

96308

**Governance and Local Democracy
(GOLD) Project**

Project Paper

**USAID/Manila
September 1994**

INTERNATIONAL DEVELOPMENT
PROJECT DATA SHEET

A = Add
 C = Change
 D = Delete

Amendment Number

DOCUMENT CODE
3

2. COUNTRY/ENTITY: Philippines
3. PROJECT NUMBER: 492-0471

4. BUREAU/OFFICE: Asia Near East 04
5. PROJECT TITLE (maximum 40 characters): Governance and Local Democracy

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM DD YY 09 30 99
7. ESTIMATED DATE OF OBLIGATION (Under 'B.' below, enter 1, 2, 3, or 4):
A. Initial FY 94 B. Quarter 4 C. Final FY 98

8. COSTS (\$000 OR EQUIVALENT \$1 = P27)

A. FUNDING SOURCE	FIRST FY 94			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total	900	2,200	3,100	5,850	14,150	20,000
(Grant)	(900)	(2,200)	(3,100)	(5,850)	(14,150)	(20,000)
(Loan)	()	()	()	()	()	()
Other U.S. 1.						
Other U.S. 2.						
Host Country				0	11,800	11,800
Other Donor(s)						
TOTALS	900	2,200	3,100	5,850	25,950	31,800

9. SCHEDULE OF AID FUNDING (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
1) DP						3,100		3,100	
2) ST						16,900		16,900	
3)									
4)									
TOTALS						20,000		20,000	

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
11. SECONDARY PURPOSE CODE

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

3. PROJECT PURPOSE (maximum 480 characters):
To achieve effective local governance with maximized popular participation in selected provinces and independent cities and establish a functioning system of communication to support replication.

14. SCHEDULED EVALUATIONS: Interim MM YY 09 97 Final MM YY 08 99
15. SOURCE/ORIGIN OF GOODS AND SERVICES: 000 941 Local Other (Specify)

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

The provisions of payment verification policy regarding methods of implementation and financing, capability of recipients and adequacy of audit coverage has been addressed in this document.

Mary L. Lewellen, Controller

17. APPROVED BY: Thomas W. Stukel, Director
Date Signed: MM DD YY 09 02 94
18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION: MM DD YY

PROJECT AUTHORIZATION

Philippines

Governance and Local
Democracy Project

USAID Project No. 492-0471

1. Pursuant to Sections 103, 104(c), 105 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Governance and Local Democracy Project (the "Project") for the Republic of the Philippines (the "Cooperating Country"), involving planned obligations not to exceed \$20,000,000 in grant funds over a five-year period from the date of authorization, subject to the availability of funds in accordance with the USAID OYB/allotment process, to help in financing foreign exchange and local currency costs of the Project. The planned life of the Project is five years from the date of first obligation of funds under the Project.

2. The goal of the Project, consistent with the Mission's strategic objective, is to bring about more responsive democratic institutions with greater citizen participation. Currently planned activities will achieve effective local governance with greater citizen participation in decision-making structures. The Project will concentrate its efforts on selected sites, with the aim of establishing functioning governance systems that are communicated to and replicated by other communities and local governments. Other activities in support of the same goal may augment the project at a later date.

3. The Project Agreement, which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with USAID regulations and delegations of authority, shall be subject to the following essential terms, covenants, and major conditions, together with such other terms and conditions as USAID may deem appropriate:

4. a. Source and Origin of Commodities, Nationality of Suppliers

Commodities financed by USAID under the Project shall have their source and origin in Cooperating Country or the United States, except as USAID may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the Cooperating Country or the United States as their place of nationality, except as USAID may otherwise agree in writing. However, procurement of commodities and services whose source,

-b-

origin or place of nationality is in the Cooperating Country shall be subject to the requirements of Chapter 18 of Supplement B, USAID Handbook 1. Ocean shipping financed by USAID under the Project shall, except as USAID may otherwise agree in writing, be financed only on flag vessels of the United States.

Clearances:

<u>Name</u>	
ONRAD: (Actg.) HDickherber	<u><i>HD</i></u>
OPHN: EVoulgaropoulos	<u>(draft)</u>
OPE: JMudge	<u>(draft)</u>
ORP: NEdin	<u>(draft)</u>
OVC: (Actg.) DNelson	<u>(draft)</u>
PDIS: DMasters	<u><i>DM</i></u>
PRM: RMcLaughlin	<u><i>RM</i></u>
OFM: MLewellen	<u><i>ML</i></u>
OLA: MWard	<u><i>MW</i></u>
OD: GWest	<u><i>GWS for</i></u>

By: *Thomas W. Stukel*
Thomas W. Stukel
Director
USAID/Philippines

Date: *9/2/97*

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EXECUTIVE SUMMARY

Background

The Philippines is in the midst of a profound shift in the manner and system of governance. With the passage of the Local Government Code of 1991, the Congress of the Philippines actualized one of the central principles embodied in the new Constitution of 1987. That principle is a commitment to democratic governance and sustainable development by empowering the people and their local elected officials to exercise control over their own affairs, accompanied by a notable reduction in the monopolization of resources and powers by central authorities and bureaucracies. The Code formalizes this principle by legislating governance reforms, which are arguably the most radical in Philippine history.

The Code is not yet securely anchored in Philippine political life. Forces seeking to re-centralize control have emerged as the inevitable power shifts entailed in such an effort begin to take place. Nonetheless, progress in implementing the Code in its early stages, has been remarkable. Among local government units (LGUs) and the non-government sector alike, there is near unanimous support for decentralization and great enthusiasm for capitalizing on the opportunities inherent in the Code. The Code has thus inaugurated a fresh vision of development guided, shaped and amplified by local government in collaboration with the non-government sector.

Project Description

The Governance and Local Democracy (GOLD) Project is designed to help this vision become reality by catalyzing and reinforcing the democratic decentralization process through strengthening pluralistic community participation in local governance and more effective government performance in local development, supporting Leagues of Local Governments, and institutionalizing a communication and feedback system which infuses and supports local governance. In specific terms, the goal of the GOLD Project is to bring about responsive democratic institutions with greater citizen participation. The purpose of the GOLD Project is to achieve effective local governance with maximized popular participation in selected provinces and independent cities and establish a functioning system of communication to support replication.

The project will concentrate its efforts in ten project sites located in provinces, highly urbanized cities (HUCs), and independent component cities (ICCs).

The overall strategy of the project is one of "*assisted self-reliance*." In essence, this involves the use of external resources not so much to produce direct results as to strengthen local capacities to initiate and manage activities that produce benefits for the local community. It means working with the public and private sectors in participatory processes that bring about development. It also means working on a *demand-driven basis, wherein local communities*

themselves define the areas where assistance is most needed. In implementing this strategy, the GOLD Project is premised on five activity areas which guide project interventions:

- *Strengthening Participatory Mechanisms*
- *Local Government Action Areas*
- *Support for the Leagues and NGO Networks*
- *Policy Support*
- *Institutionalizing a Communication and Feedback System*

The project will support the **institutionalization of a participatory decision-making process** by focusing resources on the non-government sector. Assistance will be provided to organize and mobilize communities toward active involvement in local governance and effective participation in the local special bodies mandated by the Code and in other community decision-making structures. By promoting pluralism in the participatory processes, it is expected that the GOLD Project will engender the responsiveness and accountability of local governments to their constituents.

The project will enhance **local government performance** in local development by providing technical assistance and training in three critical action areas of local governance: financial mobilization and management, development investment prioritization and promotion, and environmental planning and management. These areas have been identified and refined in collaboration with local government executives, representatives of the non-government and private sectors, local academic and training institutions, donor agencies, and national officials over the last three years in the course of implementing the Local Development Assistance Program (LDAP) and the Decentralized Shelter and Urban Development (DSUD) program and designing the GOLD Project. The project will assist local communities to define and install systems designed to improve government performance in these action areas. Once installed, performance will be closely monitored and promising benchmarks, i.e., levels of performance, documented.

The GOLD Project will strengthen the **Leagues of Provinces, Cities and Municipalities**. The GOLD Project will assist in professionalizing the respective Secretariats of the Leagues and in facilitating "sharing" activities. In doing so, the immediate objective is to strengthen the Leagues so that they are able to provide services to their members and be a vehicle through which spread effects of the innovations in government performance benchmarks are amplified. The long-run objective is to enhance the capacity of the Leagues to perform their advocacy and information dissemination functions. Networks of non-government organizations (NGOs) will also be supported by the project.

The project will provide **policy support to decentralization** through policy studies and by monitoring the progress of decentralization. Upon request from LGUs, the Leagues and national government agencies, policy studies will be carried out in areas of national concern and importance relative to the process of decentralization, ensuring its continuation and expansion. Studies will address local governance concerns and practices and should help inform the

decision-making processes of both the central government and local communities. Field appraisals will be conducted to monitor the progress of Code implementation and the overall decentralization process.

To infuse the participatory process, the GOLD Project will support the institutionalization of **communication, replication and feedback systems** on the local, provincial, and national levels. Reliable information is necessary so that decisions made through the participatory process are responsive and reflective of community needs and expressed priorities. Moreover, information on government performance is necessary to identify performance benchmarks and effective service delivery systems which can either be adapted or refined by local communities as they strive to achieve their own desired levels of local development.

