunately, BFD's manager had no operating funds. GOP procedure required that a special funding request be submitted to support new projects during the calendar year preceding project implementation. In this case, the request should have been made no later than March 1980. However, the negotiation of an Implementation Plan between USAID and the GOP had not been completed by that time. Budgets and an implementation plan had not been finalized before the last quarter of 1980. Thus, BFD's special budgetary request could not be submitted until January 1981.

That failure to submit a budget on time has caused problems that continue up to the present. These problems are described further below.

When BFD assumed responsibility for implementation in January 1981, the immediate problem was funding. In order to transfer USAID grant funds from BRBDPO to BFD, the document authorizing the grant (JPIL-5) had to be amended. Negotiations started on this amendment in October 1980. By that date, it had become apparent that there would be an unexpended surplus of funds at the end of the year. The BFD Regional Director suggested that all funds be turned over to his Office. On the other hand, BRBDPO's position was that funds programmed for on-going but uncompleted activities should be retained (by BRBDPO) and the balance released TO BFD.

BFD agreed to BRBDPO's proposal and an amended document was completed in December 1980. However, BRBDPO's Acting Program Director did not sign this amendment until January 15, 1981, or 15 days after BFD had taken over project management. Further approvals were needed in Manila. These were secured on February 3; but it was not until February 25 that the BRBDPO finally transferred money to BFD. Although BFD now had funds in hand, unfortunately it had not completed the paperwork needed to use these funds. January and February salaries were now due but payrolls had not been prepared. As a result, salaries were not paid until March 10th. While these initial delays were not entirely BFD's fault, it was a bad start. To make matters worse, additional delays followed almost immediately.

BRBDPO's first transfer of funds to BFD was a partial release. After paying January and February accounts, BFD needed more funds to pay March accounts. However, BRBDPO would not make additional releases until BFD submitted a liquidation report covering funds already transferred. This liquidation was needed during the first half of March. Submission in March was important, for that would have allowed sufficient time for BRBDPO to transfer funds BFD needed to pay its March accounts by the first week in April. This important liquidation was not delivered to BRBDPO until July; a delay of five months.

It is difficult to determine the specific cause of those errors. Whatever the reason, salaries kept falling farther behind and land development activities came to a halt. BFD's Regional Director responded to disbursing delays by appointing an additional special disbursing officer. However, only two cash advances were ever handled by that additional cashier because problems continued with releases from Manila. Thus, staff members and farmer leaders complained to the municipal mayor who, in turn, sent messages to BFD and BRBDPO demanding action, and to Malacanang (Office of the President) reporting on the situation. Finally on July 30, following a meeting called by BRBDPO, the BFD Regional Director agreed to relieve the project manager and provide a replacement. BFD was now three months behind in salaries. In response to this emergency, BRBDPO made a special release, using grant funds that had been programmed for other activities.

Unfortunately, the new Project Manager that the BFD Regional Director had in mind refused the job and from July 30th to the end of September there was virtually no manager. The manager who was supposed to be relieved stayed on until a new person was appointed. By October, salaries were four months in arrears.

Grant funds were exhausted by September 30th. Some of those funds had been programmed to support land development, seedling production and other activities. However, those funds had to be used for salaries because BFD project funds were not forthcoming from Manila. The funding problem, traceable to USAID and BFD's failure to prepare documents required for budgetary presentations to the MOB before March 1980, now became apparent. Adding to all of these problems, AID loan funds were not released until October.

Difficulties were encountered while seeking approval of the final authorization document needed to transfer loan funds to the GOP. In order to understand this delay, it is necessary to discuss the type of document that had to be approved before funds could be released. Normally, AID loan funds are applied in accordance with Fixed Amount Reimbursement (FAR) procedures. In FAR agreements, the GOP advances all funds required to implement a project. Periodically, as requested by the GOP, AID examines the progress made in implementation and reimburses GOP for work completed, as measured against pre-determined standards. However, a new type of authorization document was designed for the Buhi project. This document is called a Payment Agreement and it provides for advances by AID before implementation begins. This new procedure was instituted for two reasons. First, considering the present financial situation of the GOP, it was presumed that any available funds would probably be reserved for priority projects. The Buhi project is a small-scale experimental activity. It did not qualify as a priority project. To help ensure that activities initiated with grant funding would be continued, the payment agreement mode was used. A second reason for this modification of existing procedures was AID's desire to transfer loan funds directly to the regional level instead of going through the time-consuming processes that are normally followed.

GOP counterpart funds were finally released and transferred to the Regional BFD Office in October 1981; however, these funds did not include an allocation for salaries. GOP funds are released in two main categories; namely: O-1 for salaries and other personal services and MOE (maintenance and operation expenses money) for all other activities. The release which BFD received in September was all MOE money. Nothing was released for salaries until February 1982. From October 1981 to February 1982, no one was paid.

Meanwhile, there was excess MOE funds on hand than were needed. BRBDPO suggested that BFD could secure authority from the Ministry of Budget (MOB) to transfer MOE funds to the O-1 category so that back salaries could be paid before Christmas. BFD did not follow up on this possibility. The Christmas season came and went with no resolution of the salary problem. By February, when O-1 money finally arrived, project salaries were four and one-half months behind schedule. To make matters even worse, BFD's auditor had ruled that the salaries received by Foremen and Plant Propagators during the grant-funded phase of the project exceeded authorized amounts and, therefore, those salary levels had to be reduced. There was further question raised regarding positions and qualifications for staff positions on the Project (i.e., anyone above common laborer). In addition, the BFD Regional Accountant would not certify a request for approval of positions to the Civil Service Commission because of uncertainty concerning the availability of funds.

The fact that local Project staff continued to persevere can probably be attributed to their commitment, the DPM's combined amor propio¹ and quality of leadership, and cash loans advanced by a Peace Corps Volunteer (PCV) during the long months when no salaries were paid.

A PCV had joined the Project at the middle of 1981. This was the first instance wherein a PCV was directly assigned full-time to an AID-funded project in the Philippines. The volunteer not only cooperated with the staff and took directions from project management; he also integrated well socially with the Filipinos working in the Project. When none of the Project staff was paid for the next payroll period, he arranged a transfer of personal funds from the United States and lent this money to project employees.

Plant propagation work continued during the many months when no money was being released, largely because of a seeds and seedling procurement program the PCV started. This program kept a steady flow of planting materials moving into the nurseries. Seedling production could not keep up with demand. This farmers wanted more seedlings than the informal procurement program started by the PCV could provide. Nonetheless, something was happening as far as seedling production was concerned and this helped keep farmers interested in the project.

Concurrently, the Deputy Project Manager drew up a program of activities that could be carried out by the staff to keep them busy. Since no land activities could be pursued with farmer cooperators until some money was available, staff members were kept occupied by expanding a demonstration farm, developing a production area for leguminous cover crop seeds, maintaining graded trails, and enlarging the field headquarters building at the main nursery.

This combination of circumstances and personalities, plus the reservoir of goodwill and enthusiasm that had built up during the productive months of 1980, kept the Project alive during the bleak months of 1981.

As mentioned earlier, a new BFD project manager assumed his post in October 1981. This person took over under the worst of circumstances. Salaries were delayed, there were no on-going land development activities and the project staff was not sure their positions would be approved by Civil Service. The new Project Manager then made a decision which further aggravated this situation. He hired 5 new laborers with

1/ Lynch defines amor propio (self-esteem) as the Filipino's special defense against interpersonal unpleasantness, serving to retain his social acceptability, and manifested in sensitivity to personal affront. In this instance, it appears that the DPM perceives his self-esteem to be tied up with continuance of the project against all odds. For a more extensive discussion of social acceptance and amor propio, see Frank Lynch's Social Acceptance, in Four Readings on Philippine Values, IPC Paper, No. 2, Ateneo de Manila University Press, Quezon City, 1964.

previous BFD reforestation experience from a neighboring province to work in the Project. However, the Implementation Plan provided that all project employees would be hired from among Buhi residents, except for persons with skills that could not be found in the community. The project staff, farmer cooperators, the municipal mayor and all other residents in the community were well aware of this provision in the Implementation Plan. When the new manager brought in outsiders, the effect was immediate alienation. The "them" and "us" syndrome started all over again. Relations deteriorated to such an extent that, in combination with overdue salary delays, the entire staff was on the verge of resigning.

In response to that state of affairs, a meeting was called by the Regional Director in December 1981 in order to bring these various problems out in the open. The meeting was attended by BFD personnel, BRBDPO officials, project staff and USAID. During this meeting, it became obvious that the new manager had either not read the implementation plan or did not understand the sensitivities involved when he hired non-Buhi residents. His position was that since the reforestation work, which should have been started in January, was not almost one full year behind schedule, he needed people he knew could carry out the work. He did not feel he had time to train local residents for key positions in reforestation work. Since the Implementation Plan specifies that reforestation will be the direct responsibility of the project manager--while agro-forestation activities will be directly managed by his deputy under the project manager's overall supervision--he felt the need to take the initiative and move forward as quickly as possible. As a person new to the area, he had no basis on which to judge the qualifications of local residents during his first few weeks in the Project. Therefore, he hired "outsiders" whose skills were already known to him.

Another serious issue which surfaced during the meeting was the matter of tools and supplies. BFD had received MOB money. This money could not be disbursed for salaries but it could be used for tools and supplies. Accordingly, the Regional Office purchased tools and supplies and delivered some to the project site. The project staff questioned the need for many of the items purchased, such as briefcases and sleeping bags, when what the farmers needed were seeds, seedlings and resumption of land development work which could have been financed with MOE funds. Additionally, the field staff claimed that the tools they received were of very inferior quality. They requested that purchases should be cleared at the field level. The Regional Director took the position that he has the authority and the responsibility to decide what would be purchased for the Project, while the field staff only has property responsibility for items turned over to them. These issues (hiring outsiders, centralized purchasing) were aired, but not resolved during the meeting.

Thus, the issues taken up in the December meeting are still alive. They have created tension and this tension can still be felt. Furthermore, interviews with field staff personnel indicate they have received gossip from BFD regional office "insiders" regarding the prices paid for tools and other purchases. That gossip suggests that tools, briefcases, medicine kits and sleeping bags were overpriced; in some cases by as much as 300%. However, the Region V BFD Director responds, as follows:

Whether the gossip is true or not, the fact is that project staff working at the project site believe it; to the detriment of working relationships between project staff and Regional BFD personnel.

Clearly, a credibility gap exists between field level employees and people in the Regional Office. The background of delayed salaries, ineffective or disinterested project managers, and lack of activities in the field with farmer cooperators has created an atmosphere conducive to distrust of "higher authorities"; which, in this case are represented by the Regional BFD.

To his credit, the new Project Manager has taken vigorous steps to improve this situation. Civil Service Commission approval has been secured for all but one project staff position; at least covering the last 3 months of 1981. This means field salaries can at last be paid in full up to the end of 1981; although at a "reduced" rate. The partial release of OI funds mentioned earlier could only be used to pay common laborers wages. Civil Service Commission approval of staff positions was needed before they could be paid at higher levels (although still below that of previous rates earned under BRBDP auspices). October-December payrolls are now being prepared. New staff members have been hired to straighten out the administrative mess left behind by the previous project manager. The local field level staff are unanimous in their opinion that the new manager is a big improvement. They seem disposed to give him the benefit of the doubt and extend their cooperation.

The next few months of Project life will be critical. If salaries are brought up to date, land development resumes, seedling production catches up with farmer demands and no new untoward incidents occur, there is the possibility that the Project can get back on track. It will take a great deal of effort at the administrative level for all of these conditions to be met. At the moment, there is at least hope. However, breaking-up the administrative bottleneck is the key to achieving the objectives of this Project. The future of this Project; financial control, decision making, and regional office policies will be decided at the administrative level.

2. OBJECTIVES OF THE PROJECTS^{1/}
(Jerry Silverman, Patrick Dugan, and Sulpicio Roco)

The sub-goals^{2/} of the upland component of BIAD III are specified in the Project Paper as follows:

- increase agricultural production and productivity per hectare;
- increase productive employment opportunities;
- increase farmer participation in development activities affecting them; and
- reverse the deterioration of upland watershed areas.

Although formal recognition is given to these four objectives as a mutually reinforcing whole by USAID and GOP officials associated with the Project, different views are actually held concerning the relative priorities of each and the compatibility between them. Figure 4 below summarizes some of the differences among agencies' representatives "on the ground".

FIGURE 4
DEFINITIONS OF OBJECTIVES
(in priority order)

<u>AID</u>	<u>GOP</u>	<u>PROJECT STAFF</u>	<u>BENEFICIARIES</u>
(i) To test and demonstrate a model for development in upland watersheds;	<u>BFD</u> (i) Reverse deterioration of upland watershed areas (reforestation); and	(i) Improve the socioeconomic life of upland farmers;	(i) Provision of wage labour; and
(ii) Increase productive employment opportunities	(ii) Increase agricultural production	(ii) Arrest the degradation of the environment; and	(ii) Provision of seedlings
(iii) Increase farmer participation	<u>BRBDP & Buhi Mun.</u> (i) Mobilization, organization and participation of upland farmers	(iii) Increase farmer participation in and control over the development process in the uplands	
(iv) Increase agricultural production and productivity;	(ii) Restoration of the Buhi Upland watershed		
(v) Reverse deterioration of upland watershed areas			

1) Bicol Integrated Area Development III (Rinconada) Buhi-Lalo, Volume III: Project Paper Annex G (3), USAID Philippines (June 1979), p.1.

2) Implementation Plan page 1 present the same four sub-goals as "objectives".

AID

AID objectives in relation to the Buhi Project can be divided into two categories: general and specific.

General

AID's mandate is to work with the rural poor and support programs that improve the quality of life for disadvantaged sectors in the society. In order to achieve these aims, AID further supports programs designed to strengthen indigenous capacity to address development problems.

Specific (to the Buhi Project)

1. To gain experience as a guide for further expansion into agro-forestry programs;
2. To improve economic and social conditions for rural poor farmers in the Buhi uplands;
3. To increase beneficiaries participation in project implementation;
4. To support activities that would help repair environmental damage in the Buhi watershed; and
5. To help ensure a reliable supply of irrigation water from Lake Buhi.

GOP

As described further in Section IV, 4 (Commitment of the GOP) below, the Government of the Philippines should not be viewed as a homogeneous body in terms of attitudes towards upland development. Thus, different GOP agencies view the objectives of the Project from the perspective of differing interests and priorities. The views of the three primary agencies involved are summarized here:

Bureau of Forest Development (BFD). The Bureau of Forest Development has been the lead implementation agency for this Project since January 1, 1981. Although Regional BFD Personnel understand the multi-purpose objectives of the Project and articulate them all when asked, interviews with BFD personnel indicate that they place greater emphasis on the reforestation objectives of the Project than on any of the other three.

Although experience with both the ADB-assisted Lake Bato Project and the USAID-assisted Buhi Project has had some effect in expanding the vision of some BFD personnel in Region V, reforestation remains its most important operational priority. Unfortunately, as described further in Section IV, 5 (Effectiveness of the GOP) below, the division of the Project's management responsibilities between the Project Manager (PM)--who is directly responsible for implementation--and the Deputy Project Manager (DPM)--who is directly responsible for agro-forestation and community mobilization--tends towards reinforcing rather than integrating those differences.

BICOL RIVER BASIN DEVELOPMENT PROGRAM (BRBDP) PROJECT OFFICE. The BRBDP has been involved in the Project since its inception and served as the Lead Implementation Agency during most of Phase I (January-December 1980). As articulated by the BRBDP's Deputy Director for Planning and Programming and its Project Coordinator, the primary objective is to develop the local institutional base for upland development; especially in those areas in which the GOP presence is weak. Although recognizing the importance of providing and/or developing technical solutions to watershed management problems in the uplands, the BRBDP believes that the mobilization and organization of the farmer beneficiaries is the most crucial element affecting achievement of technical ends in the uplands.

Buhi Municipality. The views of Buhi Municipality were represented by the Mayor. The Mayor has two functions in the implementation of the Project: he serves as the Chairman of the Project's local Promotion Committee and as a communication back-channel for various participant groups involved in the Project. As might be expected of a locally elected official without direct responsibility for the implementation of technical elements of the Project, he emphasizes the importance of mobilization, participation, and organization of the local population. In fact, he gives high marks to the Project--in spite of some serious problems--because he believes that, as designed and initially implemented, the Project has given priority to that objective. In that regard, he has officially compared the USAID-assisted Project with the ADB-assisted Lake Bato Project.^{1/} His conclusion is that although the Lake Bato Project has more money and is technically more comprehensive, the Buhi Project has been more successful because of its emphasis on community participation. Unfortunately, some confusion exists among some of the Buhi population because two different projects--emphasizing somewhat different priorities--are being implemented on different sides of the same mountain.

PROJECT STAFF

Although the Project Staff--The Deputy Project Manager and his subordinates--are technically contract employees of the BFD, they are, in fact, a semi-autonomous community-based organization. As such, their views do not necessarily reflect the GOP Line Agency of which they are formally a part. As expressed by the Deputy Project Manager, the objectives of the Project are:

- improve the socio-economic life of upland farmers;
- arrest the degradation of the environment; and
- increase farmer participation in and control over the development process in the uplands.

However, Project Staff members emphasize that the achievement of the first two objectives depends fundamentally on achievement of the third.

1/ Mayor Crispin Mercurio, A Report to ADI I on Rinconada Reforestation/Agroforestation Projects.

Beneficiaries

In general, beneficiaries (i.e., members and officers of farmer's associations) report two reasons for joining the associations. First, with themselves as referent, they claim an almost one-to-one correspondence between their objectives and those of the Project. On the other hand, beneficiaries interviewed report that others joined primarily to benefit from the employment opportunities available, or where this is not possible, at least to get things from the Project which are not locally available; usually referring to seedlings provided by the project nursery. It is our belief that the latter reason is more representative of the true feelings of beneficiaries.

In the Philippine milieu, government projects in general are almost always associated with provision of employment. In the Philippines, there has been a long history, locally and nationally, of people approaching government to seek jobs whenever a project or new office is formed. To expect work is, therefore, a normal response. In addition, not only is this the usual practice, but because of the depressed economic status of many of the area residents, cash income received regularly is highly desired.