Through these activities, the GOLD Project will contribute significantly to the full implementation of the Code, and not just to the letter of the Code, but also to its vision of vibrant, democratic, local governance in the Philippines.

Crafting the GOLD Project: A Participatory Design Process

In keeping with its concern for the active participation of the community in formulating any development policy or project that will impact on its resources, the GOLD Project was, itself, designed with the full collaboration of many sectors of Philippine society. The initial concept paper was developed with the benefit of extensive consultations in implementing the Local Development Assistance Program (LDAP) and the Decentralized Shelter and Urban Development (DSUD) Project. It engendered consensus on three areas that were later to be incorporated as GOLD Project's action areas.

A Filipino/American design team, fielded in the Fall of 1993, elicited government and non-government sector concerns regarding the design. Consultations were held with officials of the League of Provinces, League of Cities, and League of Municipalities. At all levels of local government, the design team also held consultations with business, civic, religious, and non-government organization representatives.

The draft project paper highlighted the need to conduct a more comprehensive **socio-political analysis**. Accordingly, three studies were undertaken by local scholars who are recognized in their respective communities for their knowledge of the area and their participation in local development through various NGOs. They reported on the socio-political situation in Northern Luzon, Central Visayas, and Northern Mindanao. The proposed project was also discussed at the bi-monthly meeting of the Donors' Forum on Local Government Code implementation. The forum is attended by international donors who provide support to local governments and their communities.

The resultant project design has been given shape and focus by the consultative process. Because of the design process, there is every reason to believe that the project will achieve its goal and purpose.

A C R O N Y M S

ARMM	-	Autonomous Region of Muslim Mindanao
BOT	-	Build-Operate-Transfer
BT	-	Build-and-Transfer
CIDA	-	Canadian International Development Agency
CLG	-	Center for Local Governance
CODE	-	Local Government Code of 1991
CSC	-	Civil Service Commission
DA	-	Department of Agriculture
DBM	-	Department of Budget and Management
DENR	-	Department of Environment and Natural Resources
DILG	-	Department of Interior and Local Government
DLD	-	Decentralization and Local Development
DOF	-	Department of Finance
DOH	-	Department of Health
DPWH	-	Department of Public Works and Highways
DSUD	-	Decentralized Shelter and Urban Development
DSWD	-	Department of Social Welfare and Development
FSN	-	Foreign Service Nationals
GOLDP	-	Governance and Local Democracy Project
GOP	-	Government of the Philippines
HG	-	Housing Guaranty
HUC	-	Highly Urbanized City
IAD	-	Integrated Area Development
ICC	-	Independent Component City
IFPMHP	-	Integrated Family Planning and Maternal Health Project
ILGA	-	Institute of Local Government Administration
ILO	-	International Labor Organization
IMF	-	International Monetary Fund
IRA	-	Internal Revenue Allotment
IRAPP	-	Integrated Rural Accessibility Planning Project
LDAP	-	Local Development Assistance Program
LDC	-	Local Development Council
LEAGUES	-	Leagues of Local Governments
LGIP	-	Local Government Infrastructure Project
LGSP	-	Local Government Support Program
LGU	-	Local Government Unit
MDF	-	Municipal Development Fund

MDP	-	Mindanao Development Project
MDP III	-	Third Municipal Development Project
MDPMP	-	Mission's Disaster Prevention, Mitigation, and Preparedness Program
NCCLG	-	National Coordinating Council for Local Governance
NEDA	-	National Economic and Development Authority
NGA	-	National Government Agency
NGO	-	Non-Government Organization
NHA	-	National Housing Authority
NIC	-	Newly Industrialized Country
ODRM	-	Office of Development Resources Management
ONRAD	-	Office of Natural Resources, Agriculture and Decentralization
PBAC	-	Prequalification, Bids and Awards Committee
PBSP	-	Philippine Business for Social Progress
PCCI	-	Philippine Chamber of Commerce and Industry
PO	-	People's Organization
RFA	-	Rapid Field Appraisal
RPT	-	Real Property Tax
SIR	-	Smooth Interpersonal Relations
TAS	-	Technical Advisory Services
UNDP	-	United Nations Development Project
USAID	-	United States Agency for International Development (Washington, D.C.)

**GOVERNANCE AND LOCAL DEMOCRACY (GOLD) PROJECT
SUMMARY AND RECOMMENDATIONS**

1. **Grantee:** The Government of the Philippines (GOP)
2. **Implementing Agency:** The local governments selected through the leagues of local government units (LGUs)
3. **Grant Amount:** U.S. \$20 million
4. **Source of Funds:** Development Assistance
5. **Program Purpose:** To achieve effective local governance with maximized popular participation in selected provinces and independent cities and establish a functioning system of communication to support replication.
6. **Program Definition:** The proposed program will strengthen participatory decision-making structures in selected provinces and cities in the Philippines, enhance local government performance in local development by providing technical assistance and training systems in financial mobilization and management, development investment prioritization and promotion, and environmental planning and management. The project will also support the Leagues of Provinces, Cities, and Municipalities; provide policy support for decentralization; and establish communication, replication, and feedback systems on the local, provincial, and national levels of governance.
7. **Grantee Contribution:** The GOP is expected to contribute a minimum of U.S. \$11.8 million (equivalent) over the five year life of project.
8. **Grant Request:** The GOP has requested AID to participate in providing assistance to the strengthening of local governance and the implementation of the Local Government Code (see Annex A).
9. **Mission Views:** The Mission Project Committee recommends that the project be approved and authorized.

10. **Statutory Requirements:** All statutory requirements have been met. See Project Statutory Checklist (see Annex N).
11. **Initial Environmental Examination:** Categorical Exclusion (see Annex O).
12. **Recommendation:** That a grant in the amount of \$20 million be authorized on terms and conditions set out in the Draft Authorization included in this Project Paper.
13. **Project Committee:**
- | | |
|------------------------|--------------------|
| PDIS:CPippitt/DMasters | OPE:MPanlilio |
| OLA:LChiles | PESO:BWallach |
| OVC:JHeard | ONRAD:HLDickherber |
| OFM:LdelaCruz/FTullao | NEdeSagun |
| ORP:MArenas | LVDayao |
| | JBDulce |

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SECTION I. PROJECT BACKGROUND AND RATIONALE

A. INTRODUCTION

A confluence of events in the Philippines has opened an unprecedented opportunity to strengthen democratic governance at the local community level. For years, the countryside has struggled to cope with "imperial Manila" and establish a degree of local authority not only to define a vision for itself but also to have the wherewithal to implement such vision. Today, the post-Marcos democratization of the Philippines is in its first stages, and presents a challenge to its people: to make democracy work and bring about an evident improvement in the quality of life, in the reduction of widespread poverty, and in the protection of an increasingly blighted environment. Today, with needs vast and resources limited, there is a growing realization of the limitations of the state and the responsibility of civil society to participate more effectively in the day-to-day operations of government by setting the parameters under which government must perform.

The Governance and Local Democracy (GOLD) Project addresses this set of circumstances. It is crucial that the Philippines be assisted as it moves to institutionalize the democratic, participatory decision-making process at the local level. It is necessary to demonstrate that democracy works, that open and transparent decision-making results in more unified, legitimate, and equitable policies and programs; that government becomes more responsive to people's needs as they themselves define those needs; and that government must be held accountable for its performance.

B. PARTICIPATORY DEVELOPMENT: A CONCEPTUAL OVERVIEW

Development programs are often criticized for having been designed in a top-down, "blueprint" fashion, detailing the kinds of activities that should be undertaken, the amounts of resources required at each point in a scheduled workplan, the level of goods and services to be produced, the number and types of personnel required, etc. (Cernea, 1991; Clark, 1991; Crook and Jerve, 1991; Lewis, 1988; Osborne and Gaebler, 1992; and Paul, 1987). Such programs were rarely designed in consultation with the "stakeholders" -- people, beneficiaries or otherwise -- who would be affected by them or, worse, be required to carry them out (Ostrom, 1992). Observers have commented that the development landscape is littered with projects that have gone awry: roads leading nowhere, irrigation channels bereft of water, bulldozers and other heavy equipment rusting in open fields, high-rises abandoned.

The time has come to learn from the development mistakes of the past and establish a new mode of working which builds on people's capacities. Blueprint programs must

give way to "learning" programs where implementors become involved in decision-making and government is "reinvented" from merely a public service provider to being a catalyst and a facilitator. All sectors could then participate in identifying and solving their communities' problems (Osborne and Gaebler, 1992). The stakeholders, therefore, must be brought into the cycle of project development -- from design to evaluation and re-design. Stakeholder participation in development projects logically leads to community participation in community development. But for community participation to work, people must have the authority to make decisions, act on them, and expect others to follow and raise the resources required to effect such decisions. That is, communities must have open, participatory decision-making processes as well as decentralized, local governments effectively responsive to their perspectives.

The GOLD Project has been designed to address these needs. The project takes advantage of the opportunity created by events unfolding in the Philippines supportive of democratization and it benefits from a wide body of development literature focusing on participation, local government institutionalization, and integrated area development.

C. BACKGROUND

The downfall of the Marcos regime through the People's Power Revolution of 1986 set the stage for democratic electoral and constitutional reforms in the Philippines. In 1987, a new Constitution provided in Article X, Section 2, that "the territorial and political subdivisions shall enjoy local autonomy." Section 3 further directed that "Congress shall provide for a more responsive and accountable local government structure instituted through a system of decentralization with effective mechanisms of recall, initiative, and referendum..." These constitutional provisions were then embodied in the Local Government Code of 1991 (Code).

By codifying principles and objectives of democratic decentralization in this legislation, the Philippines recognized and aggressively responded to two global currents which were amply represented in its own recent history. One is widespread dissatisfaction with the administrative state as a management model for social and economic development. The other is the associated conviction, underscored by the "people power" movement of 1986, that the participation of a pluralistic civic society and decentralized public sectors afford a better prospect for real economic development, assuring personal freedoms, and restraining the excesses of authoritarian, centralized states.

The enactment of the Code thus represents a major shift in Philippine governance. The Code recognizes that good governance entails more than government institutions; that "people power" is not just a revolutionary event but the sustenance of democratic reforms in the years to come. It mandates popular participation,

empowering people, through their organizations, to join in the social and economic development of their communities. It institutionalizes the concept of "democratic governance," wherein people assume the responsibility for defining standards of government performance and for steering government to achieve such standards. Specifically, the Code mandates non-government sector representation in local planning and development through membership in local special bodies; sectoral representation (one each from the women, agricultural or industrial workers, and other sectors, including the urban poor, indigenous cultural communities, or the disabled); consultations prior to project implementation by national government agencies; and prescribes procedures for citizens to recall locally elected officials, initiate local ordinances, and conduct referendum on matters of local concern.

But just as good governance connotes popular participation, it also connotes a governmental system that is closer to the people within its jurisdiction. Thus, the Code mandates devolution to local government units by transferring to them authorities, functions, and regulatory responsibilities heretofore exercised by central government agencies. To date, approximately 69,000 central government personnel have been placed under local control. Significant authority over planning, health, agriculture, environmental management, social welfare and other basic services are now primarily the responsibility of local governments.

To support these new responsibilities, the Code also provides for a significantly higher share in national internal revenue taxes, the utilization of which is no longer constrained by central bureaucracies. Previously, LGUs could receive up to 20% of the internal revenue collections of the third preceding fiscal year. Between 1988 to 1991, they received 11% of those collections or approximately 2.3% of the total annual government appropriations. Many received much less because the allocation of these shares was highly subject to political and bureaucratic impulse. The Code now provides for the *automatic release* of LGU shares of 40% of the third previous year's collections. LGUs are also to have an "equitable share in the proceeds... from the national wealth within their respective areas" (Sec. 289). Furthermore, they are also allowed greater autonomy in creating their own sources of revenues; to levy taxes, fees, and charges; to obtain financing from other sources; and to allocate these resources in accordance with the plans, policies, and programs formulated by their local special bodies and ratified by their local Sanggunian (Congresses).

More comprehensively, the Code grants LGUs authority and powers necessary for "efficient and effective governance...and essential to the promotion of the general welfare." The Code defines such welfare to include culture, health, safety, a balanced ecology, appropriate technological capabilities, public morals, economic prosperity, social justice, full employment, and peace and order (Sec.16).

The aforementioned items depict only part of the many governance reforms embodied in the Local Government Code. Taken in total, the Code is a decisive departure from

piecemeal efforts instituted in past administrations and represents a momentous opportunity for significant change.

D. PROBLEM

Enacting the Code was the first step in making government more responsive to the people. The problem now is two-fold: (1) *how to bring about a change in people's sense of efficacy*, to prove to them that they in fact have the power to confront socio-economic problems through active involvement in their own communities, and that now is the time to change the attitude of dependency on central government or on traditional elites; and (2) *how to support and firmly operationalize a system of governance*, access to services and economic development based in large measure on enhanced popular participation, local autonomy, and decentralized management. To establish the process and restore the peoples' faith in themselves and in their government will require continued and diligent work, not only to implement the Code, but also to support popular participation and decentralization reforms and defend them against the inevitable attempts to weaken or reverse the effort. There are both positive and negative trends affecting this outcome.

On the *positive* side, the Code has validated people's empowerment through organization at the community level. A recent DILG survey (1993) indicates that of those LGUs reporting, 83% have accredited more than 16,000 NGOs and peoples organizations (POs). In many LGUs, the accreditation process remains open and community organizing continues, in preparation of the next round of representation in 1995. Of the local special bodies, Local Development Councils have been convened in greater numbers than health boards and school boards, although these too have become operational. In addition to local community organizing, national non-government networks concerned with development have come together to forge a common vision and to provide a forum for regular consultations between government agencies and non-government organizations. Increasingly, the non-government community and the Leagues (of Provinces, Cities, and Municipalities) are becoming aware of the roles they need to play in support of participation and local governance.

Moreover, the most recent Local Development Assistance Program¹ field appraisals of the process of decentralization and Code implementation conclude that progress has been more rapid than expected. Devolution of national government agency (NGA) resources is virtually complete, with over 69,000 technically trained personnel and over Pesos 350 million having been transferred to local government control as of

¹ The Local Development Assistance Program (LDAP) is the USAID/Philippine's current program of support for decentralization reforms in the Philippines. The LDAP focused on national-level policy reforms and technical assistance which establish a foundation for sustained economic development by increasing the transfer of authority, capabilities and resources to local government units.

October 1993. LGU shares of the Internal Revenue Allotment (IRA) have been delivered on time. In 1994 these shares amounted to Pesos 47 billion, a decisive increase in resources to LGUs for development purposes.

Many LGUs have shown initiative and innovative thinking in tackling the problems of local government. For example, some LGUs are pursuing credit financing (Naga city); some have established multi-LGU programs to take advantage of economies of scale in health insurance plans (Bukidnon province and municipalities in Quezon province); others have expressed interest in bond flotation (e.g. Palawan province) and are readying project financing schemes (cities of Cagayan de Oro and Dagupan); still others are looking at Build-Operate-Transfer projects to raise locally-sourced revenues (Minglanilla municipality in Cebu province).

On the *negative* side, although the Code is in place, it is by no means securely so. Nor is decentralization or participatory governance accepted by all elements of Philippine society and government as the best way to achieve sustainable development. Furthermore, decentralization inevitably entails the erosion of power of some groups and individuals while enhancing the authorities and responsibilities of others. These individuals and/or institutions are working to maintain their authority and weaken provisions of the Code. More than 25 bills are currently under consideration in Congress which seek to delay the devolution schedule or to limit one or more of the expanded LGU powers. While the President, other key national leaders and virtually all LGUs support the Code, segments of the national government bureaucracy, particularly those whose authorities are clipped by the Code, are naturally supportive of these proposals. Thus far, these activities threaten the Code, but none has made much headway.

Local autonomy is now at a critical juncture. If local communities do not participate in, or experience the gains from, the new and decentralized ways of doing business at the local government level, backsliding toward greater concentration of power and control at the center with all its attendant inefficiencies and inequalities will be heightened.

It should be recognized that to a large extent, the Code is enabling rather than executory. The broader LGU powers and responsibilities provided by the Code are meaningless unless LGUs and their communities seize the initiative and take full advantage of the opportunities offered by the Code. However, existing systems, organizations and arrangements at the local level have not yet been entirely adapted to the new policy environment. Thus, institutional changes, organizational reforms and attitudinal perspectives of local officials and communities are required to convert the promise of the Code to a reality.

E. STRATEGY

Given these positive and negative forces, it is imperative that LGUs and their communities receive adequate support to enable them to rise to the challenge of decentralization and bring about effective local governance. In this context, *local governance* is defined as:

the process by which communities address their own needs, problems, and priorities through more responsive and accountable local governments. Paraphrasing Osborne and Gaebler (Reinventing Government, 1993), *governance is the process, government is the instrument.*

Communities are herein understood as those contiguous to a Philippine local government unit, i.e., provinces and their component cities, municipalities and barangays; independent component cities and highly urbanized cities and their component barangays. *Local government units* refer to provinces, cities and municipalities. Moreover, the project refers to the output of government as its *performance* and measuring a level of government performance as establishing a *performance benchmark*.

The GOLD Project strategy is to demonstrate, concretely and forcefully, that local communities can, in fact, *accelerate* the development process and *improve* government performance in the delivery of services by effectively harnessing community resources and utilizing authorities provided under the Code. This will be accomplished by employing a strategy premised on "assisted self-reliance" (Uphoff, 1988) and institutionalizing a system of feedback communication, dissemination and replication.

By assisted self-reliance, the project supports local communities (their non-government organizations and local governments) on a "demand-driven" basis, whereby they themselves indicate their desire and need for external assistance. External resources of technical assistance and training are designed to augment the resources communities can bring to bear on a nucleus of pivotal action areas (which are discussed more fully under Annex D). The forms and levels of assistance will necessarily differ among the participating communities according to their specific needs, priorities, and capacities.