Compounding the problem is that events during project implementation reinforce people's expectations. For instance, during training seminars prior to membership in the associations, trainers capitalize unintentionally on employment opportunities available in the Project. Employment is dangled in front of prospective members. In addition, although later project staff de-emphasized the importance of the individual's objectives and expand more on project goals, they themselves apparently do not practice what they say. On one hand, part of the qualifications to be permanent workers requires that a person be a former officer of the association. On the other hand, people perceive some bias in allocation of opportunities either to association officers or to people having close ties with them.

Conclusion

Successful project implementation rests on effective goal-oriented behavior. Where different understandings of project goals exist among different participants in the implementation process, the potential for conflict at the operational level is increased. Although that has not yet emerged as a significant factor impeding effective project implementation, perceived differences between the emphasis of BFD, the BRBDP and Project Staff have been suggested as a problem in discussions among participants in the Project. As reforestation activity expands, there remains a possibility that such differences will become more important.

In addition, our brief assessment points to two other conclusions: first, that there are discrepancies between project and beneficiary objectives; and, second, that discrepancies should be expected.

To the Project Staff the main goal is a long term improvement of people's livelihood through the stabilization of the environment. To the residents, long term planning is foreign to their way of thinking; of greater consequence is the satisfaction of immediate needs. To avoid failure, the Project must address both goals. Not only must it concentrate on activities which would benefit farmers in 5-10 years, it must consider the reality that the same residents have to first survive within the same period in order to benefit from activities in the long run.

3. CURRENT STATUS OF THE PROJECT
(Ernesto Guiang, Patrick Dugan, and Miguel Caisip)

Technical and financial assistance is being provided to support land development (reforestation and agro-forestation), enterprise development, institutional development, and research activities.

Land Development

The Buhi Project has been designed to help increase the income of upland farmers and begin the task of repairing environmental damage caused by destructive farming methods and illegal logging. These objectives are to be pursued by promoting positive modifications in land-use practices and management. These modifications include implementation by PROJECT CLIENTELE of farming methods appropriate for hilly lands (with a particular emphasis on soil conservation) and reforestation of denuded mountains. The technologies to be applied are relatively simple and are known to be environmentally sound. Many of the proposed land-use practices promoted by the Project have, in fact, been traditionally applied to a limited degree in the project area. Other project interventions are new to farmers living in the Buhi uplands.

Technical and financial assistance is being provided to support land development activities falling within two broad categories. These categories and the activities included under each heading are:

o Agro-forestation

- soil conservation measures, specifically bench terracing, contour ditching and the planting of erosion control hedgerows;
- orchard development;
- establishment of backyard firewood lots;
- nursery operations (seedling production/procurement);
- construction of graded trails.

The approach emphasizes the revegetation or rehabilitation of open and denuded upland areas with the major objectives of arresting environmental degradation and improving the socio-economic conditions of the farmers. As a farming system, it combines the production of agricultural and forest products either simultaneously or sequentially, depending on the current productive status of the land and the needs of the farmers. Theoretically, this is a mechanism for integrating the human community with its external biological environment.

The above concepts have been the guiding principles of the pilot Buhí Upland Project. It is now in the process of generating practical agro-forestry technologies which are indigenous in the area and at the same time providing learning experience for other upland development projects in the future. Specifically, the Project is involved in firewood lot production, orchard development, contour ditching, vegetative terracing and land terracing. All of these activities are aimed at improving the lot of the upland farmers and protecting the critical watershed area. For instance, the first two schemes should be able to meet the long-term firewood and cash needs of the farmers while the last two should enable them to engage in the production of cash crops for their short term needs. At present, the Project has developed 6.75 hectares of bench terraces, .05 hectares of contour ditches, 1.5 has. of vegetative terraces, 22.5 has. of orchards/plantation crops and 11.25 hectares of firewood plantation. Two hundred and seventeen (217) upland farmers are directly involved in the Project; 59 of whom are primary cooperators and 158 secondary cooperators.

In order to support the agro-forestation activities of the Project, the main nursery has already been set-up with two sub-nurseries and two mini-nurseries. The total seedling production of these nurseries was about 145,000 seedlings in 1981. About 24 different kinds of agricultural plants have been raised in the nursery, including ipil-ipil, Acacia Auriculiformis, Calleandra sp., and others.

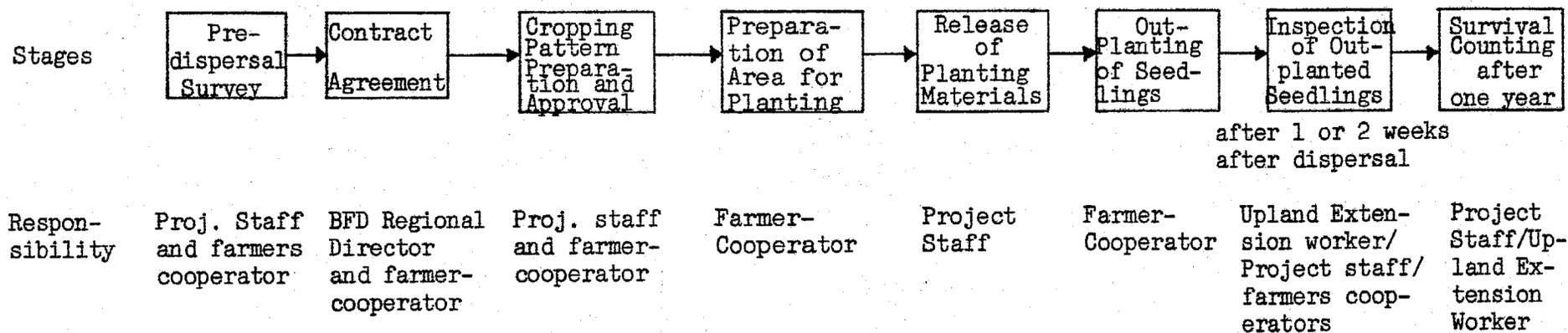
It should be noted that in the choice of agro-forestry species the farmer cooperators were consulted; including calculating the quantity of seedlings that each of them needs. The seedling output of the different nurseries, however, has not been sufficient to supply the needs of all the farmers. There is weak coordination between seedling production and dispersal programs in the Project.

The present system of seedling dispersal and follow-up procedure is shown in Figure 5. Seedling production is largely based on survey of farmer cooperators.

Reforestation

Reforestation is the process of revegetating open and denuded government-controlled upland areas which were previously covered with forests. The overriding purpose of reforestation is to reduce the

Figure 5. Current Seedling Dispersal and Follow-through Procedures



existing environmental stresses such as erosion; wildlife depletion, etc. Within this Project, the target areas for reforestation are some idle, open, and unproductive government lands. The idea is to establish forest plantations in the identified reforestation sites. For the year 1981, total reforested area was 3.88 hectares; total seedlings sown or potted at the Iraya Reforestation Nursery for the same year totalled 65,000. Some of species which were raised in the nursery are Ipil-Ipil, and Gonelina. Reforestation activities in the Project area only started last November 1981.

Specific reforestation activities include:

- nursery operations;
- tree planting maintenance;
- graded trail construction;
- establishment and maintenance of firebreaks; and
- forest land delineation.

To assess project performance systematically, land development activities should be divided into:

- o Phase I (1979-81), which was funded by a USAID grant; and
- o Phase II (1981-83) financed by USAID loan and GOP counterpart funds. During Phase I, most of the targets can be categorized as agro-forestation activities. These targets, and the extent to which they were attained, are recorded in the following table.

It is clear that, whereas some progress has been made in agro-forestation activities, virtually nothing has been achieved as far as reforestation is concerned, for reasons discussed elsewhere in this report. Regarding agro-forestry, the land area affected by the Project is small in relation to the total size of the watershed. However, it is important to note that a significant number of farmers who participated in training did change their land use practice. If the funding problems discussed in subsections IV-1 and IV-5 had not occurred (i.e., if the money for land development had been available on schedule) there is little doubt that practically every farmer listed as a primary cooperator would have modified his land use practices in a positive way. One of the problems that should probably be anticipated in this Project is the amount of logistical support (cash, tools, seedlings) needed to continue working with farmers in agro-forestation activities. The number of farmers trained in farmer classes, exposed to new ideas, and possibly disposed to participating in the Project far exceeds the number of cooperators the Project can work with given current budgetary limitations. If current cash flow problems can be overcome, it is likely that more farmers will request assistance in agro-forestry than can be served. Over the next few months, if cash flow constraints are resolved, it should be possible to arrive at a tentative number of the trained farmers who will want to become active cooperators. Based on this tentative figure, project

FIGURE 6
PHASE I (1979-80)
COMPARISON OF ORIGINAL TARGETS AND ACTUAL ACCOMPLISHMENTS

	TARGETS AND ACCOMPLISHMENTS			
	No. of Farmers Involved*		Area Coverage/No.	
	Target	Actual	Target	Actual
<u>Agro-forestatin</u>				
Soil conservation measures	45	40	6.75 has.	3.90 has.
Orchard Development	45	59	22.5 "	11.9 "
Firewood Lots	45	14	11.25 "	2.7
Nurseries Established	N/A	N/A	3	3
Seedling Dispersed	N/A	N/A	130,000	75,000
Construction of Graded Trails	N/A	N/A	2 kms.	2.5 kms.
<u>Reforestation</u>				
Forest land delineation	N/A	N/A	150 has.	-0-

*Does not include secondary cooperators.

Phase II increased previous targets, and included a substantial involvement in reforestation. These targets and accomplishments for the period January 1-December 31, 1981 against pre-determined levels are summarized in Figure 7.

FIGURE 7
PHASE II (JAN-DEC. 1981)
COMPARISON OF ORIGINAL TARGETS AND ACTUAL ACCOMPLISHMENTS TO DATE

	TARGETS OF ACCOMPLISHMENTS			
	No. of New Farmers Involved ^{1/}		Area Coverage/No.	
	Target for 1981 only	Actual 1981	Target for 1981 only	Actual 1981
<u>Agro-forestation</u>				
Soil Conservation Measures ^{2/}	25	-0-	7.5 has.	-0-
Soul Conservation Demonstration ^{3/}	N/A	N/A	-0-	2 has.
Orchard Development	25	N/A	25 has.	-0-
Firewood Lots	25	N/A	8.75 has.	-0-
Nurseries Established	N/A	N/A	2	2
Seedlings Dispersed	N/A	N/A	136,500	10,285
Construction of Graded Trails	N/A	N/A	13 kms.	3.25
<u>Reforestation</u>				
Nurseries Established	N/A	N/A	1	1
Tree Planting and Maintenance	N/A	N/A	75	3.8 has.
Graded Trail Construction ^{4/}	N/A	N/A	8 kms.	-0-

^{1/} Does not include secondary cooperators nor those already active during Phase I.

^{2/} By Farmer Cooperators.

^{3/} By Project Staff.

^{4/} Also serve as firebreaks.

management would be well advised to recommend preparation of a supplementary agro-forestation budget for insertion in the General Appropriations Act. It should be possible to accomplish this within calendar year 1982 or at the latest by early 1983 so that funds would be available in the first quarter of 1984. An alternative would be to request within calendar year 1982 a special allotment from the Foreign Assisted Projects Fund adding agro-forestation to the activities that will be implemented using GOP counterpart funding.

Enterprise Development

This project activity has, as its objective, the development of income-generating enterprises that can be tapped as long-term sources of project funding that are not dependent on donor assistance nor releases from the national government. The primary target is development of a mini-hydro plant at a waterfall which has been assessed and found to have a potential of generating approximately 200 KW. The intention is to encourage some entity to establish a mini-hydro plant and concurrently encourage farmers occupying the lands above this waterfall to manage the watershed effectively. As proposed, a percentage of electric power sales would be invested in agro-forestry activities to be implemented by the farmers. A topographic survey has been completed using project funds.

The next step is to prepare engineering studies based on the topographic survey and, using this information, convince the National Electrification Administration to: (i) install the plant and (ii) reinvest a percentage of power sales in agro-forestation activities on a continuing basis.

Institutional Development

According to the philosophy of the Project, Upland Development should rely heavily on community organizations to pursue agro-forestation objectives. These organizations are expected to play a major role in technology transfer and dissemination, feedback and control, and evaluation. Furthermore, if properly organized and supported by farmer members, these organizations will be depended on to continue project activities after outside interventions run their course. In the process of operationalizing this concept, the role of indigenous leadership plays an important part.

A policy of hiring recognized leaders as members of the project staff and farmer leaders as upland development extension workers has already paid dividends. To date, the Project has established three Upland Development Farmers Associations; each of them headed by a community leader selected by Project Staff. These associations meet once a month at the main project site for interaction, evaluation, clarification and feedback.

The selection of indigenous upland development extension workers is based on: (i) observed inherent and learned leadership qualities within the local community, and (ii) willingness to attend farmer cooperators training programs.

Currently, the Project employs 10 upland development extension workers for a period of 15 days per month; enabling them to continue cultivating their own respective farms during the remaining days. These indigenous extension workers undergo a more advanced version of the training program provided to the farmer cooperators. This advanced specialized training stresses human relations, group dynamics, procedural matters relative to assisting farmer cooperators, and leadership techniques.

The major functions of the extension workers in the Project are: (i) providing community linkages between cooperators and project management; (ii) follow-up and inspection of agro-forestry activities (especially after seedling dispersal and outplanting operations); and (iii) providing feedback to project management about field conditions, changing farmers perceptions, and so forth.

The entry point of potential farmer-cooperators in the Project starts with their willingness to attend a 5-day training program and to sign a contract agreement with the management. The Project conducts three farmer cooperators' training courses every year using the expertise of the management staff and resource persons from other institutions or organizations. The topics discussed in these training sessions are presented under the general headings of: (i) technical aspects of agro-forestry and (ii) human behavior concepts. Field demonstration and training are included in these programs. A comparison of the areas covered in the training sessions last September and November 1981 are listed in Figure 8. It should be noted that within a span of two months, 50% of the training program content was changed; only the first seven items were similar in the two sessions. This change was due, in large part, to the fact that the November program was designed entirely by subordinate members of the Project Staff without the participation of the Deputy Project Manager. In any event, changes between September and November indicate the lack of a systematic approach to the training program. Furthermore, it seems that the number of topics covered (15-20) is too numerous for the farmer cooperators to absorb, considering that most of them have limited formal education.

FIGURE 8- FARMER COOPERATORS TRAINING PROGRAM CONTENT

September 1981

Technical Agro-forestry

1. Orientation and overview of BLUDPP.
2. Conceptual Framework of Upland Development
3. Watershed Management.
4. Soil Conservation and Soil Management.
5. Nursery operation and management.
6. Cropping pattern and leguminous cover crops.
7. Some economic considerations in Upland Development.
8. Basic Concept of Ecology
9. Introduction to Tropical Forest.
10. Seed Procurement and Selection.
11. Construction of bench and vegetative terracing and contour ditching.

Other topics (Development, Human Relations, etc.)

1. Exercises: Dimensions of Cooperation.
2. General Perspective on Dimensions of Cooperation (Systems Analysis, Diffusion Theory).
3. Dimensions of Cooperation: Situational Analysis decision making.
4. Development: Concept and Process of Development; concept of developing rural communities; focus of rural upland development.
5. Approaches in Rural Development: Development of national consciousness; educational goal in Dimensions of Cooperation; inter-organizational cooperation/coordination.
6. Approaches on rural development; rate of development agent; communication skills/concept; extension approaches and methodology.

Field Work/Visit Gathering

1. Demonstration Session on: Making and Use of "A" Frame; Contour laying and staking; Construction of erosion control.
2. Visit to sub-station nursery and Itbog Falls.
3. Informal Interaction with Participants in the evenings.
4. Contour ditching field demonstration.

November 1981

Technical Agro-forestry

1. Introduction, briefing and BLUDPP orientation.
2. Concept of Upland Dev.
3. Watershed Management.
4. Soil Mgmt. and Soil Erosion
5. Nursery practices, Management and plant propagation.
6. Cropping pattern with cover.
7. Upland Development Economic Consideration.
8. Comparison and Analysis of other upland development.

Other Topics (Development Planning Human Relations)

1. Introduction to Planning.
2. The Effective Cohesive Group
3. The Concept of Man, the dignity of human relation.
4. The inalienable right of man.

Field Work/Visit/Gathering/ Workshop

1. Planning Workshop.
2. Field work and actual orientation on BLUDPP demonstration area.
3. The Johari Window.

Research

Funds are set aside within the Project's budget for process documentation and operational research similar to that underway in the upper and lower Lalo components of BIAD III. However, although BFD has discussed the terms of a possible contract with researchers working out of Ateneo de Naga (The Jesuit University), no action has as yet been taken. Some recurring technical research has been undertaken by the hydroecology group of UPLB under contract with BFD.

4. COMMITMENT OF THE GOP (Patrick Dugan, Paul Novick and Cesar Fernandez)

Various GOP ministries dealing with farm families are beginning to modify what has heretofore been an almost exclusive focus on the lowlands by increasing emphasis on development of upland areas. The Ministry of Agriculture (MA), with external donor funding, is improving its farming system extension activities and applying them to the rainfed uplands. The Ministry of National Resources (MNR) through the Bureau of Forestry Development (BFD) is increasing expenditures to address the needs of upland inhabitants on public lands. The BFD is the lead implementing agency for the AID-assisted Lake Buhi Upland Development Pilot Project in Bicol. BFD has established an Upland Development Working Group, with Ford Foundation assistance, to bring together selected government and other specialists to identify relevant upland development problems, and policy and program issues. The National Electrification Administration (NEA) is implementing a nationwide alternative energy program based on mini-hydro plants and the use of bio-mass. The establishment of energy farms by the Ministry of Human Settlements, BFD, and the Farm Systems Development Corporation, concurrently focuses on preserving and increasing the country's renewable natural resources, especially in the uplands. In addition, key officials of national technical ministries and agencies (MA, MNR, NEA, BFD, MAR) and the National Economic and Development Authority (NEDA) have actively participated in a joint upland conference, and contributed to the preparation and review of an initial design of an expanded USAID supported Rainfed Resources Development assistance strategy; including an agro-forestry component. It is useful to review the factors that influenced this comparatively recent increase in the number of upland development programs.