Assistance to local communities is expected to generate performance benchmarks by which standards of government operations can be identified, adopted or further refined. These standards then become "a known possibility" to which local communities may aspire, or they may serve as a basis for innovation and creativity. Through a system of independent monitoring, data collection, dissemination, and communication feedback, communities will be empowered to identify and achieve performance benchmarks within their own context and will be quickly alerted to policy

issues and constraints which unduly hamper desired government operations and which may require further study. The system will also allow the GOLD Project to multiply its impact and leverage its own resources on a wider scale.

Thus, the GOLD Project strategy is to assist selected local communities in enhancing participatory decision-making processes, in identifying and achieving performance benchmarks for government operations, in strengthening supportive organizational linkages at the local community and national levels, and in addressing policy roadblocks that constrain local governance and development. Resultant project activities will gain wider impact and credence through a system of replication and communication.

F. RELATIONSHIP TO USAID POLICY

USAID seeks to achieve its worldwide goal of sustainable development through a strategy focused on four areas: democracy, sustainable economic development, population and health care, and the environment. In each of these areas, democratic governance plays a crucial role in ensuring that development reaches beyond the central power structure to the majority of the population. The GOLD Project will contribute principally to the first of these through its focus on increasing opportunities for enhanced citizen participation in governance. It also supports all of them by enhancing local government performance in resource mobilization, resource allocation, and local development investment, and by instituting broad-based participatory avenues through which environmental issues can be addressed and appropriate action taken.

G. RELATIONSHIP TO USAID MISSION STRATEGY

The goal of the USAID/Philippines Assistance Strategy for the years 1993-1998 is to work toward a new partnership between the U.S. and the Philippines for democracy and development. The primary strategic objective contributing to the attainment of that goal is *"more responsive selected democratic institutions with greater citizen participation,"* which is precisely the goal of the GOLD Project. Other Mission strategic objectives target increased productive investment and enhanced management of renewable natural resources. The GOLD Project will contribute to these as well, through its support of private sector participation in local development decision-making, improved local financial mobilization and management, development investment promotion, and effective local environmental management.

USAID/Manila has consistently supported policy reforms to decentralize authority and achieve responsive democracy, most recently through the Local Development Assistance Program (LDAP) and the Decentralized Shelter and Urban Development

(DSUD) Program. The focus of these programs was the national government as it explored policy reforms increasing local autonomy for the LGUs.

GOP support for USAID programs has been extremely encouraging, as exemplified by the unexpectedly early passage of the Code. USAID's support for decentralization now needs to shift from policy reform on the national level to assisting local governments, the Leagues, and local community organizations as they come together to address common problems in local development and as they implement the reforms embodied by the Code.

This is just the beginning. The Code is only in its second year of implementation and community leaders, the LGUs, and their representatives in the Leagues are attempting to learn new practices, exercise new authorities and change long-held attitudes and beliefs. The forces trying to make decentralization work are asking for help to counter centralization pressures. The GOLD Project is USAID's response. By assisting local governments to become more effective and helping to increase the participation of the non-government sector, the GOLD Project will contribute directly to strengthening democratic governance at the local level.

H. OTHER USAID RESOURCES AND OTHER DONOR PROGRAMS

There are other USAID projects which complement the GOLD Project, e.g., the Sustainable Coastal Resources Development Project (SUSTAIN) and the Integrated Family Planning and Maternal Health Project (IFPMHP). Both projects will work with local governments and the non-government sector, with SUSTAIN focusing on watershed and coastal environments and IFPMHP on family planning and health delivery services, particularly in urban areas. One of the action areas for the GOLD Project is environmental planning and management. SUSTAIN is expected to provide technical collaboration and support in defining and managing the GOLD Project activities in this area. In addition, in the selected project sites, projects under the Office of Voluntary Cooperation (OVC) supportive of the non-government sector represent additional community resources which the GOLD Project can tap as it undertakes its activities. In turn, the GOLD Project can assist these projects as they work with local governments and the non-government sector. USAID/Philippines will also use resources from the Housing Guaranty Loan program to support LGU long-term investments in environmental infrastructure under the GOLD Project, should these funds become available.

The GOLD Project was designed in consultation with donors who work directly and indirectly with local governments. Of particular interest are local government assistance programs supported by the Ford Foundation, the Canadian International Development Agency (CIDA), and the World Bank. Ford's research and support programs for participatory development focus on providing support to non-government

organizations in partnership with government and people's organizations. Ford has also recently instituted an award program for promising local government initiatives in governance. CIDA's Local Government Support Program assists LGUs in capability-building and the World Bank's Third Municipal Development Project supports infrastructure needs of cities and municipalities. These efforts are further discussed in Annexes J and K.

SECTION II. PROJECT DESCRIPTION

The Governance and Local Democracy (GOLD) Project will support the democratization of governance through assistance to the non-government sector, local government units, and the Leagues. Policy reforms undertaken by the GOP resulted in the Local Government Code of 1991; the GOLD Project will continue to support these reforms and the Code by focusing its activities on critical areas for effective local governance. Thus, by extending assistance to selected provinces, their component cities and municipalities, and independent cities, the project will enhance the participation of non-government organizations in the decision-making structures of their communities, and strengthen responsive local government performance.

A. GOAL AND PURPOSE

The project contributes to USAID's strategy of forging a partnership with the Philippines for democracy and development. By supporting broad-based, local participation in decision-making, the project moves toward the goal of engendering more responsive, democratic institutions at the local level. In turn, broad-based, participatory decision-making leads to more effective utilization of community resources for local development. Thus, the project is concerned with both process (by supporting democratic, participatory decision-making structures) and outcomes (by strengthening government performance in areas crucial to sustainable local development).

1. Goal To bring about more responsive democratic institutions with greater citizen participation for local governance and development.

2. Purpose To achieve effective local governance with maximized popular participation in selected provinces and independent cities and establish a functioning system of communication to support replication.

Broken down into purpose elements, the project reflects the multiple facets conditioning participatory development:

- a. Strengthen participatory mechanisms for local governance by bringing non-governmental, community-based organizations into the formal decision-making structures of a community.

- b. **Support accountability and transparency in local government operations for more effective government performance in key areas of local development.**
- c. **Institute a system of performance benchmarking through documentation and dissemination to multiply the impact of project activities and results.**

An objective tree illustrating the project purpose and goal is shown as Figure 1 on the following page.