During the early 1970s, a small group of BFD planners began to examine the policies followed by the Bureau relative to the question of illegal occupants on government-owned forest lands. Traditionally, government's attitude had been to consider these upland farmers as direct adversaries, whose activities would result in complete denudation of Philippine forests if left unchecked. BFD's policies were designed to address this issue through police action; in other words, to arrest and prosecute slash-and-burn farmers.

Those examining this policy approached the problem from two perspectives; one environmental, the other socio-political. Personnel concerned primarily with forest conservation (the environmental approach) argued that police action was not an effective tool. Figures were cited to illustrate the magnitude of the deforestation problem and the large number of illegal forest occupants. These figures clearly indicated that if police action was to continue as the only recourse there would not be enough jails in the country to accommodate all those who, under the law, should be arrested and prosecuted for burning forests. The only rational approach, it was postulated, would be to develop alternatives that would furnish new livelihood opportunities. Those alternatives could absorb the growing numbers of slash-and-burn farmers, and thereby relieve pressure on the forests.

The other perspective was influenced by opinions shared with social and political scientists. This position was that, for reasons of equity, land and other forest resources should not be denied to the poor elements of society. Denying this access, it was argued, would be depriving underprivileged elements of society those privileges which the more affluent could take advantage of by logging, leasing government lands for pastures, and so forth. Thus, the problem was viewed as would be putting one element of society against another. The result would be political instability. These two positions had one common ground; namely, that viable economic and technical alternatives to slash-and-burn farming were essential if Philippine forests were to be preserved.

BFD was encouraged to initiate programs that would promote alternatives to destructive farming; new opportunities which upland communities could be helped to develop. The emphasis would be on working cooperatively with upland farmers rather than relying on police action and, thereby, maintaining a position of conflict between the government and the farmers.

BFD management was amenable to these suggestions and inaugurated several programs designed to work with upland farmers in a positive way. These included the Forest Occupancy Management Project and Communal Tree Farms; among others. Both programs had a common element; the encouragement of tree farming as an alternative to annual cropping. Upland farmers were encouraged to give up their conventional practice of planting temporary crops of forest lands because these plants do not provide adequate vegetative cover for the prevention of erosion. It was hoped that by encouraging the planting of fruit trees and fast growing timber species, the economic needs of upland farmers could be satisfied and the environment would be protected.

In May 1975, the government promulgated PD 705. ^{1/} which included provisions supporting BFD's new direction. This decree pardoned all slash-and-burn farmers of past activities that had caused forest

1/ PD 705 is otherwise known as "The Revised Forestry Code of the Philippines."

destruction. Tenure on lands they occupied was recognized and they would be permitted to continue living on these lands. However, farmers would be expected to manage the lands in a manner consistent with the need to protect the soil, forests, and the environment in general. This decree was followed by subsequent legislation which reaffirmed a policy of cooperation instead of conflict with upland farmers.

On June 11, 1978, President Marcos signed PD 1559, which further amended Presidential Decree No. 705. This was drafted to further strengthen the code to make it more responsive to current realities and the new thrust of Philippine government policies and programs, especially on rural development. Furthermore, PD 1559 provided incentives to encourage and expand participation of the private sector in forest management, protection and development within the concept of joint or co-management of forest resources.

These two decrees (705 and 1559) form the legal bases for agro-forestry as defined by the Philippine government. PD 1559 describes agro-forestry as "sustainable management for land which increases overall production, combines agricultural crops, tree crops and forest plants simultaneously or sequentially and applies management practices which are compatible with the cultural patterns of the local population."

In early 1980, the BFD National Director issued new guidelines further reaffirming a commitment to "Agro-forestry". In mid-1981, a new Minister of Natural Resources was appointed.^{2/} MNR also announced a "Social Forestry" policy which is generally perceived to be synonymous with the term "Agro-forestry." Several new projects designed from this perspective were put on stream.

At this process of reexamination and redirection followed a zig-zag course from the bottom of the administrative structure (concerned foresters) to the top hierarchy of government (the President) and back to the ministerial level (MNR), lively debates were in progress in the academic world. These debates, pursued through a series of seminars and workshops, have so far concentrated on issues of equity, land tenure approaches, and environmental concerns.

For this evaluation, it is important to examine the impact of one whole decade (1971-1980) of discussion and other activities centering around this new policy. There can be no doubt that it was necessary for a policy change to occur before agro-forestry programs could be operationalized. This has happened. By the same token, it is important to examine what has been done to translate these policies into effective programs. Here the evidence is somewhat disappointing. BFD initiated its Forest Occupancy Management Program and other similar programs in the 1970's. However, 1981 was the first year in which these programs were granted any operating budgets. In 1979, a Division of Forestry Extension

2/ BFD operates under the direction of MNR.

and Education was created. This division is expected to develop the capability required to work directly with upland farmers in agro-forestry projects. To date, this division does not have its own appropriations. A policy commitment cannot be carried out if financial support is withheld. In addition, there are questions that must be asked at the operations level. The experiences emerging from the Buhi Project provide clear evidence that, notwithstanding a clear commitment to agro-forestry at the highest levels, virtually nothing has been done at the operational level to amend or modify administrative procedures so that they are consistent with policy.

Buhi's problems do not lie in the lofty realms of debate on such issues as equity, land tenure, and environmental preservation. The problems faced by this project are down-to-earth, day-to-day issues:

- o where are the seedlings farmers want to plant?
- o can non-line agency personnel be hired?
- o what salary ranges are permissible?
- o can a system of para-professionals be developed within the bounds of existing policy?

If the Buhi experience demonstrates anything at all about government commitment in an operational sense, one must conclude that many issues have not been addressed. Clearly, social forestry and agro-forestry are new directions in development. These programs do not fit into the usual mold. In common with anything that is being operationalized for the first time, nothing will work unless new systems are in place to make it work.

As the interest in agro-forestry programs increased, jurisdictional conflicts will almost surely emerge between the Ministry of Natural Resources and the Ministry of Agriculture; two key ministries of the Philippine Government. At the implementation level, agro-forestry cuts across the functions of both ministries. Agro-forestry is neither forestry nor farming, but a combination of both. This jurisdictional issue will impact on agro-forestry at the most crucial level in the field where farmers live.

The GOP commitment to agro-forestry will be tested on the basis of: (1) whether means can be found to use existing systems or procedures and still achieve the objectives pursued in agro-forestry, or (ii) the extent to which administrative and other procedures will be modified so that "agro-forestry" can move out of the theoretical realm and into the real world.

5. EFFECTIVENESS OF GOP IMPLEMENTATION (Jerry Silverman and Paul Novick)

Management Structure and Procedures

A discussion of the management structure must distinguish between the structure of authority for decision-making within a project and the specific implementation responsibilities of agencies, groups, and individuals within that structure. The former requires hierarchy in order that disputes among those with implementation responsibilities can be resolved. Integrated Rural Development Projects are often designed with non-hierarchical authority structures with the hope that cooperation can be induced. That was also the case in the design of this Project. The BRBDP and lead line agencies were viewed essentially as organizations for coordination and integration. The division of project responsibilities among agencies and groups in the Project is illustrated in a non-hierarchical fashion as follows:

Viewed from a non-hierarchical perspective, a clear division of responsibilities is apparent. BFD is responsible for decisions regarding reforestation, and the Deputy Project Manager and his staff are responsible for all decisions regarding the Agro-forestation, Enterprise Development, Institutional Development, and Research Components of the Project. The BFD provides administrative support to the Deputy Project Manager and his staff in order to assist them in carrying out their responsibilities. The Buhi Municipality and other GOP Agencies provide technical and political support under the coordination of the BRBDP.

Implicit in that non-hierarchical view is that the primary decision-makers are the BFD Project Manager (for reforestation) and the Deputy Project Manager (for the other components of the Project); each essentially operating in a semi-autonomous manner. Others serve only in supporting roles; providing advice, inputs when requested, and administrative support. The "system" just described essentially represents the management structure--conceptually--of the Project.

However, the practical need for a decision-making hierarchy in an integrated project has resulted in an operational structure significantly different from that originally desired (as described above). A comparison of Diagram 9 and Diagram 10 on the next page illustrates the difference.

As actually operating, the Project is the responsibility of a single GOP line agency (BFD) which manages it--in most respects--in a conventional manner. The structure of decision-making authority remains top down; although some authority for certain implementation decisions has recently been delegated from Regional to the Project Manager level (and more delegation is expected soon). However, in practice, the primary constraint to substantive decentralization--as originally desired--is GOP financial management regulations which do not allow sufficient control over funds at the project management level. In that regard, the MOB at the national level and COA at the Regional level are in absolute control.

**FIGURE 9
DIVISION OF RESPONSIBILITIES**

<u>BRBDP</u>	<u>Project BFD</u>	<u>Buhi Staff</u>	<u>Other GOP Municipality</u>	<u>Agencies</u>	<u>USAID</u>
1. Coordination of of other GOP Agency inputs	1. Reforestation	1. Agroforesta- tion	1. Chairmanship of promotions Committee.	<u>BS</u> 1.	1. Financial
2. Monitoring of the Project	2. Administrative support to Pro- ject staff.	2. Institutional Development	2. Information feedback	<u>BPI</u> 1. Provision of seeds and seedlings	2. Technical assistance
	3. Generation and disbursement of GOP Counterpart and USAID Loan funds.	3. Enterprise Development		<u>BAI</u> 1. Provision of animal husbandry ext. services.	3. Monitoring
		4. Supervision of Research		<u>BAEx</u> 1. Provision of agricultural ex- tension services.	
				<u>MAR</u> 1. Assistance in land tenure dis- putes.	
				<u>MOB</u> 1. Authorization of Disbursements from national to regional level.	
				2. Authorization of staffing pattern and salary levels.	
				<u>COA</u> 1. Authorization of Disbursement from Regional to Project level	

Administrative Structure

Within Region V BFD, the most important personnel and officers involved are as follows:

Regional Level

- (1) The Director; responsible for overall leadership on policy and administration.
- (2) The Accountant; responsible for processing of vouchers and requests for disbursement authorization from the Auditor.

Project Management Office Level

- (i) The Project Manager; responsible for project level administration, including requests for disbursements, preparation of payroll, and direct management of the reforestation sector of the Project.
- (ii) The Cashier, responsible for preparing financial documents and actual disbursements.
- (iii) The Planning Officer; responsible for preparing specific operational plans in conformity with the implementation plan.

Project Site Level

- (i) The Deputy Project Manager; responsible for managing the Agro-forestry, institutional development and enterprise development sectors, and supervising research.
- (ii) Head Agronomist; responsible for coordinating the laborers and plant propagators in the agro-forestry sector and supervising Nursery personnel and Upland Extension Agents.
- (iii) Upland Extension Agents; responsible for assisting farmer cooperators agro-forestry improvements on farmers' lands.

Eleven persons are currently assigned to the Project Management Office in Buhi Municipality. Of those, eight (73%) represent new positions opened only during the last eight weeks; including a Cashier, Planning Officer, Bookkeeper, and Property Custodian. Twenty-six persons are currently assigned to positions within the Project Area. Seven are involved in the reforestation effort directed by the BFD Project Manager. Nineteen others are dispersed throughout the project area and are involved in the agro-forestation and institutional development components of the Project under the direction of the Deputy Project Manager. The technical research component of the Project is undertaken by the Hydro-Ecology

Figure 10

MANAGEMENT STRUCTURE DESIGNED

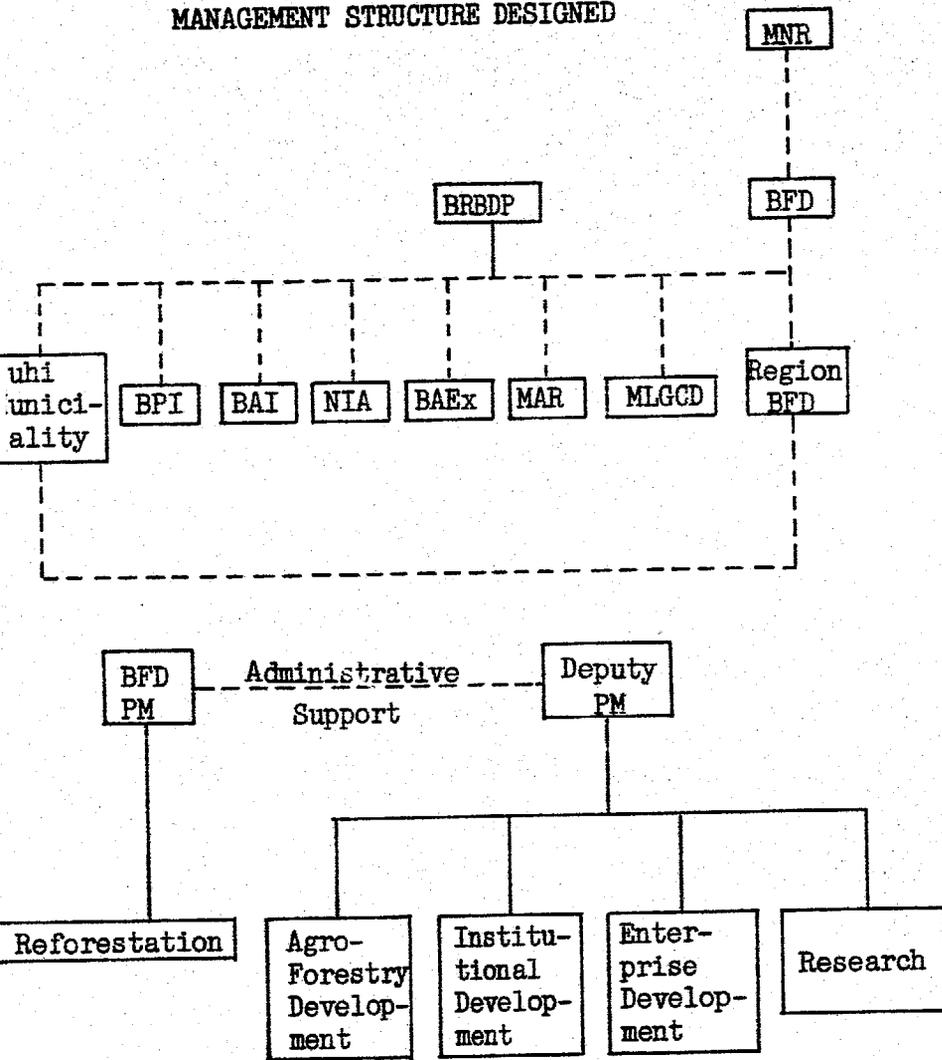
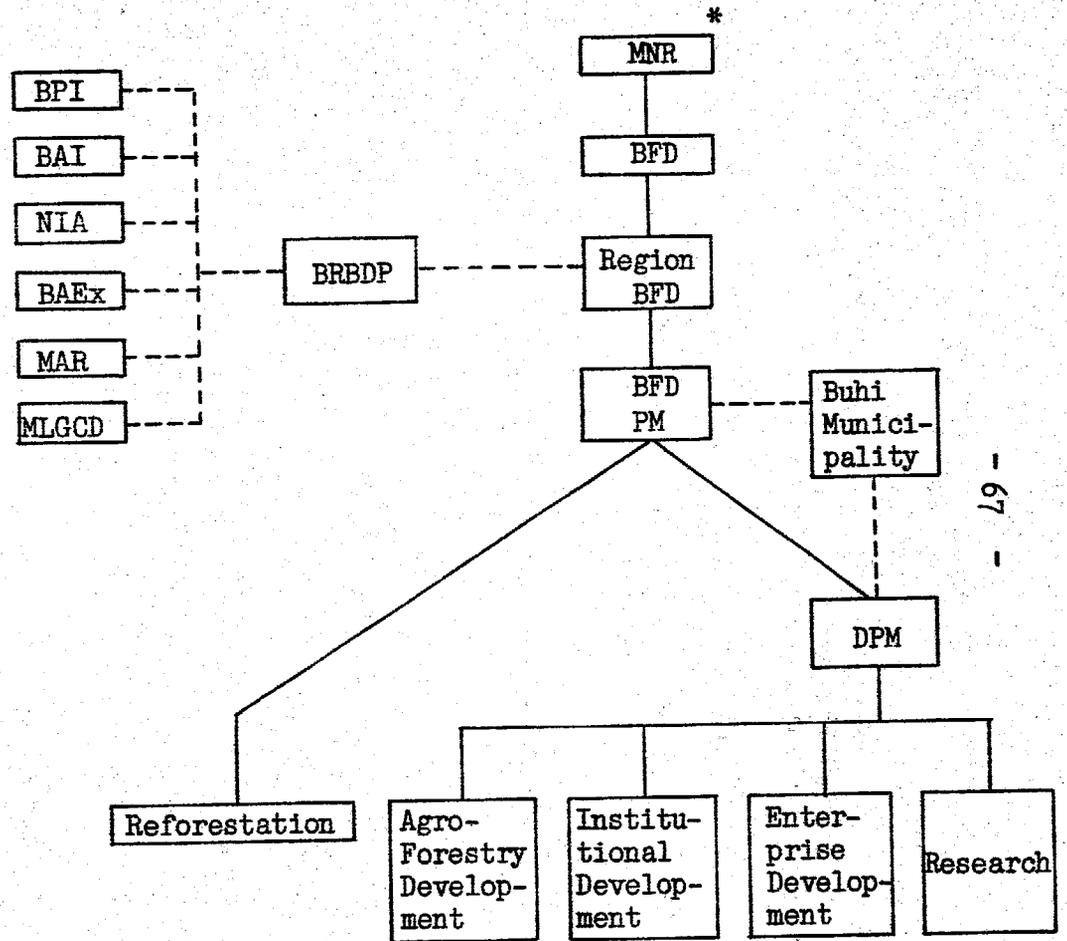


Figure 11

ACTUAL MANAGEMENT STRUCTURE



----- Advice/Support/Technical Inputs Only

————— Decision Authority

* Limited in some important functions by MOB

staff of the University of the Philippines at Los Banos under a contract with BFD. No contract has yet been established for the conduct of process documentation nor have any personnel been assigned yet to work on the Enterprise Development component of the Project.