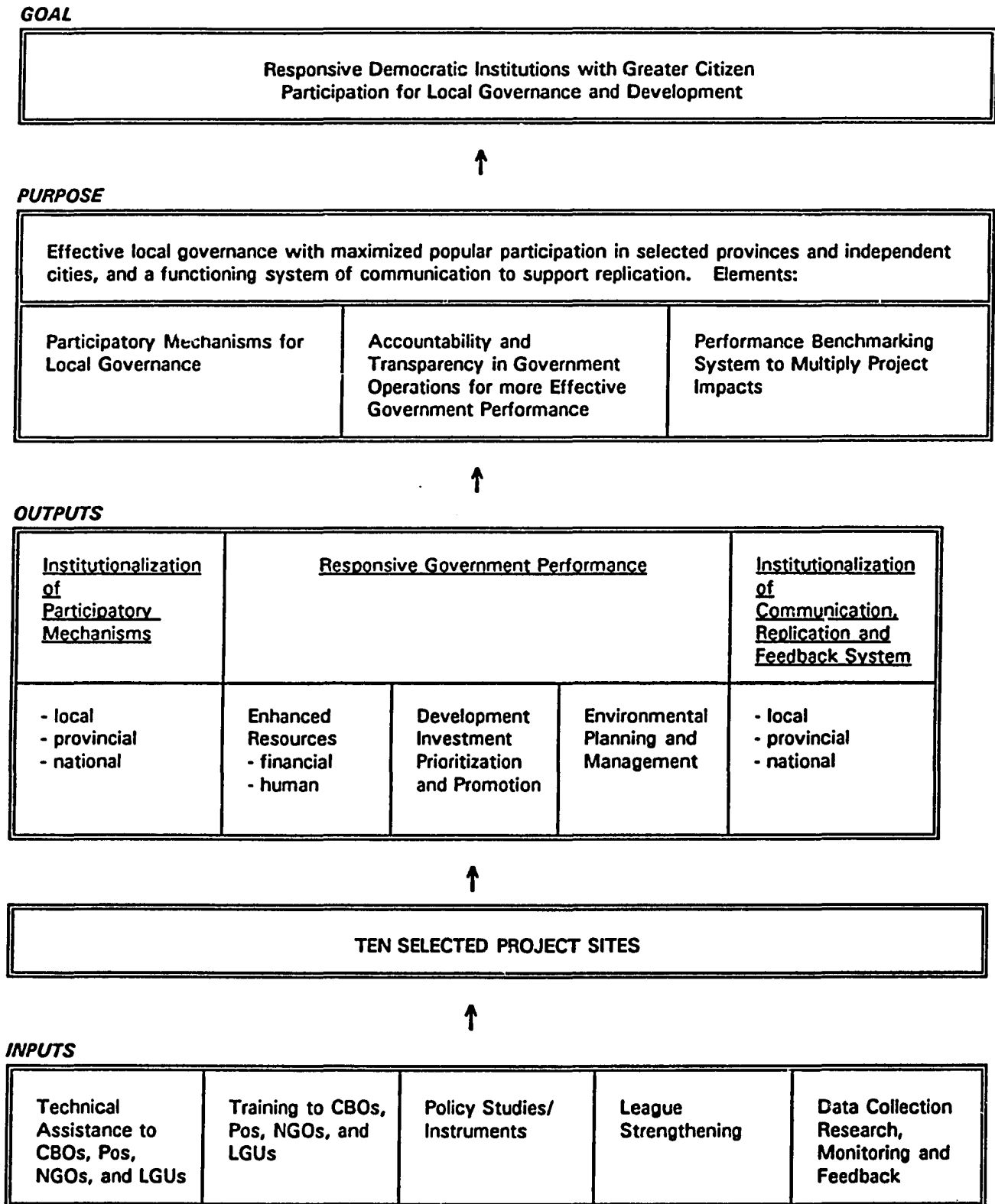
B. END OF PROJECT STATUS

By the end of the five-year project period, provincial, municipal, and city communities should be demonstrating greater vitality in their decision-making processes because of the active participation of many of their local organizations in the pursuit of local development. The perception of communities regarding the credibility and effectiveness of their governments should have improved measurably. Local governments should be more comfortable with participatory decision-making, more responsive to their communities' priorities, more transparent and entrepreneurial in their actions, and more readily accountable for their performance. Communities should have increased substantially their revenues from local sources, including significantly increased rates of tax collection. The private sector in these communities should be increasingly involved in LGU capital investment and other development priorities. Concerns regarding environmental planning and management in support of sustainable development should be addressed broadly by the communities as a whole.

Citizens will be participating actively in democratic governance through people's organizations and through the active partnerships of the non-government sector and local governments in the local special bodies and other community decision-making structures. The Leagues of Provinces, Cities, and Municipalities will be self sufficient and will have functioning secretariats providing services to their members, including generating and providing information on local government performance that should assist and enhance decision-making. Manuals and handbooks will have been developed and distributed in such areas as local finance, tax management, project finance and management, access to services, and community participation in local governance.

On a wider scale, communities will be aware of what other local government units have accomplished and will be able to judge their own performance against others. An independent monitoring system will be in place as a source of reliable data on what communities have achieved and the problems they are facing. The system will also focus on policies, national or local, that may be impinging on local governance,

Figure 1. Governance and Local Democracy Project Objective Tree



and generate policy studies or instruments that will have impact on the country's local government system as a whole.

C. SUSTAINABILITY

The long-term sustainability of the project is linked to the strengthening of democracy in the Philippines, the continuing commitment of the GOP to decentralization, and the achievements of local communities themselves.

Popular participation in community decision-making is democracy manifested. By democratizing the development process, resources are more equitably (if not effectively) utilized and governments become more responsive, their performance more credible to their communities. In strengthening democracy through support for community organization and mobilization, the likelihood of achieving the quality of government performance the people desire is increased. And as government succeeds, the communities themselves will be more likely to continue the process which made such success possible. Furthermore, by assisting local governments to become more responsive and effective, the project will help build confidence in the electoral process as people begin to affect change by working with and through their locally elected leaders.

The commitment of the GOP to decentralization, as embodied in the Code, continues to energize local governance. In spite of pockets of opposition in Congress and in national government agencies (as noted above), progress in implementing the Code is encouraging and suggestive of long-term project sustainability. In addition to official government actions, local leaders through their Leagues continue to advocate stronger local autonomy and show that there may be political risks in either slowing or suspending decentralization.

The project activities build in sustainability. Assistance will be provided to those communities who have actively pursued it, who need to gain access to resources (technical advice and training) which they find difficult to obtain on their own, who have expressed a commitment to sharing the costs necessary for joint activities, and whose citizenry and local governments are willing to work together toward sustainable local development. External assistance will only complement the communities' own investment of resources and effort. Furthermore, assistance can only be used to strengthen and improve the effectiveness of local institutions, and therefore, the communities should be willing to continue to support and value them long after the project has been completed.

D. BENEFICIARIES ²

The *direct beneficiaries* of the project will be the population of the selected project sites. These communities will have set in place, by the end of the project period, a participatory process for the identification of community development priorities, mobilization of resources for local development programs, more efficient allocation of such resources, desirable levels of government performance in service delivery, and a more self-reliant, self-confident community able to address its own development needs. Within these communities, the project will work with both the local government and the non-government sector (including the private sector and local universities or colleges) in leveraging resources so as to achieve a measurable impact on the decision-making process which supports local governance and local development.

The project will have a positive direct impact on both public and private sectors as they enter into collaborative partnerships in local governance. Local government staff and the local special bodies will benefit from the technical assistance and training made possible by the project. The private sector will benefit from direct investments in local development projects. The non-government organizations will derive benefits as they organize themselves and their communities for effective participation in the decision-making process.

The Leagues of local governments will directly benefit from project assistance as they strengthen their operations and develop sustainability.

E. PROJECT STRUCTURE

The GOLD Project is a development system in itself, with information flow and feedback mechanisms. Although the structure herein delineated appears to be sequential, at each stage, the information flow and feedback mechanisms infuse the process. The structure is iterative and flexible. It provides for implementors to "learn" as the project unfolds through project activities, monitoring, and problem-solving.

The operating environment for the project is a local community, be it a province and its component cities or municipalities or an independent, highly urbanized city and its component barangays. The actors in the environment are the following:

- *the non-government sector* includes "private, non-profit, voluntary organizations that are committed to the task of socio-economic

² A discussion of *secondary beneficiaries* and *women as beneficiaries* is presented in ANNEX G "Social Soundness Analysis".

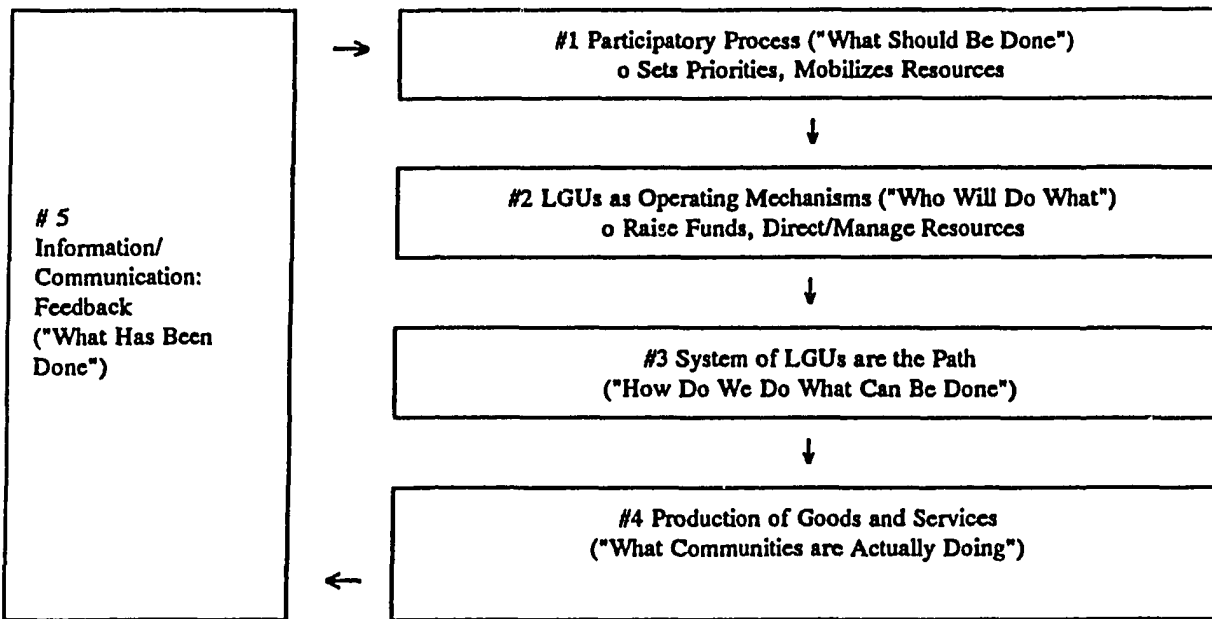
development and established primarily for service" (Bayani, 1993). Organizations established primarily for civic service, religious, charitable, and/or social welfare purposes are also included in the sector. These organizations are collectively referred to as Non-Government Organizations or NGOs. NGOs are commonly viewed as "intermediary" organizations whose activities benefit target clientele. Organizations of direct beneficiaries (farmers, women, urban poor, tricycle drivers, etc.) are termed People's Organizations or POs. The project makes distinctions between locally-based organizations and those that are based outside the community, either at a national level or a regional one.

- ***elected local government officials.*** The chief executives of local governments, elected for three-year terms, are the governors, city mayors, municipal mayors, and *barangay* captains. Local government units also elect assemblies or *Sanggunian* for three-year terms whose members are called *kagawad*.
- ***local government staff*** are appointed by local government officials and administer day-to-day government operations. Staff size depends on local government needs; the Code has designated some offices to be "mandatory" for all local governments and some "optional." (The latter is of interest as it indicates the priorities of local governments.)
- ***the leagues of local governments and their local chapters*** support capability building and advocacy efforts of local government officials and their staff.
- ***field representatives of national government agencies*** are expected to support local government operations as appropriate.
- ***Oversight Committee*** is the national-level body charged with formulating and issuing appropriate rules and regulations necessary to promote decentralization and local governance.

Stages of Project Action. Different actors may be the energizers for each stage, taking the lead in propelling activity from one stage to the next. There is, of course, fluidity as well regarding who takes the lead, since communities differ. Generally, however, the lead participants are identified at each stage. The stages of project action are depicted in Figure 2 below.

Bearing in mind that although depicted sequentially, the action process is iterative, we start with Box 1. The PARTICIPATORY PROCESS mobilizes the community to set priorities, harnesses resources to affect those priorities, and identifies levels of desired services (ideally, per level of resource investment). The Code, in Section 17, provides a basic framework of services (devolved as well as defined) which local governments

Figure 2. Stages of Project Action



are expected to deliver. Additional service areas depend on the priorities of the communities. At this stage, the participatory process, in effect, sets what communities should do. Non-government organizations take the lead in energizing the process at this stage.

At the next stage, Box 2, LOCAL GOVERNMENTS operationalize the decisions made during the previous stage. Local governments are the mechanisms through which funds are raised and resources are mobilized, directed, and managed in support of the priorities identified by the communities. Local governments have the democratic mandate to get things done and indicate who will do what communities want done. At this stage, therefore, the major actors are the elected local government officials.

Local governments, then, devise SYSTEMS, or PATHWAYS (Box 3) through which community priorities in the three substantive action areas (financial mobilization and management, development investment prioritization and promotion, environmental planning and management) can be achieved. These systems address the question of how do we do what we think we can do? At this stage, the major energizers are the local government staff.

Systems are then implemented, goods and services are produced (PRODUCTION stage, Box 4), and non-government organizations, including the Leagues, collect information and monitor what communities are actually doing to achieve sustainable

local development. Project assistance will be limited to devising systems of accessing services, not in producing the services to be delivered.

The information collected and disseminated will FEED BACK (Box 5) into the participatory process as information on what has been done and/or what the problems are which have constrained performance. At this stage, policy studies/instruments may be undertaken and/or formulated to focus attention on specific issues that cannot be addressed adequately at the local level. At the national level, lead actors in the communication loop are the Leagues. Other actors at this stage may include members of the media, the academic community, national level government officials, and national networks of NGOs. The matrix (Figure 3) on the next page shows the project structure in its entirety.

As the matrix shows, the project will assist the lead actors at each stage of the iterative action process by providing technical assistance and training in each of the activity areas which organize project interventions.

F. PROJECT ACTIVITIES

Each stage of the action process engenders activities designed to achieve the objectives of that stage. Because project sites differ, the extent, depth, and breadth of activities differ as well. Some sites might need a longer period of community preparation, for example, others might call for more activities in one action area than in another. Generally, there are five categories of project activities. These are:

- **Strengthening of Participatory Mechanisms**
- **Local Government Action Areas**
- **Support for the Leagues and NGO Networks**
- **Policy Support**
- **Institutionalizing Communication, Replication and Feedback Systems**

1. Strengthening of Participatory Mechanisms

The project will support the institutionalization of a participatory decision-making process by focusing resources on the community-based, non-government organizations as they mobilize themselves and their communities toward active involvement in local governance and effective participation in the local special bodies mandated by the Code and in other community decision-making structures. Project activities in this area will be particularly concerned with the active participation of

Figure 3. Project Structure

<u>Project Action</u>	<u>Lead Actors</u>	<u>Activity-Organizing Areas</u>
Participatory Processes	Community-based, non-government organizations	Strengthening of Participatory Mechanisms
Local Governments	Elected local government officials	Action Areas: * financial mobilization and management
Systems of Governance	Local government staff	* development investment prioritization
Production	CBOs, private sector, local governments	* environmental planning and management
Information/ Communication, Monitoring and Feedback	Leagues, independent monitoring agencies, NGOs at the national levels and CBOs, League chapters at the local level	Support for the Leagues; Policy Support; Monitoring; Institutionalization of Communication, Replication and Feedback System

women and other disadvantaged groups in the community. In so doing, the project will strengthen local governance in the Philippines and build on the political and facilitative institutions introduced by the Constitution and the Code.

Code-Based Participatory Structures. The Code mandates that NGOs and POs be represented in each of the local special bodies. Non-government sector representation is given for each of the special bodies stated below:

- Local Development Council (LDC) - at least 25% of the membership;
- Local Prequalification, Bids and Awards Committee (PBAC) - includes two NGOs/POs, which are also members of the LDC, and one Certified Public Accountant;

- **Local School Board** - includes the youth representative, a representative of the Parent-Teachers Association, and one representative of the non-academic personnel organization;
- **Local Health Board** - includes a representative of an NGO or a private sector organization active in the health sector; and
- **Local Peace and Order Council** - 3 NGOs/POs representing the academe, civic, and religious organizations.

Among these, the LDC, deals with area-wide development and, thus, has broad responsibilities regarding development goals and priorities, investment prioritization, social and economic well-being, and environmental management. The LDC is of particular importance to the project as it is this local body that brings together representatives from different institutions in the community. It is here where communities can forge an integrated vision, where decisions on allocation of resources are made, and where the "quality" of community life is most manifest. LDCs have the potential to be a crucial nexus for project assistance.

Other local special bodies have specific sector-focused functions. Similar arrangements of membership and functions for LDCs and local special bodies are in force on all levels of local government.

In the first year of Code implementation, national and local NGOs conducted a series of orientation seminars and workshops, apprising each other of the requirements of the Code. They covered the mechanics of accreditation and selection as representatives on the local special bodies, and discussed ways to take full advantage of Code provisions regarding their participation in local governance. POs were less visibly involved in these activities inasmuch as they were relatively less organized and less aware of the roles and expectations assigned to them by the Code. However, recent evidence suggests that people sectors (e.g., tricycle operators, market vendors, health workers, urban poor, in addition to the more traditional farmers and fisherfolk cooperatives) are being increasingly organized and are expected to gain accreditation in the next term (1995) of the local special bodies.

Although there are still a number of local special bodies that have not been organized as required by the Code or, if organized, have not met or have met perfunctorily, initial progress in this area is encouraging. This is especially noteworthy, given that the start up phase of decentralization has just concluded. A Department of Interior and Local Government (DILG) survey suggests that about 80% of the provinces responding to the survey have established their local development councils; 75% have established local health boards or local school boards; and 76% have constituted the Prequalification Bids and Awards Committees.

Local communities have demonstrated innovation in structuring their local special bodies to engage in more effective decision-making and to address some of these problems. The municipality of Calumpit, for example, has long recognized the need to ensure that the political, local government, and non-government sectors are working towards a common development vision for the municipality. Even before the passage of the Code, the mayor had instituted a process of "visioning" by bringing together the members of what was then known as the Municipal Development Council in secluded seminars to get to know one another and to focus on how best to arrive at a true partnership. Today, working committees of the Local Development Council are composed of local government staff, non-government representatives, and Sanggunian members. Thus, when policies and priorities are established by the Council, the Sanggunian is in on the ground floor, as it were, and ready to fund the priorities which they too had a hand in formulating. Furthermore, training is provided to members of the Development Council as members, and not to specific target groups within the Council.

Community-based Participatory Structures. Other communities have developed participatory structures (in addition to those specified by the Code) which address specific development problems. Palawan, for example, has an impressive number of "Bantay" (Protect, Guard, Secure) structures addressing issues in environmental management. The *Bantay Palawan* operates on the province-wide level; *Bantay Gubat* focuses on forests and energizes the fight against illegal logging; *Bantay Dagat* targets dynamite and chemical fishing. The Bantay structures provide an avenue for private sector, non-government, and government partnership. For these structures to succeed in their monitoring and protection functions, the full cooperation of the citizenry is crucial. To sustain these structures, however, assistance is necessary to move from the protection to management functions, so that alternatives to current forestry and fishing practices can be studied, piloted, and, if found useful, replicated. Palawan's actions regarding its environment embodies a performance benchmark in which other communities have expressed interest.

Many local communities need to address problems regarding housing for the urban poor. In the years since Marcos was overthrown, urban areas have seen a phenomenal increase in real estate prices and rapid in-migration combined with urban births have placed additional pressure on land and land costs. In response, the city of Naga, for example, has instituted an Urban Development and Housing Board to provide assistance and policy direction to the city's Urban Poor Affairs Office. The Board is composed of NGOs (COPE, CASAFI, Bicol Business for Development Foundation), POs (San Rafael Residents Homeowners Association, Nueva Caceres Urban Poor Federation), local government staff (City Engineer, City Planning and Development Office, Urban Poor Affairs), and local government elected officials (Sanggunian members).