Financial Management

The three diagrams on the next four pages illustrate the relevant funds release and cash disbursement system of the GOP at National, Regional, and Project levels.^{1/}

AA Advice of Allotment

Document whereby the Ministry of Budget grants authority to the BFD/Manila to obligate funds.

ASA Advice of Sub-Allotment

Document whereby BFD/Manila grant authority to the Regional line office to obligate funds.

Auditors Advice to TCAA Checks Countersigned

Document that is presented to the bank upon cashing checks which certifies that the auditor has countersigned the checks.

COA Commission on Audit

DV Disbursement Voucher

Document which details the set of activities and peso amounts against which a cash advance will be made.

NCDC Notice of Cash Disbursement Ceiling

Document which details the amount of funds being released by the Ministry of Budget to the Regional line office and grants the authority to the regional office to disburse these funds.

ROA Request of Allotment

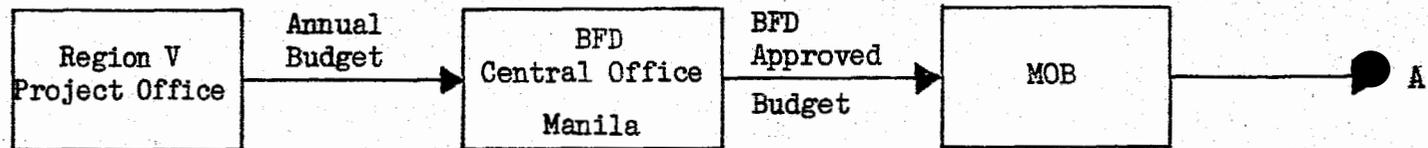
Document whereby the regional budget office formally obligates money to the project.

PNB Philippine National Bank

^{1/} The following financial abbreviations and terms are used in the illustrations and discussion.

Figure 12

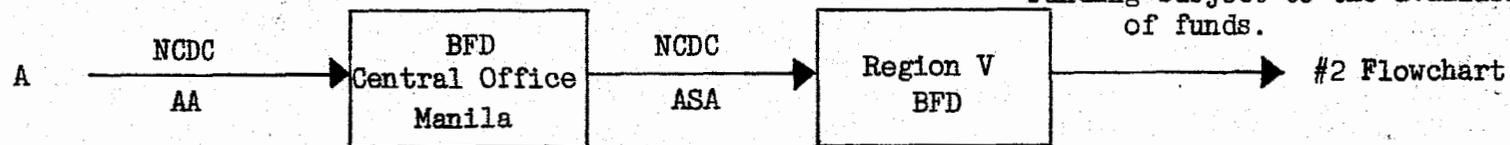
FLOWCHART OF "FUNDING RELEASE" PROCESS AT THE NATIONAL AND REGIONAL LEVELS



Project Manager and Staff prepare annual budget and submit it to the Region V Project Office for approval.

1. Budget sent to the central office for review. Copies are sent to other agencies.
2. If budget is adjudged incomplete, it is revised in consultation with the Project Manager.

1. The budget is forwarded to MOB for final approval. If submitted and approved during the end-of-year budget hearings, then the budget will be included in General Appropriations and will receive priority funding. If submitted late or approved after the budget hearings, it will go into the Foreign Assistance Support Fund where it gets secondary priority for funding subject to the availability of funds.



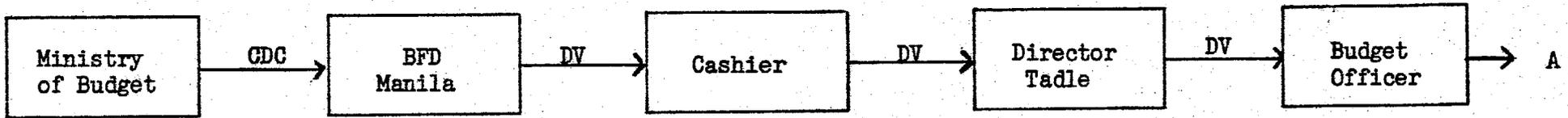
Upon approval of budget, MOB prepares CDC and AA and sends to BFD/Manila.

These obligative documents are then forwarded to the regional BFD.

Figure 13

FLOWCHART OF "CASH DISBURSEMENT" PROCESS AT BFD REGIONAL AND PROJECT LEVELS

Region V BFD



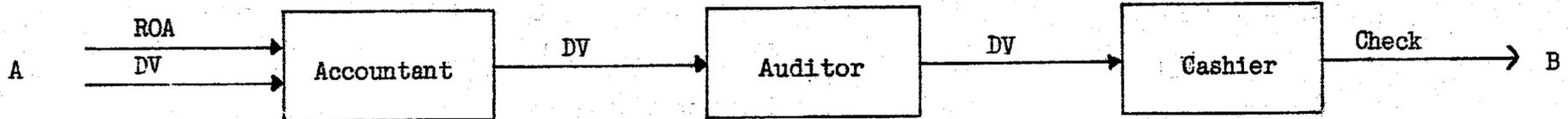
Manila Agencies
Reg. V BFD Auditor
Reg. V BFD Acct.
PNB, Naga City

Based on the CDC Peso amount, cashier works up a DV detailing the project activities and peso amounts that will be disbursed to the project.

Director approves DV.

DV is sent to Budget Officer who signs off on it and then prepares a ROA which formally obligates money to the project.

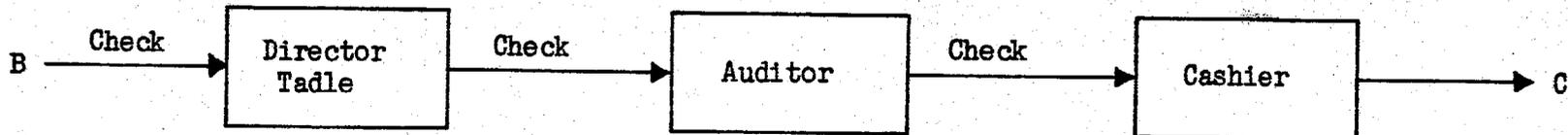
ASA and NCDC are sent to the Region V BFD Cashier and other parties.



ROA is retained for accounting records by accountant thereby certifying that funds are available for disbursement to the project.

Auditor conducts a pre-audit and approves DV if consistent with GOP regulations. All cash advances in excess of ₱20,000 and all foreign loan proceeds (regardless of amount) must be pre-audited.

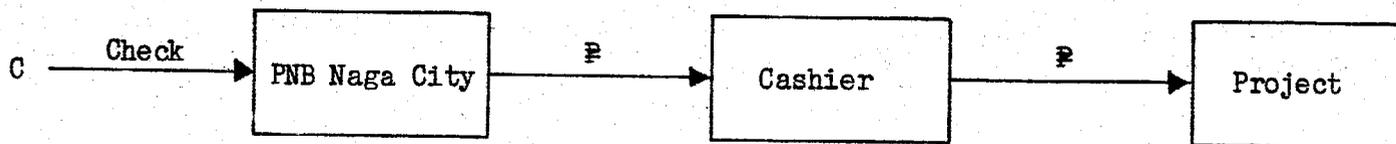
Cashier receives approved DV and prepares a check equivalent to the audited amount on the DV.



Director personally signs check prepared by Cashier. (Director has sole authority to sign checks. If he is absent, checks cannot be signed and disbursed.)

Auditor countersigns the check and prepares an Auditor's Advice of TCAA Checks Countersigned form. If she is absent, only the supervising auditor in Legaspi City can perform this activity.

Cashier receives signed checks.

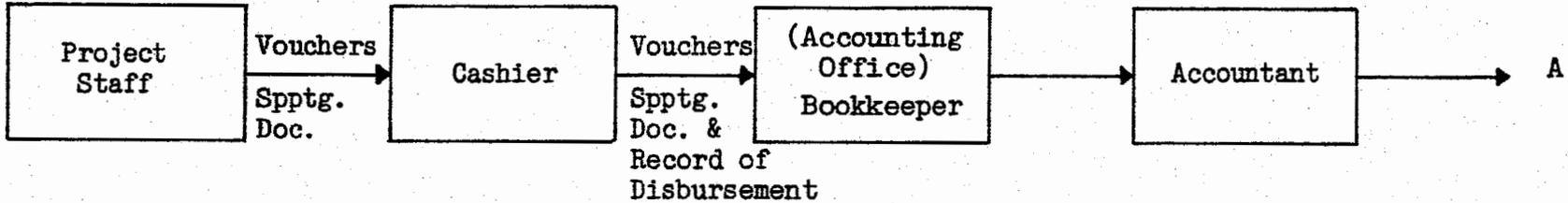


The Cashier, with a COA representative, handcarries the check plus the Auditor's Advice of TCAA Checks Countersigned to the bank and receives cash in return.

Cashier (or Special Disbursing Officer) carries cash to project and spends it for activities.

Figure 14

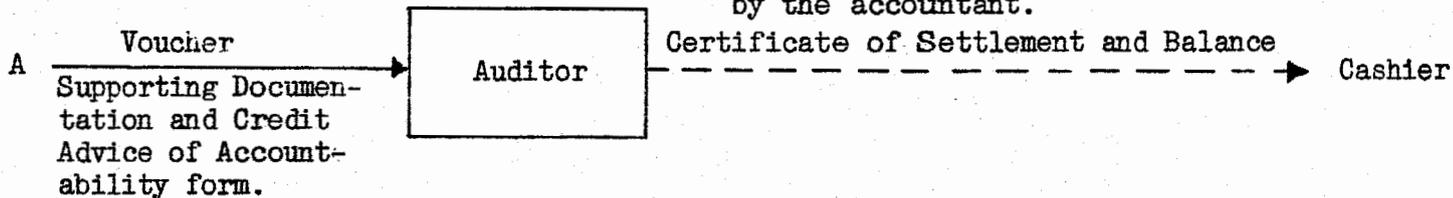
FLOWCHART OF "LIQUIDATION OF CASH ADVANCES" AT THE REGIONAL AND PROJECT LEVELS



Cashier collects all vouchers and supporting documents of expenses. He then enters this information in his cash book and prepares a record of disbursements.

Cashier takes all documentation with vouchers to the Naga Office and presents them to the accounting office which stores them with vouchers from the other 7 BFD districts. When earlier vouchers have been processed, the Buhil voucher is logged in by the bookkeeper and it is then ready for processing by the accountant.

The accountant receives the vouchers and documentation and enters liquidation in the books and prepares an accounting form--the Credit Advice of Accountability.



Auditor conducts a Surface evaluation of the voucher and if all looks in order then will grant approval for the Cashier to work up a DV for the next cash advance. This leads back to the Cash Disbursement flowchart again.

Over approximately 90 days, the auditor will conduct an in-depth audit of the voucher and if everything is in order then will issue a Certificate of Settlement and Balance to the Cashier, thereby certifying final approval of the voucher.

EFFECTIVENESS

The most important negative effects on Project implementation have resulted from problems of financial management.

However, a number of problems have also arisen in the non-financial administrative arena.

o Administration

Five successive Project Managers have been assigned to the Project during the three years since its inception. The first of these was assigned by MLGCD. He remained for the 6 months that MLGCD's management capacity to serve as lead agency was being tested. The four subsequent Project Managers have all been assigned by BFD, serving terms ranging from three to nine months. The current Project manager has served for four months (since October 1981). Thus, at the crucial Project Manager level, GOP administration has suffered from frequent turnover. It should also be noted in that regard that prior to March 1981, a Project Management office did not exist in Buhi within which Project Managers could establish their presence. In fact, the Deputy Project Manager does not know to this day the actual office locations to which various Project Managers were assigned prior to the opening of the BFD Project office in Buhi 11 months ago. If the Deputy Project Manager had a need to contact "higher headquarters" during that time, he went to the BRBDP Project Coordinator. In fact, that pattern still remains when--occasionally--the Deputy Project Manager requires assistance at Region above the Project Manager level.

- o The record has been much better at both the levels immediately above and below that of the Project Manager.

At the Regional level, the BFD's Director for Region V has remained in office since 1978 and, thus, has been able to provide policy continuity from the BFD perspective through the Project's life to date. The BRBDP's Project Coordinator has also remained in that position since before the design of Phase I and, thus, provides continuity in the exercise of his monitoring and coordination function.

At the Project site level, the Deputy Project Manager has served in that position--at the project site--since the first day of Phase I project implementation. From an operational perspective, the Deputy Project Manager must receive the primary credit for whatever degree of continuity and programmatic expansion the Project has accomplished to date.

However, in spite of personnel continuity at both Regional and Project site levels, progress has been frequently disrupted by changes in the Project's insitutional arrangements, funding mechanisms, and assignment of Project Managers.

The Project's institutional arrangements changed three times during the first 18 months.

Lead implementation agency responsibilities were first assigned to MLGCD. The reasoning behind the selection of MLGCD, as expressed by a staff member of BRBDP, was that--since the natural environment in the uplands is not degraded by itself but is degraded by people--the main strategy of the Project would involve a Community Development (CD) approach. Since the MLGCD was the GOP agency responsible for CD projects, it was believed to be the appropriate agency. However, soon after implementation began, the MLGCD approach--as represented by the Project Manager--was criticized by Project Staff and farmers in the area. In response to that criticism, BRBDP concluded that assigning the Project to MLGCD had been a mistake.

Because no other GOP line agency was willing to assume lead line agency responsibility, the BRBDP itself assumed that responsibility. During the following 11 months under BRBDP stewardship, management of implementation operated essentially as originally designed. Although two successive Project Managers were assigned by BFD under BRBDP auspices, neither actually performed in that role for for more than a few days each. Thus, BRBDP provided administrative support and, within a short time, the Deputy Project Manager at the site was designated Officer-in-Charge (OIC). In that capacity, he actually managed Project implementation.

However, prior to the expiration of Phase I, lead line implementation responsibility was officially transferred to the BFD in anticipation of Phase II. At that time, BFD assumed control. Recent experience under BFD stewardship has been fraught with problems:

- Payment of salaries to Project Staff has been significantly delayed at least twice. Salaries for August and September 1981 were not paid until November 20, 1981 and salaries for the October, November and December 1981 period were not paid until February 1982.
- Project staff have purchased seeds and seedlings for agro-forestation and firewood production without receiving reimbursement from BFD because since reimbursement requirements (which are inappropriate for project conditions) cannot be met--no request for reimbursement has been submitted to BFD.

- Involvement of other GOP agencies, (e.g., BS, BPI, BAEX, NIA, MAR) has almost totally disappeared.
- The Promotions Committee has met only once.
- Procurement of tools for the Project resulted in shortages and inferior quality.
- A petty cash fund (P2,000) for use of Project staff for small-scale purchases of seeds and seedlings and representation expenses was agreed upon at two separate meetings (November and December 1981), but has not yet been established.
- The Project's table of organization was not officially approved until February 1982 (and then only with the omission of the crucial Deputy Project Manager position); although some project staff have been working under BFD auspices for more than one year and under BRBDP auspices for 18 months before that.

It is generally recognized that the Project is now one full year behind schedule. That is largely due to financial management problems for which the BFD is not primarily responsible (refer to discussion below). However, some of the problems resulting from delays in financial disbursements--including reduction in some of the delays themselves--might have been ameliorated if administrative and follow-up activities had been pursued more energetically at Project Management, Regional, and National levels.

Financial Management

National Level

In January 1981, BFD submitted its annual budget to the MOB; conforming to the procedure outlined in Figure 12 (page 69). Despite its subsequent approval, there were serious delays in the disbursement of funds from MOB to the regional BFD throughout the year. MOB funds were not received by BFD until September. There was no release of 01 salary monies for the entire 1981 period.^{1/} Both USAID and the BFD Project Management Staff in Manila repeatedly contacted the backstopping personnel in MOB about the delays. The only answer that MOB could provide was that the release was at the ministerial level awaiting approval. The holdup in funding

1/ Money from the Bicol IRD Grant was to pay project staff and laborer salaries (with the exception of BFD personnel) from January thru September 1981 because of the delay in release of GOP counterpart funding. After that date, salaries for the October 1981 thru January 1982 period remained unpaid until February 1982 when delayed GOP 01 funds were finally released by MOB.

continued, whereupon USAID called a meeting in early December 1981 with BFD Director Cortez and prevailed upon him to write a letter to the Minister of Budget requesting the release of funds. Soon thereafter MOB did prepare a CDC, but explained that funds would have to be transferred from other projects. Meanwhile, BFD attempted to find available funds in other projects to temporarily pay some of the Buhi Project salaries, but were unsuccessful in doing this. USAID wrote a formal Implementation Letter to NEDA in early January 1982, detailing the situation and asking for an immediate resolution to the funding problem. MOB finally released the delayed 1981 OI monies at the end of January 1982.

To date, no definite reason has been given for these serious funding delays. Because the 1981 budget was submitted to MOB after the end of year budget hearings, the project budget was allocated to the Foreign Assisted Project Support Fund which has limited financial resources. This fund was probably exhausted, thereby leaving the Buhi Project with no source of GOP counterpart. It appears that the structure of the fiscal management system at the national level did not actually cause the delay. Rather, the delay was caused mainly by the lateness at which the budget entered the system. However, there are serious problems with the hierarchy at MOB whereby backstopping personnel are unable to ascertain the reasons for some problems. There is a large gap between the middle management level and the ministerial level without adequate links. For this reason, BFD and USAID personnel were never able to get any information about the funding delay.

In 1981 USAID signed a Payment Agreement with NEDA formally committing loan funds to the project. In October 1981, the first AID release was made to the special BFD account in the National Treasury. According to the terms of the Agreement, BFD submitted the required documentation to MOB and requested release of some of the money to the Regional Office. This was disallowed by MOB and tied to the future release of GOP OI funds. Subsequently, in January 1982, when GOP counterpart was released, a portion of the AID loan was concurrently released to the regional BFD.