Project Activities in Participation. At an LGU-NGO conference held in October 1993, the participants identified a number of problems regarding the local special bodies and

other community-based participatory structures. Consultative discussions were held to address them. Central to the issue of community participation in the special bodies were the following:

- the inability of some NGOs and POs to gain accreditation due to additional criteria imposed by the local chief executive through the Sanggunian;
- appointment and not election of the NGOs/POs to the LDCs and to the councils' various committees;
- the infrequency of meetings either of the body as a whole or of its component committees;
- the rubber-stamp nature of the meetings;
- the lack of expertise in dealing with area-wide development planning and investment, project financing, environmental management, parliamentary processes and the like.

Central to these problems, and apparent in both Code-based and community-based participatory structures, is the fear of NGOs (particularly those that act as development catalysts) that their defining characteristic of independence from government will be eroded. Although most NGOs are giving government the benefit of the doubt, problems regarding the effectiveness of Code-based participatory structures will exacerbate such fears if the problems are not corrected. The project will address this and other problems by providing technical assistance and training which will:

- support team-building efforts, e.g. "visioning" and "levelling off" activities and conflict resolution workshops, which sensitize non-government and government sectors to the role each plays in community decision-making, the complementarity necessary in harnessing community resources, and the responsibilities entailed by true partnerships in local development;
- strengthen the technical skills of the non-government sector so that they can effectively participate in the local special bodies and in the community decision-making structures;
- increase the number of accredited non-government organizations, particularly intermediary NGOs and POs; and

- institutionalize local, provincial, and national systems of information-sharing, networking, and advocacy among the non-government sector.

Recognizing that the project sites will be characterized by variation in the strength of their voluntary, non-government sector, the project will provide assistance to non-government organizations as they mobilize, organize, and operationalize participation. Non-government organizations may need assistance to bring them to a level of strength so that their participation would be more effective and satisfying. Once strengthened and accredited, they can use the participatory vehicles open to them, e.g. the electoral processes, the local special bodies mandated by the Code, and advisory councils and the like, to engage actively with LGUs in local governance. Training will also be available not only in building organizational skills but also in the technical areas required for more effective prioritization, budgeting, project financing, and the like. Thus, project assistance to the locally-based non-government sector will be crucial in the Participatory Process (Box 1) stage.

The project also envisions assistance to local and national NGOs and POs as they energize the Feedback stage (Box 5) by monitoring what communities are actually doing in confronting local development problems and issues, including the extent and quality of government performance. The project looks to the non-government sector to continue its participation in local community activities by being as vigilant in the monitoring of government operations, in assuring their transparency and accountability, as they are in being the "voice" or conscience of the community. In cooperation with the Leagues, the non-government sector should be able to highlight the accomplishments (or failures) of their communities and contribute to the establishment of performance benchmarks. It should also actively pursue policies that will enable local communities to overcome restraints to local governance and development.

To sustain interest and activity among organized and participating non-government organizations and to encourage exchange of successful strategies, continuing support will be provided for networking and advocacy, not only at the local level, but also at the regional and national levels.

The strengthening activities envisioned under this component will be based on the perceived needs of the non-government sector as it work with local governments in the local special bodies. For those organizations which are members of the PBACs, for example, training will consist of understanding various contracting and procurement systems, setting up project monitoring systems and streamlining project accounting and reporting systems.

Another illustrative example of assistance is in support of the local school board. Members might wish to consider alternative systems of supporting public education, e.g., the uses of the Special Education Fund (SEF), which is a 1% tax on real property

to augment national government funding in support of public education. The local school board administers the SEF, but despite Code provisions regarding the SEF, indications are that the LGUs are not making full use of this facility since public education is still seen as a national government function. Thus, the GOLD Project assistance whereby fiscal management, including tax collections, is enhanced can be complemented by assistance to the NGOs on the Local School Board. In this manner, the SEF can address community priorities in education rather than the priorities of the national Department of Education, Culture and Sports.

Regarding partnerships between non-government organizations and local governments in addressing local government operations, the project will assist activities that build on "traditional" campaigns such as Oplan Linis (cleanliness campaigns). Traditionally, most Philippine communities have undertaken beautification and cleanliness campaigns, which include mobilizing school children and other citizenry to plant trees and flowers and to clean up parks and other public areas. The project will build on activities such as these, but support a multiparty approach whereby the community defines its priorities in solid waste management, the LGU provides the necessary equipment, the non-government sector provides training and mobilizes community efforts, the media assure visibility and vigilance, and the for-profit business sector introduces new services. (Of the LGUs which have adopted this approach, the city of Puerto Princesa has been a conspicuous success). In this way the cleanliness campaign is systematized, internalized, and sustained. Government catalyzes the community's efforts and both sectors achieve the desired level of community performance.

2. *Local Government Action Areas*

Three organizing *action areas* have been identified in consultation with local and national officials, non-government sector representatives, and local government staff. These areas were highlighted as of crucial importance in local governance and effective government performance in local development. They offer abundant opportunities to catalyze, demonstrate, communicate and support the potential of decentralized service delivery and development management based on local government autonomy and pluralistic democratic processes.

For GOLD Project, the action areas which organize project response to the needs of local communities are:

- financial mobilization and management
- development investment prioritization and promotion
- environmental planning and management.

In each of these organizing areas, the project will support the various actors in a local community as they address problems and opportunities in the participatory action process described above. Technical assistance and training will be available to communities as they address these areas. A detailed description of the technical advisory services and the specific areas of advice and training can be found in Annex D.

a. *Financial Mobilization and Management*

Effective mobilization and management of financial resources is the foundation of sound local governance. The GOLD Project support actions are aimed at increasing the amount of financial resources available to local communities and improving local technical and administrative capabilities to manage such funds. These financial resources will support not only routine administrative costs, but a wider range of service and capital improvement needs. Technical assistance will cover three key areas of local finances: public/private developmental financing, budgeting, and revenue administration.

In developmental financing, assistance will be provided so that LGUs can attain financing flexibility beyond the use of savings; promote early cost recovery types of projects; support revenue-generating activities and begin to look at private sector investment in Build-Operate-Transfer and Build-Operate-Own schemes for infrastructure and other major socio-economic needs. Borrowings could include Housing Guarantee (HG) support for long-term funding.

Historically, local government budgets were presented in terms of personnel salaries and were generated from a "procurement process" approach which is, in effect, not a plan but an accounting device. Project assistance will help develop and institutionalize a budget process that will enable people to understand and vote on the package of services and investments for which they would be willing to pay in taxes, fees, and charges. Local officials would, however, be held accountable for the provision of these services and investments.

In revenue administration, technical assistance will focus on helping LGUs improve the collection of existing taxes and increase direct cost recovery from existing services. Assistance will also be available for tax campaigns, whereby the private sector, the non-government sector join with local governments to inform the general public of the relationship between taxation, budgeting, and service provision and/or the role of public hearings in the taxation process.

b. *Development Investment Prioritization and Promotion*

While it is critical for communities to improve financial mobilization and management techniques, these efforts are not sufficient in themselves to attract and manage developmental investments from both internal and external, public or private

resources. The GOLD Project recognizes that planning is needed if LGUs are going to get a handle on growth management and development priorities, but that generic "planning for the sake of planning" is counter-productive.

Planning, as currently practiced, tends to be in response to guidelines and expectations from central agencies and is consequently widely ignored, poorly executed, inadequate as a management tool and/or unrelated to the real political priorities and financial resources of LGUs. Furthermore, plan implementation has relied on funding that was sought from sources outside the control or authority of local communities. This has led to the infamous "wish-list" approach to planning which virtually all quarters - national, local and donor - acknowledge as severely flawed. The project will, consequently, support prioritization, rather than planning, as a management tool to facilitate more effective utilization of community resources.

It is well known that planning is a powerful tool for managing growth and development, but this is so only if it is employed in the service of clear objectives and driven by the prospect of concrete outcomes. Some of the most effective planning is demonstrated in those LGUs, particularly cities, which have internally articulated aggressive development objectives and have tied their own resource allocation efforts to these objectives. The GOLD Project seeks to capitalize on this insight by supporting direct linkages between development prioritization and investment promotion, focusing on *rapidly achievable assessments* which can be utilized to attract and manage private investments. Moreover, the GOLD Project will support development prioritization within the context of Section 17 of the Code, which details the basic services each local government unit is expected to deliver, including those that have been devolved, infrastructure facilities, and other locally identified priorities.

Because planning or, more accurately, prioritization, is the primary responsibility of local special bodies, the GOLD Project will include both the non-government and government members for assistance and support in this action area, in addition to local government staff. Monitoring of activities under this action area will be coordinated with Regional Development Councils with NEDA Regional Offices as Secretariat.

c. Environmental Planning and Management

The Code gives both LGUs and non-government organizations a key role in the task of developing self-reliant communities and maintaining ecological balance. (For details on how the Code affects environmental concerns, see Annex D). The most significant provisions of the Code are:

- All national government agencies and government-owned or controlled corporations must consult with LGUs and the non-government sector "in the planning and implementation of any project or program that may

cause pollution, climatic change, depletion of non-renewable resources, loss of crop land, rangeland or forest cover and extinction of animal or plant species" (Section 26). Moreover, such consultations must be approved by the concerned Sanggunian before the resultant projects or programs can be implemented (Section 27).