The procedure adopted by the MOB in the handling of the AID loan was contrary to the intent of the Payment Agreement. In fact, this loan was handled in the same manner as all donor-assisted loans; i.e., once committed to the GOP it was subject to the same procedures and requirements as the GOP counterpart money. Any waivers to this present system can only come about through further negotiations between MOB and USAID.

Regional Level

Given the late transfer of the Buhi Project to the BFD and the timing of USAID/BFD actions in preparing the Implementation Plan, the Regional Office was unable to prepare its 1981 budget and submit it in time to MOB for incorporation into the General Appropriations. As mentioned earlier,

this was probably the reason that the Project experienced such a severe funding problem. However, BFD submitted its 1982 project budget to MOB in time for it to be allocated to General Appropriations, and it has already received its first release of funds for 1982.

The one release of GOP funds to the project in 1981 was made in September. Problems were encountered in moving this MOE to the field. As shown in Figure 13 (page 70-71) the process of moving a cash advance through the regional BFD office takes considerable time. That office handles the processing for seven districts and it appears that it was ill-prepared to take on the additional requirements of a special project such as Buhi, given the attention required by ongoing regional programs and the much larger ADB-assisted Lake Bato project.

The Regional Accountant is a major actor in the financial management system. Her workload is heavy in maintaining the accounts and processing vouchers for seven districts. The work requirements of the Buhi Project were an additional burden to an already extended system.

The auditor is responsible for reviewing all vouchers and documentation of cash disbursement. She is extremely knowledgeable about COA and MOB financial and hiring regulations and is probably the most important link in the financial management process. Without her approval financial transactions cannot take place. She was instrumental in holding up cash advances to the Project when the cashier did not provide sufficient documentation. She provides a strong check on the misuse of funds but sometimes COA regulations have created problems for the Project. For example, whenever any seeds are procured by the project staff, an auditor must be present to certify the procurement and count the seeds. This procurement process requires that arrangements be made in advance in order to have an auditor present when the buying is done. As a general rule, the auditor insists that someone from her office must be present to count seeds; however, under questioning by this evaluation team, she did agree to make exceptions to the rule in emergency procurement cases.

There seems to be a general lack of cooperation between the auditor, and the Regional Director and Project Manager. Possibly this results from the dominant role the auditor's function has played in the financial process relating to the Project.

The Buhi Project was a new experience for BFD. It has unusual requirements that differ from routine BFD procedures. Project staff and extension workers are not BFD employees, so their positions require special Civil Service approval and different salary rates. There is an AID loan to administer. Activities such as procurement of seeds, payment of representational expenses, contracting with the local municipality, setting up a petty cash fund are not routine operations. They are exceptions to a routine that the BFD system is familiar with and which are governed by detailed auditing requirements. The Auditor knows these requirements well but unfortunately BFD project management is not as well

informed. The inevitable result is that management attempts a new activity and the Auditor immediately places a control on it, citing COA requirements. Thus, the Auditor's role has become very dominant in the implementation of this new project. This situation does not make for a smooth and favorable working relationship between the two parties. There is a noticeable lack of cooperation with inevitable consequences for timely fiscal processing.

For example, the auditor has repeatedly requested a copy of the Payment Agreement (USAID loan) from the Project Manager, but it has never been provided to her. That creates additional difficulties because the Auditor has to approve all loan transactions. This lack of cooperation only results in further delays in moving loan monies to the Project.

Despite these problems, BFD has recently taken several positive steps to improve financial management. They have hired an experienced disbursing officer. He knows the BFD system; not only at the regional and project level but also at the national level. Since his appointment in January 1982, he has made trips to Manila to follow up on funding problems. He relieves the project manager of many financial details. He also follows up on cash advances, voucher processing, and so forth at the Regional office. The Auditor believes that this following-up activity is crucial to insuring a timely movement of finances to the project. BFD has also requested an additional accounting position to handle its two special projects; Buhí and Bato. They have already begun training one of their bookkeepers for this job. It's planned that she would be based at Buhí with occasional weekly trips to the Naga office.

It is expected that the Regional Director will recommend shortly that the Project Manager be authorized to sign checks and that the Buhí office be able to directly issue checks for the Project. Currently, only the Director himself can sign checks. If he is away then no cash can be disbursed until the Director returns and personally signs the check to be released. While this procedure has not caused serious problem in the past, it does have negative potential. All of these actual and proposed changes are expected to fulfill the financial backstopping requirements of this project. The original idea of adding a new special project to the workload of an already overworked Regional Staff and expecting it to maintain a timely flow of financial transactions for the project was unrealistic. As one interviewee mentioned, "for this new Project to get the kind of fiscal attention it needs, there must be a cashier and an accountant, outside the regular office who are detailed to the Project."

If all of the proposed changes are implemented, most of the financial management staff and responsibilities will be located in the Project Management Office. This decentralization should result in an improvement in the system if it is accompanied by proper communication with the Auditor in Naga City.

Project Level

At the Project level, financial management activities are mainly concerned with spending the money disbursed from the Regional office and then collecting the necessary documentation to prepare the vouchers. The current BFD Project Manager is sufficiently knowledgeable about the financial system to prepare all the required paperwork. However, he has complained that in the past he has had trouble collecting all the proper documentation for voucher preparation from some of the project staff. In fact, one voucher that was sent to the Regional office for processing was incomplete; delaying a subsequent cash advance. It's possible that some of the project staff, not being BFD employees, are not sufficiently knowledgeable about BFD/COA fiscal procedures and requirements. The Auditor has expressed this concern. It might be beneficial if the Auditor and the Regional Accountant would conduct a short one-day training session to explain the financial system and requirements to the staff. This might eliminate any misconceptions of the staff and reduce any future documentation mistakes.

During 1981, numerous visitors travelled to the Project site. These visitors were provided with meals and refreshments; an expense covered by representational allowance. However, this allowance was provided only on a reimbursement basis. Thus, the Deputy Project Manager ended up advancing his own personal money to pay these expenses and then had to submit a voucher to the Regional office for processing and eventual reimbursement. Needless to say, this is an inefficient process that burdens an individual who still has not been paid most of what is owed him for almost five months of back salary.

The suggestion was made by USAID several times (and agreed to by the auditor) to set up a ₱2,000 revolving petty cash account to cover such expenses. It would also be used for small, quick procurement of special seeds at times when this could not be done under the routine cash advance process. According to the Auditor, the establishment of such a fund is relatively simple. All that is required is for the Project Manager to prepare a set of guidelines for the use of the fund, and a disbursement voucher in the amount of ₱2,000, which is then approved by the Auditor, Accountant, and Director. However, to date, the Project Manager has taken no action on this suggestion.

Another activity at the project level concerns the release and use of AID loan monies. For a release to be affected, the Project Manager must submit a work plan and budget to the MOB and request a CDC/AA. The first release came down to the Regional Office in January 1982. However, this was programmed by the Project Manager for equipment procurement. The Payment Agreement clearly states the five categories of expenses for which loan funds can be used and procurement of equipment is not one of them. There is also the problem that ₱209,000 was advanced by USAID to the BFD Treasury account and the Project Manager only submitted a request for ₱19,100. The purpose of the advance is to get a three month

allotment of loan funds to the Regional level in a quick and timely basis. Requests are only made for partial releases instead of the full amount of the advance, then the purposes of the Payment Agreement are defeated. There will have to be further clarification of the specific contents and intents of the Agreement.

Conclusion

GOP administration has been characterized by weak initiative and follow-up which has been largely a function of lack of management continuity, financial delays, delayed authorization of staffing patterns by national level agencies and insufficient staffing resources. Those characteristics have surfaced every time that specific problems have arisen; hiring of project site staff, payment of salaries, procurement of seeds, seedlings, and tools, and management of the Project Agreement regarding use of USAID loan funds. It is true that many GOP personnel, procurement, and financial disbursement regulations are inappropriate for the efficient and/or effective implementation of an experimental, small-scale community based project. However, it is also true that anticipation of problems and initiation of required administrative action and follow-up by management staff could substantially reduce the negative effects resulting from the rigid adherence to regulations enforced by the combined Commission on Audit's representative within the BFD Regional Office and the Ministry of Budget at the National level. Evidence exists that key GOP personnel with responsibility for providing administrative support to Project staff have since the initiation of the Project been ignorant of important GOP and USAID regulations concerning implementation of the Project and have, therefore, been surprised by bureaucratic obstacles which have frequently confronted them. The purpose of describing that reality in this Report is not to point the finger of blame; for weak administrative performance in this case is primarily function of inadequate preparation of GOP implementation staff; not administrative neglect or lack of interest on their part. Rather, the purpose is to create some recognition of a problem which must be addressed in both the design of future projects and in a remedial fashion in this one. Comprehensive orientation and, if necessary, training in administrative requirements must be provided all line agency personnel responsible for implementation prior to commencement of field activities. Administrative staff must know the identity and content of those specific regulations affecting implementation of a Project, what agencies perform, what functions in carrying out and enforcing required procedures, a clear idea of when certain administrative functions must be performed, and a realistic notion of how long it takes for follow-up activities to be concluded. Deficiencies in project design and preparation prior to implementation are often as responsible as "weak administration" for subsequent roadblocks resulting from "red tape" and/or inexperience.

The point to be made here is that BFD is not unique in its weak capacity to implement a new experimental project which requires substantially new and different management and administrative structure and behaviors than have been required in the past (and which are still required in the performance of most of its continuing conventional responsibilities). In the absence of prior orientation and training, BFD is slowly evolving new approaches and capabilities based on the painful lessons learned during the past year.

The Project Manager and Regional Director--as well as the Project's backstop officer in the BFD's Project Management Staff in Manila--now have a clearer understanding of what "went wrong" and why it "went wrong." Some remedial steps have already been taken.

- o The support staff in the PMO in Buhi has been expanded. Prior to last month (January 1982), the Project Manager had only one Secretary and one Messenger/Janitor to assist him in the performance of a wide range of administrative, planning, and supervisory tasks. Since last month, his staff has been expanded to include an Assistant Administrative Officer, a Bookkeeper, a Supply Officer, a Property Custodian, and a Cashier. It is expected that as a result, the PMO will be able to prepare vouchers and other documents, carry-out follow-up activities at both Regional and Manila levels, and disburse funds more quickly.
- o A systematic clarification of financial management requirements has been provided by the Auditor assigned to the BFD Regional Office. A description of those requirements and a delineation of the financial management process is provided to the Project's manager for the first time in this evaluation. Although the evaluation team continues to believe that GOP financial regulations overly constrain the implementation of small-scale, decentralized, community based projects of this kind, it should now be easier--if not as easy as we would like--for those requirements to be efficiently met.

Thus, the difficult process of "learning by doing" might now be on the verge of bearing fruit. If so, we can expect to see substantial improvement of BFD's project implementation performance in the next few months.

6. LOCAL COMMUNITY PARTICIPATION (Sulpicio Roco and Jerry Silverman)

Structure and Function

The concept of participation was nebulously understood by project proponents and designers. Although there was general agreement that participation is good and desirable, nobody had any clear indication of what it meant and how it was to be implemented. Although increasing participation was stated as an objective, little was done to design specific mechanism for achieving it. No specific guidelines for implementing "participation" were prepared and followed other than implementors' ad hoc feelings and reactions to the situation as they saw it.

The criteria used to define participation and the methods actually used to increase it have been fairly arbitrary; essentially being a function of the present Deputy Project Manager's experience. By chance, the person recruited for the position and who has been actively managing the process since project initiation has had some experience in participatory activities. Prior involvement in religious social-action increased his awareness of the importance of consulting beneficiaries regarding problems and solutions in ways which could improve the Project. Therefore, the way "participation" has been pursued has been primarily dependent on the perceptions of that person.

The DPM views participation as a continuing process of consultation between project management and beneficiaries wherein project staff and the farmers seek advice from each other about problems and solutions; but in which the DPM makes ultimate decisions. Thus, the process is viewed as essentially paternalistic. The mechanism that has been used to date has emphasized group meetings with barangay residents, officials and influentials and individual consultations. During group meetings, the Deputy Project Manager often asks people directly about their problems and what they think are appropriate solutions. Individuals contacted by project staff with members in the course of their work also provide feedback from farmers; whether association members or non-members.

PERFORMANCE

The most effective way of securing information from residents is through individual interactions between staff members and cooperators. In that way, a broader range of concerns is made known to the project management. Less effective are the group meetings with residents, leaders, cooperators and so forth. Owing to the fact that rural residents do not like to speak in large crowds, the tendency is to respond in acceptable ways; i.e., they say what they think people want to hear.

Regarding the use of these forums for resolving issues, both the individual and group approaches to problem identification have had their share of successes and failures. Through a mixture of these approaches, management in the past has been able to change projected activities and plans to suit the demands of the people; e.g., change of seedlings from unwanted to desired species or varieties.

However, in situations wherein the project management staff has already decided on a plan of action, there is less likelihood that beneficiaries will be able to change management decisions. What happens, then is that the group meetings are used primarily to explain and validate management's decisions and not so much to consult with beneficiaries. A case in point is the people's reaction to differences between primary and secondary cooperators; i.e., primary cooperators are reimbursed for 50% of the labor applied to land development activities in addition to receiving free seeds and seedlings while secondary cooperators are only

provided free seeds and seedlings without any reimbursement of labor costs. Interviews with non-members, cooperators and project staff members show that almost all are aware of the difficulties created by the distinction. In spite of an almost universal agreement that somehow the difference must be removed, little has been done about it and, in fact, the latest association to be formed still includes that distinction.

If participation is understood as merely a mechanism for increasing popular understanding and commitment to management's way of thinking, then a lot of it is taking place. However, if participation is to be viewed as an on-going process of honestly involving people in substantive decision-making activities, no matter how tedious and time--consuming, then almost no participation has occurred.

Much more fundamental to the design process is whether participation is needed at this stage of implementation, and if so what kind is needed. Conversely, we can ask whether people are prepared for it.

Those questions are impossible to resolve in a definitive way at this point. A long history of traditional hierarchical relationships suggest that: (i) rural people are not yet ready to address policy questions directed beyond their immediate household or community needs; and (ii) superordinates in local community relationships, in spite of agreement with general principles of participation, are themselves not ready to relinquish historically determined behavior patterns. However, a valid test of the population's desire and capacity for substantive decision-making roles will not occur until specific provision is made for it in project design and implementation.

The need for these specific provisions is rapidly approaching. Although these Farmers Associations have been organized by the Project to date, they currently serve in a purely advisory capacity. However, if current schedules are maintained, they will be required to assume all management and administrative functions required for on-going agro-forestry activities by the end of December 1983. Those functions include management of:

- i) tools and other resources;
- ii) seed and seedling production;
- iii) technical training schedules; and
- iv) formation of cooperatives.

7. EFFECTIVENESS OF AID SUPPORT (Jerry Silverman)

The record of AID support to the Project is mixed. The Technical Assistance provided has been of high quality; as has the field reporting. Required follow-up of field report warnings and requests for action have varied in timeliness. Many of the problems identified throughout this Report are due to erroneous assumptions in the design. However, it should be mentioned that this was a new type of project with

which USAID and the GOP had little previous experience. Precisely because of this, the project was designed as a pilot effort, a learning experience, that would serve as the basis for future designs of other agro-forestry projects.

Design

The Project is a Pilot; its purpose was to test various assumptions about the (i) appropriateness of a community-based agro-forestry approach to upland development and (ii) the capacity of the GOP to support its implementation. The design reflects much consideration of the former and insufficient consideration of the latter. In one sense, of course, to the extent that lessons from the implementation experience are well documented and truly learned, the Project will have been a success as an experiment, regardless of the specific Project's outcome. However, that is small comfort to the Project staff or the farmer beneficiaries.

The fundamental design flow--the one which has most negatively affected Project implementation--was the assumption that the GOP had the necessary management and administrative capacity to implement a new approach to development, and, therefore, that all that was required was GOP commitment to a new orientation and additional technical resources. Thus, insufficient attention was given to identifying those GOP regulations which had to be followed in order to meet Project staffing requirements and secure financial disbursements. The design assumed that:

- Based on experience during Phase I, personnel could be hired as casual workers from the local community to staff positions up to the Deputy Project Manager level without meeting rigid Civil Service Commission qualifications;
- Based on experience during Phase I, "Casual" Project Personnel could be paid salaries above OCPC levels because this was a "Special" foreign assisted project;
- That loan disbursement procedures could be the same as grant disbursement procedures;
- USAID disbursements of advance loan funds could be passed through MOB as a lump sum directly to BFD Region V; and
- For "Special" projects, GOP counterpart funding could be made available for 1981 even if the implementation plan and budget was prepared too late for budget hearing in the Fall of 1980.

USAID personnel involved in the Project design have explained that they simply assumed that GOP personnel who were also involved in the design knew that the government regulations would permit behavior required by that design. It never occurred to them that GOP personnel were not intimately aware of the relevant government regulations and that they

were also simply assuming congruence between Project design and those regulations. The GOP Regional Director claims that they were aware of those regulations, but that it took a long time for those requirements to be met. In any case, the design severely underestimated the requirements and the time required to meet them.

An examination of the Buhi project experience highlights the need to address institution-building efforts within any GOP agency or agencies invested with project implementation responsibilities.

The Buhi experience illustrates the current constraints inherent in the normal administrative systems and how these affect agro-forestry. These constraints must be reduced if agro-forestry programs are expected to produce results.

Viewed from another perspective, it is important to examine the responsiveness of AID policies and procedures to the problems that will be encountered in social-forestry programs. At the top of this list is probably the current project design process. Is this process appropriate? Does the process make it possible to design an effective agro-forestry or social forestry project?

Additionally, agro-forestry is personnel intensive. AID's general policy is not to allow use of loan funds for the payment of salaries. Is this realistic? And finally, agro-forestry programs require a long-term commitment. Most trees do not grow and bear fruit in a span of five (5) years. AID assisted projects are generally designed with a five (5) year implementation horizon. Should this be re-examined?

These questions need answers. They are relevant to AID's interest in contributing to development of an affective agro-forestry program in the Philippines.

Financial Support

Grant (Phase I) funding to the Project has been increased twice and Loan (Phase II) funding has been substantially reduced once from original Project Paper estimates. If initial estimates of both Grant and Loan funding are used as a base, the total commitment of USAID support has been reduced by 58%. That includes two increases totalling 73% in Grant funding during early 1980 (Phase I) followed by a reduction of 68% in loan funding later in 1980 (Phase II). The reduction in proposed loan funding (from \$516,000 to \$165,000) was based upon the requirement for (i) additional funds by the Lalo irrigation component of BIAD III, (ii) concern that project activities might result in displacing tenants who were supposed to be the beneficiaries of the Project,^{1/} and (iii) the perception that a three-year pilot level set of activities funding at the

^{1/} The fact that the Project might displace tenants rather than benefit them has, to date, turned out to be unfounded.

\$165,000 level was more appropriate, given Region V BFD's level of experience in implementing pilot upland development projects in collaboration with local area residents.

The disbursement of USAID loan funds has not been smooth. As described in an earlier section of this Report,^{2/} an Agreement was reached between USAID and the GOP to advance funds on a quarterly basis rather than rely on the usual FAR system in order to facilitate the transfer of responsibility from BRBDP to BFD and reduce cash flow constraints during the first year of Phase II operations (1981). Unfortunately, in part because of the timing of USAID's own programming cycle, a Payment Agreement was not signed until July 13, 1981 and the first advance was not forwarded to the GOP until October 1981.

Technical Assistance

USAID technical assistance has been provided by an Upland Development Specialist (Patrick Dugan) under the terms of a consultancy contract. In addition to services provided to other USAID projects and activities, the Consultant has been providing an average of approximately 4 person days per month of direct technical assistance to the Project Staff at the Project Site since June, 1979. The TA provided has been of three kinds:

- o Technical Advice. The Consultant has advised Project Staff on the following:
 - Nursery establishment, maintenance and management, including plant propagation
 - Soil conservation technology
 - Development of orchards, firewood lots, and forest plantations
 - Inter-cropping systems
 - Graded train construction and maintenance
 - Green manuring, composting, cover cropping and other organic fertilization methods.
 - Record keeping and preparation of reports
 - Training programs
 - Project management organization

- o Identification of sources for seeds, seedlings, and other materials.
 - University of the Philippines at Los Banos
 - Bulusan, Sorsogon (superior provenances of Pili and breadfruit)
 - Private nurseries
 - Government nurseries

2/ Section IV.1.

o Procurement of seeds, seedlings, and other materials.

- | | |
|----------------|--------------------------|
| - Mangoes | Cacao |
| - Pili | Citrus |
| - Breadfruit | Kudzu |
| - Black pepper | Centrosema |
| - Lanzones | Winged beans |
| - Rambutan | Ipil-ipil |
| - Durian | Calliandra |
| - Coffee | Acacia Cauriculae Formis |

GOP and Project officials within BRBDP at the Project Site all attest to the high quality and appropriateness of the Consultant's advice and behavior. The Consultant's commitment to the Project and support of on-site project staff has been demonstrated by personal financing of "emergency" seed and seedling purchases.^{1/}

Unfortunately, the Consultant is now scheduled to leave the Project on February 26, 1982 for another assignment in Cebu with the World Bank.

Monitoring and Follow-Up

USAID monitoring of the Project has been performed primarily by the Consultant (Patrick Dugan); whose technical assistance responsibilities have been described above. Twenty-nine reports ^{2/} prepared by Mr. Dugan covering the entire period from Pre-Project Identification and design (May 1979) through the first seventeen months of project implementation (until September 1981) have been regularly submitted to the Program Director of BRBDPO, the BFD Regional Director (since July 1979), and the Project Officer of USAID. Those reports, individually and collectively, provide a detailed and comprehensive record of Project implementation experience to date. However, they contain more than a descriptive record; also included are sophisticated analyses, early warnings, and specific recommendations for action. The quality of the record thus provided is unusual. Unfortunately, there was an absence of timely action responses by Project implementors to some of the early warnings and specific recommendations contained in those reports.

1/ During 1981, in the absence of disbursements of Project funds, practice was for the Deputy Project Manager, Peace Corps Volunteer, and the USAID Consultant to personally pay for small-scale Project Inputs. On one occasion, the Peace Corps Volunteer advanced the salaries (P5,093.20 = \$636.65) of ten key project staff in order to avoid their resignations.

2/ Of those twenty-nine reports, 23 have been Monthly Reports, 4 have been Quarterly Reports, and 2 have been Annual Reports.

8. IMPACT OF PROJECT (Jerry Silverman and Sulpicio Roco)

Beneficiaries

It is too early to assess the Project's impact on socio-economic well being of beneficiaries. Almost by definition, agro-forestry projects can be expected to have a positive impact on the physical and social environments as trees mature. However, three years is too soon to measure such impact.

During the brief period within which the Project had been implemented, not one of the three types of land development activities has had time to be of direct economic use to beneficiaries. Indirectly, however, the Project, through its use of locally available manpower to fill staffing requirements, has economically benefitted a number of households in the area and more should benefit as need for emergency labor increases. Beyond that, little can be expected in terms of economic impact at this point of time.

Environment

It is a bit premature to attempt an assessment of any positive or negative impacts this project may have had so far on the environment. Any measurement of impact is directly related to changes in vegetative cover or in tillage practices the farmers apply.

With reference to tillage, bench terracing of rainfed lands is the only intervention for which some positive or negative impact measurements might be attempted. However, the total area of terraced lands is only 3.9 has. This area is insignificant in relation to the size of the watershed area targetted for one or another type of development. Changes in tillage will need to be implemented on larger areas before it would be practical to measure any of the environmental changes that are germane to this Project; such as: i) a reduction in the rate of erosion; ii) increased infiltration capacity; and iii) reduced soil temperature.

Regarding vegetative cover, the trees, leguminous covercrops, and other perennials planted by farmer cooperators (or in demonstration plots) are at most 18 months of age. At this stage, all that might be said is that new root systems have been established. Canopies are still too small to effectively protect the ground, intercept rainfall and thereby decrease erosion.

However, the probability of potential improvements can be predicted with some confidence. Plants that can favorably affect the environment have been tested and it has been verified that these can survive Buhi conditions. Furthermore, measures that can be used to change land forms and thereby decrease erosion and increase infiltration rates on the aquifer have been demonstrated. Farmers have been trained in the construction or establishment of these soil conservation methods (i.e., terracing, contour ditching, and vegetative hedgerows).

One favorable environmental impact that might be partly attributed to activities connected with the Project is a reduction of slash-and-burn agricultural practices within the settlements of the project area. During the 1981 dry season, there was less burning going on in the barrios of Ipil and Sta. Cruz, than on land areas of similar size elsewhere in Buhi. However, it is possible that the phenomena was the result of other factors. Only experience over several cropping seasons will provide the necessary evidence.

V. CONCLUSION
(Jerry Silverman)

Summary and specific conclusions for each of eight aspects of the Project have been provided in Section II of this Report. What remains for this section is a few final words concerning the team's overall assessment.

The Project is a Pilot, one of the purposes of which is to learn practical lessons from actual implementation experience. As the contents of the Report suggest, that objective is being achieved. In the absence of a small-scale pilot project, serious errors in the premature design of a large agro-forestry project would have been much more likely. However, it is also true that most of the lessons learned have applicability only to the specific project which generated them. That should be kept in mind so as to avoid generalizing too quickly from what is still a very limited experience base.

Many of the problems experienced in this Project have been due to inexperience on the part of BRBDP, MLGCD, BFD and the local Project Staff with agro-forestry projects; community-based projects; and/or the population of the Buhi Uplands. Many of the technical and institutional problems which arose were due to erroneous initial assumptions. The learning curve in many new projects is very often characterized by a disastrous first year. Unfortunately, this Project was burdened with two "first" years during its first 30 months, as implementation responsibility was transferred among three different GOP agencies during that time. Just as BRBDP was revising its assumptions and methods of operation based on the lessons it had learned, responsibility for the Project was transferred to BFD and much of the learning process started all over again.

BFD, at the Regional and Project level, now shows every indication that it has learned most of those lessons well. It, too, is now changing many of its assumptions and procedures to conform to the realities discovered during this last painful year. However, because the Project's Implementation Plan did not "build in" the time required to learn those lessons, the Project is a full year "behind schedule."

Persons reading this Report can be expected to have either one of two very different reactions: i) the Project is a failure because of inefficient administration and erroneous assumptions about the desires and needs of the beneficiary population, or ii) the Project is moving towards a success as hypotheses/assumptions have been replaced by knowledge and operational structures and functions are being adapted to fit actual realities.

The Evaluation Team's assessment is clearly the latter. The GOP's policy on agro-forestation is in most of its essentials correct. The commitment of the GOP and among the population in upland communities to that policy exists in sufficient mass. The issue which must be addressed in the design of future projects is how to organize a process which actually allows the GOP to do what it wants to do in the agro-forestry sector.

ANNEX A

Date: January 15, 1981

JPIL/IRD-05 ✓

Amendment No. 3

Subject : Agro-Forestation (Rinconada-Buhi Watershed Development Program - Phase I Follow-on)

Reference: (1) Bicol Integrated Rural Development Project No. 492-0303 Grant Agreement No. 78-19 Amendment No. 3, dated Table 2; I. Philippine Sources, para. D.1.
(2) Joint Project Implementation Letter No. 5, dated 1/25/79; Amendment No. 1, dated 10/29/79; Amendment No. 2, dated 2/28/80

1. Background

Field implementation of the subject project (both the Start-Up and Follow-On work) is proceeding successfully although some activities and related expenditures are delayed (est. 6 months). Basic project experience provided sufficient evidence for AID and the GOP to make the threshold decision to proceed with implementation of the Agro-Forestation/Watershed Development component of the Rinconada-Buhi/Lalo IAD III loan project (loan amendment signed 8/29/80). The loan component is scheduled to begin January 1, 1981.

The purpose of the JPIL amendment is to:

- a. Extend the life of the JPIL grant to December 31, 1981, and
- b. Authorize BFD/Region V to receive and expend available grant funds during the transition period between implementation of the grant-supported test activities and phased GOP-USAID loan agreement activities.

Activities to be carried out under this amendment include:

- continuation of management staff activities, technical staff coordination, training and high priority technical assistance inputs;
- undertake planned activities to strengthen the institutional organization component;
- purchase or acquisition of seasonally available tree seeds or planting materials, and cover crop seeds or materials;
- design of project activities that can put the program on a self-financing or self-liquidating basis (mini-hydro units, produce marketing outlets, etc.).

The Bicol River Basin Program Office will continue its existing authority to receive/expend grant funds under JPIL-05. It shall also continue to be the overall interagency coordinator and monitor technical activities funded under JPIL-05. The peso equivalent of \$40,000 has been provided to the Bicol Program Office and is expected to be fully drawn down by June 30, 1981.

The Bureau of Forest Development Region V Office, is the lead implementing agency and project management unit for the Rinconada-Buhi loan project component which technically begins January 1, 1981 (GOP commitments ₱772,000; AID commitments \$145,000). However, certain agro-forestation support activities currently underway and implementation staff undergoing on-the-job training will require a phase-over period (estimated six months). The JPIL grant balance of \$15,000 (in pesos quarter releases) is hereby reprogrammed for this phase-over period under the direction of the BFD Region V Office. This amendment provides the continuing authority for the BRBDPO and for BFD/Region V to expend grant funds as specified in the estimated budget in Table 1 to facilitate a smooth turnover to BFD (re-contracting of personnel and related technical functions). BFD agrees to facilitate GOP approval of their expanded personnel plantilla under the loan project at the earliest possible time.

2. Action

- a. Subject to availability of funds committed under JPIL-05, this amendment extends Phase I and authorizes expenditures up to November 30, 1981. Submission of final financial reports and final implementation progress reports by the BRBDPO and BFD/Region V is due December 31, 1981.
- b. BRBDPO is authorized to transfer funds to BFD Region V, which shall expend these funds for budgetted activities to achieve planned objectives. Based upon a program of work prepared by BFD and recommended by BRBDPO to USAID, USAID shall make additional quarterly releases of required budget (up to \$15,000 total) to BRBDPO for transfer to BFD Region V. BFD shall prepare documentation liquidating the first quarter release and shall submit this to BRBDPO for transmittal to USAID which shall then arrange for subsequent quarterly releases as needed.
- c. Existing Management Core Staff (see budget item 01) shall be contracted by BFD Region V, effective January 1, 1981.

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[Handwritten initials]

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4. Approval

The GOP/BRBDP and USAID, each acting as duly authorized representatives, hereby agree to the above.

Josue Tañe 14 January '81
 Director, Region V, BFD Date

Camillo A. Balisnomo _____
 Program Director, BRBDPO Date

Don F. Wadley 1-18-81
 Acting Chief, Office of Rural & Agricultural Development, USAID Date

Bienvencido G. Villavicencio 27 January 1981
 Director, External Assistance Staff, NEDA Date

J. C. Landst Feb. 3 1981
 Program Officer, USAID Date

Clearances: USAID/PO _____
 USAID/CO _____

Table 1
JPIL No. 05
Amendment No. 3

Revised Estimated Budget Summary

<u>Items</u>	<u>Total Project Cost</u>	<u>Total BRBDP^{1/} Budget As of Dec. 10, 1980</u>	<u>Revised Budget Amendment #3 Disbursement by BFD^{1/}</u>
01. Management	₱ 91,033	₱ 52,913	₱ 38,120
02. Land Development ^{2/}	68,112	42,112	26,000
03. Nursery Development	84,268	53,868	30,400
04. Baseline Survey	14,972	14,972	-
05. Training for Technical Personnel	18,620	18,620	-
06. Technical Assistance ^{3/}	47,750	47,750	-
07. Research & Development ^{4/}	20,000	15,000	5,000
08. Other Direct Cost ^{5/}	<u>67,745</u>	<u>54,765</u>	<u>12,980</u>
Total	₱ 412,500	₱ 300,000	₱ 112,500
	\$ 55,000	\$ 40,000	\$ 15,000

1/ Actual expenditures and accounts payable (payable on contract obligation of BRBDPO items such as land development, UPLB Training, Technical assistance, Baseline Survey, Research & Development).

2/ Land Development includes: Direct Farmer-Cooperator Assistance and Extension Work and Farmers Training.

3/ Technical Assistance includes the topographic and soil survey by BS and the technical assistance of UPLB.

4/ Research and Development is composed of survey of mini-hydro site; engineering studies for mini-hydro site and assessment of Density of forest.

5/ Other Direct Cost includes Hand tools item.

Date: February 28, 1980

JPIL/IRD-05

Amendment No. 2

Subject : Agro-Forestation (Rinconada-Buhi Watershed Development Program - Phase I Follow on)

- Reference:** (1) Bicol Integrated Rural Development Project No. 492-0303 Grant Agreement No. 78-19 Amendment No. 3, dated Table 2; I. Philippine Sources, para. D.1.
(2) Joint Project Implementation Letter No. 5, dated 1/25/79, Amendment No. 1, dated 10/29/79.

1. Background

Field implementation for Phase I (Start-up) of the subject program started May 2, 1979, with the objective of developing the design of a longer term watershed development program for the Bicol. As expressed in JPIL/IRD-05 Amendment No. 1 (10/29/79), it was proposed to continue and expand the test program through 1980 in preparation for implementation of the Agro-Forestation/Watershed Development component of the Rinconada-Buhi/Lalo IAD III loan project scheduled to begin January 1981.^{1/}

The purpose of this amendment is to provide additional grant funds to continue planned program activities through 1980 and to revise the budget accordingly. The JPIL-05 originally earmarked the peso grant equivalent of \$15,000 as program support. Amendment No. 1 increased this to \$20,000. This Amendment No. 2 earmarks the peso equivalent of an additional \$35,000 in grant funds, bringing the total AID contribution to \$55,000.

Experience to date in the Phase I program indicates a requirement to undertake the following in 1980 under this amendment:^{1/}

- expand project nurseries so that planting materials needed in 1981 for the larger project will be available;
- undertake appropriate surveys to determine which watershed lands are tenanted and which are owner-operated;
- undertake planned activities to strengthen the institutional organization component;
- train key operational personnel required in 1981;
- produce cover crop seeds (presently in short supply and difficult to procure);
- initiate design of project activities that can put the program on a self-financing or self-liquidating basis (mini-hydro units, produce marketing outlets, etc.).

2. Action

This amendment extends Phase I through December 1981⁶ for the follow-on stage of activities and increases the peso budget by equivalent of an additional \$35,000 (see attached revised budget). Subject to availability of funds committed under this JPIL, obligations and payment may be made through February 28, 1981.

^{1/} An updated Project Paper Annex for this component is under preparation by BRBDPO-USALD and will be available in April 1980.

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3. Estimated Revised Budget Summary^{1/}

	<u>JPIL No. 5 and Amendment No. 1</u>	<u>Amendment No. 2 (Proposed)</u>	<u>Total</u>
01. Management Staff	₱ 19,400	₱ 42,190	₱ 61,590
02. Nursery Development	23,800	53,284	77,084
03. Direct Farmer-Cooperator Assistance	29,800	26,485	56,285
04. Hand Tools	7,000	2,230	9,230
05. Topographic and Soils Survey	3,200	10,000	13,200
06. Baseline Data Survey	5,000	9,972	14,972
07. Staff/Coordinators Training & Technical Assistance Costs	26,300	31,200	57,500
08. Extension Work and Farmers Training	6,700	27,991	34,691
09. Other Direct Costs and Contingency (₱20,000 for R&D activity design) ^{2/}	<u>28,800</u>	<u>59,148</u>	<u>87,948</u>
	₱150,000	₱262,500	₱412,500
	(\$20,000)	(\$35,000)	(\$55,000)

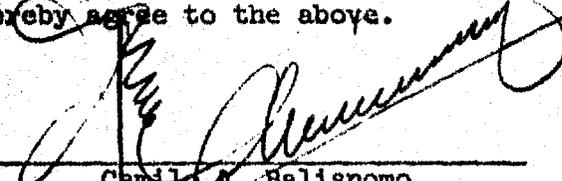
^{1/} A jointly approved detailed operational budget is available at HRBDFO and USAID/OLRD.

^{2/} Principally activities investigating mini-hydro development.

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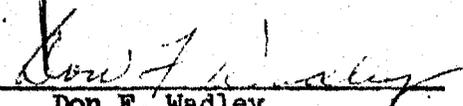
4. Approval

The GOP/BRBDP and USAID, each acting as duly authorized representatives, hereby agree to the above.



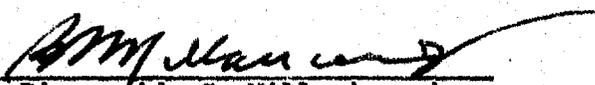
Camila A. Balisnomo
Program Director, BRBDPO

April 1, 1980
Date



Don F. Wadley
Chief, Office of Local & Regional
Development, USAID

April 1, 1980
Date



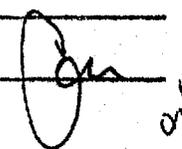
Bienvenido G. Villavicencio
Director, External Assistance Staff,
NEDA

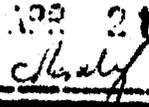
April 25, 1980
Date



Daniel L. Leaty
Program Officer, USAID

April 30, 1980
Date

Clearances: USAID/FO 
USAID/CO 

**FUNDS AVAILABLE
ACCOUNTING OFFICE**
APR 2 1980


Date: October 29, 1979

JPIL/IRD-05
Amendment No. 1

Subject : Agro-Forestation Rinconada-Buhi Watershed
Development Program - Phase I (Start-up)

Reference: Joint Project Implementation Letter No. 5 dated 1/25/79,
approved 2/28/79; Bicol Integrated Rural Development
Project No. 492-0303 Grant Agreement No. 78-19,
Amendment No. 2 dated 12/22/78 (Table 3.c)

1. Background

Field implementation of the subject program started May 2, 1979, at Barangay Ipil, Buhi Municipality, Camarines Sur Province, following the signing of Memoranda of Agreement among participating agencies and release of funds to the Bicol River Basin Development Program Office.

The purpose of this amendment is to extend the program from six to eight months through December 31, 1979, provide additional budget and revise the budget accordingly. The amount earmarked is increased from \$15,000 to \$20,000 (to be provided in local currency).

Implementation was initially delayed by extended negotiations among participating agencies. An additional period was necessary in order to arrive at a clear definition of responsibilities and an understanding of objectives. The preparation and signing of Memoranda of Agreement to operationalize results of these negotiations further delayed the original timetable. Implementation finally started in the rainy season in which field work is more difficult to undertake, therefore additional time is required to achieve the stated objectives of the agreement.

Although there were delays, the project staff was hired, trained and are on the job. Farmer training is underway. The nursery was developed and seedlings planted. An assessment of the program to date indicates the preliminary objectives can be achieved.

It is proposed, subject to the availability of additional grant funds, that the scope of this activity be expanded in 1980 to prepare for Agro-forestation and Watershed Development component of the Rinconada-Buhi/Lalo IAD III Project.

2. Action

This amendment extends the Phase I Start-up component of the project until December 31, 1979 and increases the budget to \$20,000 from the original \$15,000 (see attached revised budget). Subject to the availability of funds under this JPIL, obligations can be made through January 1980.

3. Revised Estimated Budget Summary^{1/}

01 Management Staff	₱ 19,400
02 Nursery Development	23,800
03 Direct Farmer-Cooperator Assistance	29,800
04 Hand Tools	7,000
05 Topographic and Soils Survey	3,200
06 Baseline Data Survey	5,000
07 Staff/Coordinator Training and Technical Assistance Costs	26,300
08 Extension Work and Farmers Training	6,700
09 Other Direct Costs/Contingency	<u>28,800</u>

Total ₱150,000

(at current ₱7.5 = \$1) (\$ 20,000)

All other provisions of JPIL 05 remain the same.

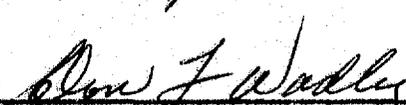
4. Approval

The GOP/BRBDPO and USAID, each acting as duly authorized representatives, hereby agree to the above.



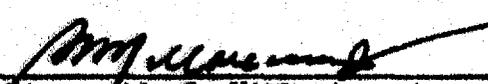
 Carmelo R. Villacorta
 Officer-in-Charge, BRBDPO

October 31, 1979
Date



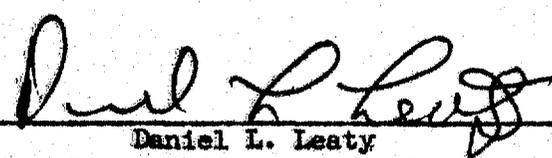
 Don F. Wadley
 Chief, Office of Local and Regional Development, USAID

October 31, 1979
Date



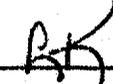
 Bienvenido G. Villavicencio
 Director, External Assistance Staff
 NEDA

Nov. 23, 1979
Date



 Daniel L. Leaty
 Program Officer, USAID

Nov. 27, 1979
Date

Clearances: USAID CO  CSD 

^{1/} A jointly approved detailed operational budget is available at BRBDPO and USAID/OLRD. A summary of required revisions is attached for information purposes.

Summary of Revisions (for information purposes)

1. Extension from October 31 to December 31, 1979.
2. Increase of minimum wage for project employees.
3. Increase of wages for foremen.
4. Reimbursable representation allowance increased and changed to "Incentive Pay" and increased:

Project Manager	-	from ₱300/mo.	to	₱400/mo.
Project Coordinator	-	from ₱250/mo.	to	₱300/mo.
5. Number of working days/month increased from 22 to 24, to conform to BRBDPO regulations.
6. Unit costs of tools changed to conform to present prices. Prices have increased since first budget was prepared. Total amount unchanged, so number of tools purchased is decreased.
7. Additional plastic bags programmed for procurement. Plastic bags donated by BFD are suitable for reforestation species, but too small for fruit tree species which require longer time in the nursery.
8. "Land Improvements" changed to "Direct Farmer-Cooperator Assistance." Amount increased from original ₱455/farmer to ₱512/farmer due to increase in minimum wage equivalent for agriculture from ₱8.00 to ₱10/day.
9. Graded trails now included in budget.
10. Baseline data survey to be undertaken by project staff. Provision made for outside assistance if needed. Methodology is still under discussion and to be determined after field observations indicate which method will yield the most useful results. No change in appropriation for this item.
11. Extension work and farmer training now treated as a separate budgetary item (08), and removed from "Other Direct Costs."

NOTES

- A. Per previous revision, ₱500/month will be taken from contingency provision to fund food expenses for non-project staff performing volunteer work and for "working" project visitors from participating agencies.
- B. Provision is made for payment of 13th month pay, sick leave and vacation leave. No clear-cut decision has been handed down by GAO or BL (Bureau of Labor) on this point. Should a ruling be promulgated requiring these payments, funds will be available for this purpose.

Date: January 25, 1979

IRD-05

Subject : Joint Project Implementation Letter No. 5
Agro-Forestation (Rinconada-Buhi Watershed
Development Program - Phase I Start-up)

Reference: Bicol Integrated Rural Development Project No. 492-0303
Grant Agreement No. 78-19, Amendment No. 2 dated
December 22, 1978 (Table 3.C)

1. Summary

This Joint Implementation Letter earmarks funds for a direct grant to the Bicol River Basin Development Program Office (BRBDPO) to initiate agro-forestry activities (Phase I Start-up) in the Rinconada-Buhi area. It outlines a general program of work and establishes an estimated budget.

This activity covers the first six months of a proposed two-year Phase I Agro-Forestation - Watershed Development Program. One objective is to develop the empirical data and operational experience to implement a longer range Phase II program under the proposed Buhi-Lalo project to be assisted by a USAID loan (see schedule, Attachment 2, Table 1).

The peso equivalent of \$15,000 (est. ₱109,500) shall be granted by USAID to the BRBDPO to fund preparatory activities and actual farm level demonstration of agro-forestry land use by 20 upland families. It is proposed that another 25 families be added under a follow-on Phase I component. Reforestation on some steeper uplands with wood species is proposed under the follow-on Phase I, and in Phase II, the latter under the proposed Buhi-Lalo Integrated Area Development Project (Rinconada).

Phase I Start-up agro-forestation activities include staff training, development of agro-forestry nurseries, purchase of tools, land terracing, land preparation, planting cover crops, a topographic survey and mapping, and a baseline sociological survey. The primary purpose of the two-year Phase I program is to (a) demonstrate the application of appropriate agro-forestation technology in the Bicol, (b) organize upland farmer groups, and (c) train a management team. Empirical data and operational experience will be an important output.

Funding (PL-480) for the follow-on eighteen months of Phase I has been proposed under a joint NEDA-USAID Community Agro-Forestation Project. The farm demonstrations to be carried out over the first six months or longer are designed to be a complete package if continuation is not approved. The estimated starting date for the Start-up Phase I program is February 15, 1979.

2. Background and Proposed Activities

The BRBDPO, with technical assistance provided by USAID and cooperating agencies, is in the process of designing an agro-forestry/watershed



development program (Phase II) for the Rinconada-Buhi area. Implementation of Phase II is scheduled to start in January 1981. While the immediate justification for support of agro-forestation/watershed protection is to initially improve the social and economic life of the small-scale upland farmers, the longer range justification is the conservation of soil fertility on the uplands to sustain economic productivity. In addition, sound watershed management is physically required to restore and maintain the ability of the soil to hold precipitation, control soil erosion, and reduce flooding (see attachments 3 and 4). The Phase II Watershed Development Program in Buhi includes both agro-forestation plantings by an estimated 900 small-scale farmers and GOP reforestation of denuded steeper uplands classified as timberland. Proposed foreign donor loan assistance projects (AID and ADB) in the lowland Rinconada area includes improvement and expansion of irrigation systems, drainage, flood protection, access roads and supporting agricultural programs. The site of this initial demonstration is in the watershed draining into Lake Buhi which is the primary water source for an estimated 10,000 hectares of irrigated land in the proposed loan assistance project areas. A specific agro-forestation/watershed development component is proposed in the Buhi-Lalo Integrated Area Development Project supported by USAID to begin to assist disadvantaged upland farmers, as well as irrigated farms in the project area. A description and proposed implementation plan will be a technical annex in the joint GOP-USAID Project Paper for the proposed Buhi-Lalo loan project.

In addition to beneficiary basic needs, and the required protection of Lake Buhi water sources, area selection was also based on the expression of interest and commitment of support by senior officials of Buhi Municipality. Buhi barangay leaders have also petitioned for government assistance in watershed protection.

While there is considerable experience with reforestation in the Bicol under the Bureau of Forestry Development (BFD) and cooperating agencies, there is little private sector or government experience with agro-forestation of uplands occupied by small-scale farmers. Several agencies have expressed interest and agencies such as the Bureau of Soils are beginning to support upland farmers with their limited resources. It was recognized early in the program design that there is a critical need to gain experience in applying appropriate technology, developing upland farmers organizations and developing implementation management capability to undertake any major agro-forestation watershed development effort. The development of a technology/organization/management package should start immediately to ensure that a watershed development program can be successfully implemented in sequence with other Rinconada-Buhi components by 1981.

Planting of orchards and reforestation under the two-year Phase I program must be timed with the start of the rainy season to be successful. Preliminary training, nursery work, and land preparation must precede this planting which begins at the onset of the rains in June or July. A June 1979 start-up, for example, would be too late for the pre-planting season activities to be accomplished in 1979. This grant activity to initiate Phase I is important to gain at least one year of operational experience



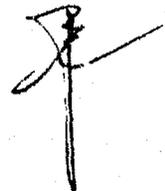
(in farmer organization through actual planting) prior to finalizing the implementation plan under the Buhi-Lalo loan assistance project in 1980.

This grant will finance the following Phase I start-up activities:

- salaries (limited to allowances if C/P employee) of the management staff, i.e., program manager, assistant manager and two field foremen.
- establishment of a nursery to produce 16,500 seedlings (primary fruits, nuts, firewood species and bamboo); wages for nursery workers; purchase of nursery tools, seeds, planting materials, chemicals and fertilizer.
- 50% subsidy for labor for bench terracing plots for grain crop requirements totalling 3 ha. by 20 farmer-cooperators (1,500 sq.m. each) and for tree planting. Small water sources will also be diverted for use.
- purchase of sets of hand tools for 20 upland farm families to do labor-intensive terracing and orchard land preparation (cost to be deducted from wages received from subsidized employment).
- survey and preparation of contour maps totalling 40 ha. (6 ha. terraces, 24 ha. for tree crop plus overrun area); sketching of farm plans. 30 has. include follow-on Phase I area if on same farm.
- survey of potential beneficiaries in the total Phase I area to determine farm family attitudes, document land tenure status and other baseline information.
- costs of Filipino technical consultants from the UPLB Upland Hydroecology Program including per diem and travel; and training costs for 4 management staff at UPLB.

An Agro-forestation Working Group will be organized by the BRBDPO. It shall be composed of representatives of technical agencies from the provincial and the regional levels, as appropriate (NIA, MLCCD, MAR, BFD, BPI, BS, BAEx, BL and BAI), and participating local government representatives (Buhi Municipality and Camarines Sur Province) to monitor start-up activities and provide technical support as needed. This Working Group will assist in redesigning the follow-on Phase I and Phase II of the longer range Program. An initial set of policy recommendations have been approved by the Bicol River Basin Coordination Committee (Attachment 4) but are expected to be updated with more specificity as more experience is gained.

A project level promotion committee shall be formed and be composed of representatives of concerned technical agencies. This committee shall be chaired by the Mayor of Buhi Municipality. The committee shall facilitate project implementation and advise the core project staff as required including organizing farmers' groups, site selection and recommendation of farmer-cooperators.



3. Agreement and Contract Administration

USAID agrees to allocate grant funding up to \$15,000 (in pesos) directly to the BRBDPO. The BRBDPO agrees to provide in-kind technical assistance, clerical and vehicle support which has been allocated for support to the Bicol grant project. The BRBDPO shall assign a Project Coordinator and technical expertise. USAID shall provide watershed management consultancy (funded separately).

The BRBDPO, represented by the Program Director, is authorized to request and receive AID grant allotments. Expenditures shall be based on a mutually acceptable work plan (see budget in para. 4 below and additional budget details in Attachment 1). The BRBDPO may procure goods and services by direct contract with individuals or firms, and/or by contract with other government entities by Memorandum of Agreement (MemoAg).

The BRBDPO shall contract for technical assistance with consultants from the UPLB Upland Hydroecology Program (UHP) on a personal services or institutional basis. For flexibility, it is proposed that start-up technical assistance be on a personal services basis, but the follow-on phase may warrant an institutional contract/MemoAg. A MemoAg covering staff training costs will be made with the UPLB/UHP. An estimated 36-40 work days of technical assistance plus travel and per diem are budgetted over six months, but may be increased, if required, drawing from the contingency category. The purpose of this technical consultancy is to draw on the existing experience of UPLB and other upland development programs in the Philippines. A proposed follow-on contract with UPLB/UHP arrangement shall be developed based on requirements identified during initial implementation.

All procurement of goods and services shall follow established BRBDPO procedures regarding grant-in-aid resources.

4. Budget and Release of Funds

The budget is estimated as follows:

Management staff (salaries and/or allowances)	P21,200
Nursery development (workers and supplies)	15,700
Land improvements (50% labor subsidy for bench terracing and tree plantings; max/ per farmer P455)	9,100
Hand tools (cooperating farm families)	9,000
Topographic survey	3,200
Baseline data survey	5,000
Staff training at UPLB/UHP and Technical Assistance	20,000
Other direct costs and contingency	<u>26,300</u>
 Total	 P109,500
	(\$ 15,000)
Dollar equivalent (P7.3 = \$1.00)	

Changes in line items of up to 25% may be made by the BRBDPO with corresponding decreases or increases in other categories. Other modifications within the total amount will require the documented joint approval of the BRBDPO and USAID/ORD. Additional budget details are presented in Attachment 1.

USAID agrees to grant the peso equivalent of \$15,000 (approximately P109,500) in two or more quarterly releases; the first advanced after NEDA and USAID Manila approve this Joint Implementation Letter and a written request is made by the BRBDPO. Additional quarterly releases will be made based on a positive joint assessment of progress to date and a submission of a financial statement of actual expenditures/obligations to date and requirements for the follow-on quarter or part thereof.

5. Evaluation

The Bicol Grant Project Manager (BRBDPO/PMU) and USAID Project Officer shall monitor this Phase I Start-up activity. Performance and output shall be assessed on a quarterly basis with the assistance of the inter-agency Agro-forestation Working Group. Monthly summary progress reports shall be prepared by the Field Manager with inputs by the assigned BRBDPO project coordinator and the USAID consultant (2 copies to BRBDPO and 2 copies to USAID).

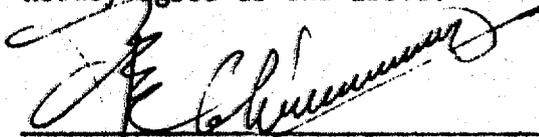
6. Other Provisions

Accounts and records will be maintained by the BRBDPO and any government entity contracted by Memorandum of Agreement, for a period of two years after completion of this activity and will be subject to audit by NEDA and AID or their duly authorized representatives.



7. Approval

The GOP/BRBDPO and USAID, each acting as duly authorized representatives, hereby agree to the above:



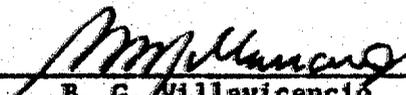
Camilo A. Balisnomo
Program Director, BRBDPO

1/26/79
Date



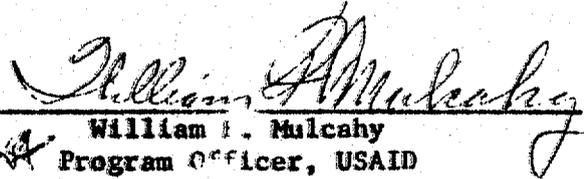
Don F. Wadley
Chief, Office of Regional Development
USAID

1/26/79
Date



B. G. Villavicencio
Director, External Assistance Staff
NEA

2/16/79
Date

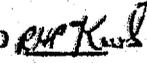


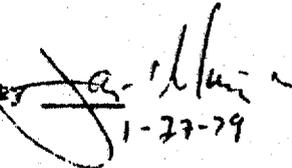
William I. Mulcahy
Program Officer, USAID

2/28/79
Date

Clearances: USAID

GOP

OAD 

Buhl Municipality 
1-27-79

CSD 

CO 

Estimated Budget for Phase I Start-up Project^{1/}
Rinconada-Bu' i Agro-forestation Watershed Development Program

Summary

1. <u>Management Staff</u> - salaries of 4 key personnel (Contract) during training and field implementation (only authorized GOP allowances if detailed from GOP agency)	P 21,200
2. <u>Nursery Development</u> - purchase of seeds, seedlings, tools and supplies, construction of nursery facilities, plus wages of nursery 3 man-crew	15,700
3. <u>Permanent Watershed Improvements</u> - 50% labor subsidy to 20 selected farmer-cooperators to develop 15 has. of land (1500 sq. m. per family of terraces and .6 ha. per family of agro-forestry plantings)	9,100
4. <u>Hand Tools for Farmer-Cooperators</u> - Tools needed to build terraces and farm ditches and to dig planting holes for trees. Charged to recipient and cost deducted in installments from wages earned through labor intensive employment in 3. above	9,000
5. <u>Topographic Survey</u> - topographic surveys and preparation of maps for land to be developed. Farm plans or schedules may also be prepared	3,200
6. <u>Baseline Data Survey</u> - baseline sociological survey estimated at one month and review of marketing constraints/opportunities	5,000
7. <u>Training at UPLB/UHP and Technical Assistance</u> - training of 4 key management personnel at Los Baños (in addition to salaries per 1 above), including living and transportation expenses, UPLB Training Center and consulting fees by members of UPLB Upland Hydroecology team (estimated 36-40 work days)	20,000
	P 83,200
8. <u>Contingency & Other Direct Costs</u> - Travel, materials for farmers meetings, office supplies, etc. Above budget categories 1-7 may be increased by 25% by the BRBDPO from this contingency item. The total peso equivalent of \$15,000 cannot be exceeded	26,300
	P109,500 (\$15,000) ^{2/}

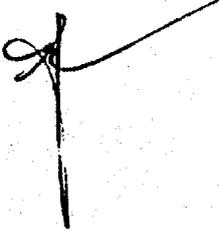
^{1/} Budget represents estimate for full activity for six months but if not expended, funds may be utilized up to one year to achieve stated objective. Target beginning date is February 15, 1979 with full operation by April 1, 1979.

^{2/} USAID to provide the peso equivalent of \$15,000 at time of conversion; estimated exchange rate of P7.3/\$1.00.

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- 2 -

Other Budget Assumptions

- 1) The BRBDPO will provide the following office equipment on loan basis: 1 typewriter, 1 adding machine, 1 filing cabinet, 3 desks and 3 chairs
 - 2) The UPLB Upland Hydroecology Program Group will help negotiate with the Horticulture Department and other sources for concessional rates on purchase of high yielding clones of fruit trees.
 - 3) The Upland Hydroecology Group will assist in securing cover crop seeds (stylosanthes) from Bureau of Animal Industry (BAI).
 - 4) The BRBDPO will supply clerical support (type reports, vouchers, payrolls, etc.) for this initial work. The BRBDPO will negotiate a memorandum of agreement with Buhi Municipality to provide a portion of the clerical support, temporary office space and a portion of the boat transportation to project sites across the Lake Buhi.
- 

Schedule
Rinconada-Buhi Watershed Development Program
1978-1985

Table 1

Phase and Funding Source	1979				1980				1981			
	1	2	3	4	1	2	3	4	1	2	3	4
Phase I Start-Up (6 mo.) (Bicol Grant Project)	<u>20 farmers - 15 hectares</u> (Feb.-July 79)											
Phase I Follow-on (18 mo.) (NEDA-USAID Community Agro-Forestation Project)	<u>20 above + 25 new farmers - 15 + 37.5 has.</u> (July 79-Dec 80)											
Phase II (Agro-forestation/Watershed Development component of Buhi-Lalo Loan assistance project) 5 years	<u>900 farmers - 1,350 has.</u> (Jan. 81 - Dec. 85)											

Table 2

	Maximum Land Development Assistance Per Farmer			Total Area Cost	
	Terrace for Grain Crop ^{1/}	Orchard crops	Firewood Lot ^{3/}	Area	Cost
Phase I - Start-Up	0.15 ^{1/}	.5 ^{2/}	.13 ^{3/}	0.75	₱455
Phase I - Follow-on and Phase II ^{4/}	0.3	1.0	.2	1.5	910

Table 3

Derivation - Maximum Land Development Assistance Per Farmer

	Development Duration	Subsidy Duration	Total Dev. Costs/Ha. ^{5/}	50% Labor Subsidy/Ha.	Has./Farmer	Maximum Assistance Per Farmer
Terraces	1-2 yrs.	1 yr.	₱4000	₱2000	.30 Has.	₱600
Orchards	7 yrs.	2 yrs.	900 ^{5/}	275	1.00 "	275
Firewood lot	2 yrs.	2 yrs.	460 ^{5/}	175	.20 "	35
Totals					1.5	₱910 ^{4/}

1/ 50% Subsidy = ₱300

2/ 50% Subsidy = ₱137.50

3/ 50% Subsidy = ₱17.50 (This may be converted to orchard crops)

4/ Estimate before escalation est. 7% per year

5/ Materials and labor for planting and maintenance until trees begin to produce.

**POLICY RECOMMENDATIONS APPROVED BY BRBCC ON OCTOBER 6, 1978 TO GOVERN
THE BICOL RIVER BASIN WATERSHED MANAGEMENT PROGRAM**

1. In recognition of the danger of the deteriorating conditions existing in the Bicol watersheds, the Bicol River Basin Coordination Committee (BRBCC) and the Regional Development Council (RDC) strongly recommend corrective measures be implemented immediately and be sustained to ensure a stable watershed environment over the long term. The present vegetative cover clearly does not provide adequate soil protection and water conservation; consequently, soil erosion, siltation and flooding are increasingly becoming serious problems.
2. Since the productivity of the fixed agricultural farming base can be sustained only if upland watershed management is effectively applied, the management of soil and water resources must be given high priority in the allocation of public funds. Therefore, financial planning in the Bicol River Basin and the Bicol Region must be directed toward greater equity between upland and lowland public investment in order to achieve an environmentally sound balance between the lands used for annual cropping and the supporting areas devoted to forests and permanent crops.
3. A major portion of the critical watersheds is now in private hands and farmed by small farm families. Therefore, the cooperation and active involvement of the actual cultivators and land owners is essential for the development of a viable watershed management program. Since planning for watershed improvements must start at the farm family level, it is necessary to determine the extent to which farmers are prepared to participate in the program and devise plans to enlist the farmers full cooperation.
4. The present deteriorating condition of the watershed is a result of improper land use. Philippines and other country experience indicates that better land use methods such as contour farming, terrace construction, and agro-forestation can be effectively implemented through the joint efforts of the farmers, landholders, and the government. The government can justifiably subsidize the farmer to help him improve the conservation of natural resources and management of the watershed on private lands in order to prevent soil erosion, siltation and flooding. These subsidies or investments will benefit the entire community and country and are, therefore, warranted on socio-economic grounds. Such investments must directly benefit the cultivator in the form of increased productivity which provides for his economic well-being.
5. Inequitable land tenure arrangements must be restructured to insure the accrual of benefits, including increased land values, to the small farm family cultivating the land.



6. Conservation of existing forests is essential. The achievement of this objective requires the professionalizing of forest protection capabilities plus community involvement through the designation of barangay captains as deputy forest rangers (under P.D. 705). Enforcement of laws against illegal logging and destructive slash-and-burn (kaingin) farming on Bicol upland watersheds must be strengthened.
7. Sustained funding for adequate forest protection must be assured. The BRBCC and RDC shall request the national government to designate Bicol as a regional pilot area for the application of funds generated from Forestry Administrative Order No. 64 to carry out a major watershed improvement program. Grants from this fund should be provided to requesting municipalities and barangays who are willing to develop and implement forest protection programs.
8. Reforestation must be implemented on all lands presently under effective government control. Monocultures should not be allowed because they are ecologically unstable and do not provide adequate soil protection. Reforestation and agro-forestation programs must include a mixture of several species.
9. Additional nurseries must be established to supply seedlings/seeds free or at cost for agro-forestry and reforestation and must be located near the planting sites. Farmer groups will be represented in policy making bodies and in operations of nurseries.
10. Extension services will be provided specifically to deal with upland problems. These services should be progressively expanded to one extension worker for every thirty farm families. Cooperating farmers shall participate in the performance evaluation of extension agents.
11. The development of tree plantations will be encouraged to provide the lumber, firewood, leafmeal and other industrial requirements of the Bicol Region and develop its export potential.
12. Control over the use of uplands already released for agricultural production must be strengthened and existing regulations implemented to stop further watershed deterioration. The GOP must assert its right and fulfill its duty to assure that land use is environmentally sound in addition to being economically beneficial to the tiller and landholder.
13. All local executives should receive watershed management training including exposure to agro-forestry techniques and development of strategies to achieve effective community involvement in tree-planting activities mandated by P.D. 1153.
14. All road building contracts must specify that contractors will plant trees along roadsides. Where road shoulders are too narrow, shrubbery may be substituted. Releases of funds to contractors will be based on accomplishment of this work.

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The following information is from preliminary field observations and planning of the Rinconada-Buhi Watershed Development Program:

1. Rinconada uplands make up 58% (44,700 hectares) of the total development area (76,500 has.). Only 3.6% (1,625 has.) of the uplands are protected by adequate forest cover. An additional 7.8% (3,500 has.) currently has marginal forest cover.
2. An estimated 88.6% of the uplands (39,600 has.) is either under cultivation or already abandoned to cogon grass, the latter indicating degraded fertility. Current land-use practices on some steeper slopes, particularly slash-and-burn farming (kaingin), are causing denudation and increasing soil erosion.
3. Depending on the area, 34 to 46% of the upland occupants perceive themselves as owners. The others have various tenancy relationship or are squatters. The average annual family income is ₱2,208 (\$300).
4. A farmer feels he must own the land he tills, or have a long-term leasehold or other secure tenancy arrangement before he will make permanent land improvements.
5. Upland farmers, most of whom live on a subsistence level, do not have the resources to develop the land for more intensive and permanent culture. To change land use, both technical and financial assistance must be provided over time.
6. It is assumed that environmentally sound and economically viable land use is possible under Bicol upland soil and weather conditions. Further, that improved land use can substantially improve the economic condition and quality of life of permanent upland farmers. A start-up agro-forestation project (20-40 small demonstrations) is proposed to begin to test this assumption.



ANNEX B

Republic of the Philippines
Ministry of Natural Resources
BUREAU OF FOREST DEVELOPMENT
Office of the Regional Director
Region 5, Naga City

MEMORANDUM

FOR : Rodolfo Leal
Project Management Staff
BFD, Quezon City

FROM : The Regional Director

DATE : 16 March 1982

SUBJECT : Comments on the evaluation report on the Buhi-Lalo Project.

REMARKS : In compliance with your radio message dated 15 March 1982, I am submitting this memorandum for your information. I went over the text of the report, specifically the portion covering the "IX. DISCUSSION OF FUNDING, CONCLUSIONS AND RECOMMENDATIONS", very hurriedly. My comments here are by way of amplifying some of the issues on which I wish to address my own observations, in contrast to those made by the team. I have indicated the page number containing these issues. It is hoped by views will merit equal treatment in the final version of the report, as is only fair and proper.

P. IV. 18

Mention of the delay in liquidation by the cashier (at the time Miss. Mila Labastida) was made. However, the report did not discuss the cause for the delay. According to Miss Labastida, the delay was simply attributed to the sending of trainees to Los Banos which entailed the drawing of cash advances for travel expenses by the trainees. The Cashier had to wait for the trainees to return to submit the required documents upon completion of travel. It took them a long time to do this; hence, the delay in turn in the preparation of the liquidation report by the Cashier. The change of Auditor also contributed to the problem. The new one had to familiarize herself first with the work program. Some formats of accompanying requirements for the payroll had to be changed. At any rate, Bernardo Bisuna, the Project Manager at the time did not anticipate all of these; thereby, he could not have escaped being blamed. We had to take the drastic step of relieving him, subsequently.

The designation of Miss, Mericor Cortez as a special disbursing officer had to be resorted to, to facilitate handling of disbursements in the Projects. Local representatives of USAID were informed about this in advance. Miss Labastida had to be freed from serving as Disbursing Officer of the Buhí Project, so she could concentrate on the Lake Bato Project. Yet the report found fault in the designation of Miss Cortez, based primarily on the fact that she is only a midwife, and therefore "inexperienced." Our records, however, show that she did her job well and with dispatches she actually handled only two cash advances, one given to her on August 14, 1981 and the other on November 11, 1981, both of which she had liquidated on August 24, 1981 and November 13, 1981, respectively.

P. IV. 21

The report alleges the Project Staff was not sure some positions would be approved by Civil Service. This is a misunderstanding of the situation. The only problem was that the plantilla appointment could not be submitted to Civil Service because the BFD Regional Accountant, in the absence of the CDC, could not certify on the plantilla as to availability of funds.

P. IV. 22

The report criticizes the hiring of four outsiders as Laborers. This had been explained, however, by the Project Manager. The set up, he emphasized, was only temporary, and part of his (Project Manager) reasons was for security purposes, he being a non-native of the area.

P. IV. 23

Accordingly, the project staff questioned the need for some items purchased such as briefcases and sleeping bags. Additionally, the report claims that the Regional Director had dictated on what items to procure. This was not so. These items were included in the revised fourth quarter work and financial plan drawn by the Project Staff and approved by the BFD Director in his memorandum dated November 20, 1981.

The report alludes to gossip on overpricing. The fact was canvas procedures were observed. In this connection, it should not be overlooked that procurement procedures required dealing with NACIDA or other dealers possessed with certain registration requirements authorizing them to deal with government projects. Furthermore, clearances for procurement for amounts above ten thousand pesos had to be obtained from BFD/MAR Central Office. The situation naturally favored Manila-based dealers who, expectedly, had to add a cost of follow up and transportation.

P. IV. 62

The report claims Project Staff to have purchased seeds and seedlings for agro-forestation and firewood production without receiving reimbursements. The Special Disbursing Officer, Mr. Bernardino San Roque, assured me that he had paid all obligations for seeds and seedlings. However, it could be possible some claims had not been submitted for lack of certain requirements.

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The report alleges that procurement of tools resulted in shortage and inferior quality. There is no such shortage because all tools had been delivered to and receipted by the Project Manager. Possibly, some were left in the Project Office at Buhi but from there they can be shipped to the project/development site as needed. The tools were not "important ones" and possibly of "inferior quality" in that report.

P IV. 66

The report alleges BFD Region 5 is ill-prepared to take on the additional requirements of a special project such as Buhi. This is unfounded. Lake Bato is a special project, and a bigger one at that, but it did not meet the peculiar problems of Buhi. Late releases of funds were basically the problem in Buhi in 1981.

The report belabors the designation of a former midwife as Special Disbursing Officer. As earlier stated, in this memorandum, her designation was a temporary expedient. Her inexperience, it was said, caused delay in the procurement of equipment. It was out of place to even talk of such equipment procurement, because during her stay as Special Disbursing Officer, there was not a single centavo for equipment. As to the delay in the funding for a certain training, it appeared, that the problem really considered of just having expenses incurred exceed the amount programmed. Unfortunately, it took a lot of prodding by the Special Disbursing Officer before the required justification could be submitted by the project staff.

P. IV. 80

Again, the report repeats the claim, allegedly advanced by the USAID personnel involved in the project that "GOP personnel were not intimately aware of the relevant government regulations." This is another exaggeration. In fact, GOP personnel, because they know these regulations, had to defer disbursements at times while waiting for their receipts of necessary requirements based on those regulations. To cite an example: everybody knew that approval by OCPC of hiring rates had to be secured, but it took a long time to get that. The problem here, therefore, is one of delay in obtaining those requirements and not of ignorance of the applicable regulations. The instances are many that I can cite, but it suffices to illustrate the point by just one example.

V. Conclusion

This report concludes that because the project's implementation plan did not build in the time required to learn those lessons, the Project is a full year behind schedule.

There are other factors the portion in conclusion should not gloss over. These other factors are more relevant in the over-all evaluation of the Project.

The most critical problem to my mind is that on cash flow. The Project ought to have received ₱497,000.00.

The first release from GOP was made 8 months late, this for MOE amounting to ₱142,364.00. It was followed by another release of ₱36,896.00. Based on these late releases, a revised work plan was approved by the SFD Director in his memorandum dated November 20, 1981.

The allotment for personal services of ₱83,000.00 did not reach BFD Region V in CY 1981.

Not a single centavo of USAID money came down to BFD Region V in CY 1981.

One area that the evaluation team quite solely missed, and which should be given an equally important emphasis as contributing to a very significant extent to the problem in the Project is with respect to organizational adequacy. There was practically no support staff. The 1981 funding did not provide for an Administrative Officer, a Bookkeeper, a Supply Officer, a Property Custodian and a Cashier. Nor did it include a Planning Officer. Precisely, this lack of support staff in 1981 ruled out decentralization on financial matters in the Project, much as I had wanted it to do in the Project. As I had done it before in the case of all District Officers in BFD Region 5.

Moreover, and this should not be overlooked, not a single centavo was released for equipment in 981. Following the releases of some money for indispensable office equipment such as a typewriter, filing cabinets, tables, etc., demonstrating that when funds are available, the Project Staff can do things with lightning speed.

Barring the occurrence of major constraints, like the ones that plagued it last year, the Project shows every indication that finally it is moving now towards success.

ACTION RECOMMENDED: For information and record.

JOSUE F. TADLE
OIC, Regional Director