- The responsibility for spatial organization and allocation of various activities within a particular area of jurisdiction lies in the land use regulatory instrument of LGUs, the zoning ordinance.
- LGUs now exercise authority over community forests (not exceeding 5,000 hectares) and small watersheds.
- Provinces have been given responsibility for the enforcement of pollution and environmental protection laws.

Maximizing the environmental management and protection powers vested in local communities by the Code is premised on two factors: first, local governments are directly assigned certain environmental management and regulatory powers, albeit many of them subject to the caveat of "supervision, control and review of DENR." While this caveat may be viewed as restrictive, taken in context, LGUs are, in reality, supported in their desire to manage their own environmental resources. Second, the "silences" of the Code can be viewed positively by LGUs. That is, LGUs can exert their influence beyond that *explicitly* stated in the Code because the combination of authorities, powers and responsibilities given LGUs provide immense *implicit* power.

Local autonomy has moved decision-making closer to the affected sectors -- the community, organized groups of citizens and local governments. The Code gives *both* LGUs and non-government organizations a key role in the task of developing self-reliant communities and maintaining ecological balance. However, there remains the need for building practical avenues and mechanisms for cooperation; building technical and managerial capability; and building awareness and expanding the consciousness that environmental protection alone does not necessarily lead to a sustainable future.

The project will focus primarily on the planning side of environmental management. In some cases, conventional land-use and environmental management/monitoring/protection plans may be the product of such interventions, including disaster preparedness and mitigation planning. However, because the project is focused on enabling economic development through self-initiated and locally-sustainable resource mobilization and management, the project's environmental advisory services will be *linked to long-term sustainability of the LGU's resource base in relation to economic development priorities.*

3. *Support for the Leagues of Local Governments and NGO Networks*

Institutional support for the League of Provinces, the League of Cities and the League of Municipalities, and support for NGO Networks involved in participatory local governance issues is the third area around which project activities are organized.

Leagues of Local Government

Ultimately, Leagues will be the bodies responsible for advocacy on behalf of their members, for providing fora where members can discuss and resolve issues of common concern, for developing and/or assessing national policy initiatives in support of decentralized governance and for supplying information, technical and other services to their members. The Leagues also play an energizing role in the Feedback stage, collecting information on local government performance, disseminating performance benchmarks, and assisting local communities develop and achieve them.

During the last two years' discussions and negotiations within the Philippine government on how the Code would be implemented, each of these Leagues demonstrated a growing political will to assume new advocacy and policy appraisal roles on behalf of their constituents. This shift is a positive reflection of the Code's redesign of the mission of local government Leagues. The Code separated the Leagues from the Department of Interior and Local Government, retitled them to indicate their function representing LGU constituents, rather than representing mayors and governors, and gave them a greater role in national deliberations affecting local government. The Leagues are members of the Oversight Committee of the Office of the President, which is tasked with facilitating the implementation of the Code.

In keeping with these reforms, the League of Provinces and the League of Municipalities have already adopted challenging institutional development plans (produced with the support of LDAP) by which they will initiate restructuring and reform programs to facilitate their policy, advocacy, and information coordination roles. The League of Cities has also requested assistance to develop such a plan.

The GOLD Project support for these efforts requires relatively modest inputs for potentially significant gains. Continuing the LDAP support activities initiated by the aforementioned institutional plans, technical advisory services and training will be provided (again on a demand-driven basis) to help professionalize League secretariats in order to promote institutionalization of league systems and league self-sustainability. Leagues will organize "sharing" sessions, successfully demonstrated under the Decentralized Shelter and Urban Development Project for cities, which will be expanded to provinces and municipalities and facilitated through partial funding from the GOLD Project. The Leagues will also perform consultative roles during the GOLD Project.

Linkages with relevant U.S. associations will be forged. In the U.S., there are a number of associations of local government elected and professional officials who have served and operated in governance systems as envisioned in the GOLD Project. Exchange visits by League officials may be sponsored.

At the end of the project, the three Leagues should be self-sustaining; their secretariats should be operating effectively providing fora for members' discussions of local government issues, rendering services to their members, facilitating sharing sessions, disseminating relevant information, particularly on government performance benchmarks, and performing advocacy functions as appropriate.

NGO Networks

Non-government organizations do not have, as yet, an over-arching structure to support and strengthen their roles in local governance. The project will work with NGO networks such as the National Coordinating Council for Local Governance (NCCLG) in its emerging role as a supportive national network for NGOs and POs who seek productive interface with local governments. This national-level support will complement the bottom-up networking which will be supported in the project sites. The NCCLG is a national network of 23 development-oriented networks which includes POs and locally-based NGOs among its field membership.

To increase the technical capacity of the non-government sector, the project will also support (in partnership with an NGO support network) a series of round-table discussions on various aspects of local governance, including "cutting edge" issues like the private ownership of public goods, public choice theory and applications in education and health, the use and misuse of electoral mechanisms for participation (recall, initiatives, referenda), and the evolving model of Philippine participatory development and governance. Provincial participation in these discussions will be emphasized, particularly from those in the project sites.

4. Policy Support

There are a number of policy areas of concern to local communities, national government, the Leagues, NGOs and other individuals and institutions involved in governance and democratic decentralization. It will be important to respond to these concerns and to address policy issues in order to support and assist in the continuance and extension of decentralization.

Upon request from LGUs, the Leagues and national government agencies, policy studies will be carried out in areas of national importance. It will be important that the "demand driven" concept is adhered to here in order that policy studies be firmly

grounded in the issues identified by the GOLD Project staff working with local government units.

National Policy Studies

There are a number of concerns regarding potential impediments to the progress of decentralization which have already been expressed by local government officials and others engaged in local development activities. The following is an illustrative list of possible studies and depending on priorities for project resources, some or all of these studies may be undertaken:

- ***Study of Streamlined Administrative Rules.*** In particular, audit and procurement procedures need to be studied with the objective of improving and simplifying them.
- ***Study of the IRA and National Wealth Allocation Formula.*** Officials of national and local governments alike have expressed concern and their desire to identify a more equitable sharing mechanism.
- ***Study of the National Government - Local Government Relationship.*** Issues in this area are expected to emerge as both sides work through the initial reforms mandated by the Code and further reforms enabled by the Code.
- ***Case Studies of Innovative LGU Systems.*** Case studies will be undertaken to document innovative mechanisms of governance which LGUs or the non-government sector are employing or to identify and document ways in which the process of Code implementation and decentralization can be advanced.

This project component will accommodate requests for additional studies from LGUs, Leagues and other interested government and non-governmental parties.

In the conduct of policy studies, it will be important to involve Filipino consultants and local academic institutions which have expertise and knowledge in the various areas of concern so that these institutions can, themselves, gain experience in working with local governments.

5. Institutionalizing a Communication and Feedback System

Information drives the project. The Participatory Process (Box 1) stage requires independent and reliable information on the state of the community, its needs, priorities, and development vision. Information on options, on the performance

achieved by its own local government and elsewhere, are necessary so that members of a decision-making body can make responsible and responsive decisions. Furthermore, the data collection process itself should be transparent, to engender greater faith in the veracity and relevance of the information.

In the Local Governments (Box 2) stage, accurate information is required to make adequate projections on available community resources, on what could reasonably be expected to harness non-community resources (and what that might entail), and on the alternative strategies by which community priorities can be achieved. In the Systems stage (Box 3), technical information on precisely how these priorities can be achieved, what systems of financing, for example, are appropriate must be gained by both the government and non-government sectors. Needless to say, information on what communities are actually doing, garnered from independent monitoring of government performance are essential to feed back into the Participatory Process stage.

Objectives of this activity organizing area are to:

- a. Provide independent and reliable information on the pace and progress of national decentralization efforts through *rapid field appraisals*;
- b. Provide monitoring information on local government performance in governance and development, with particular attention to documenting standards of government performance, data collection on replication and refinement of performance benchmarks, and identification of policy constraints that need further study;
- c. Develop appropriate communication systems for information sharing by local governments, the non-government sector, the Leagues and NGO networks, and by national government agencies involved with Code implementation, e.g. the Oversight Committee, DILG, DBM, DOH, etc.; and
- d. Track attitudes and perceptions of local communities regarding their local governments and other issues of governance.

Thus, the project will support activities that institutionalize the process of information collection, dissemination, and feedback. LDAP has introduced *rapid field appraisals* which offer a qualitative snapshot of decentralization on the ground. The appraisals have been well-received as they complement the GOP's own efforts at monitoring. The project looks to the Leagues to provide continuity and sustainability in this area, precisely because the Leagues view themselves as fora for information collection and dissemination for their members. The project will assist the Leagues to strengthen their capability to carry out this function.

Independently collected information, by a survey agency like the *Social Weather Stations*, is also another useful channel. An initial survey of community attitudes toward local governments and participation will be conducted to set project baseline data. The initial survey will tap the people's sense of current government performance, their awareness of local government actions, the extent to which they approve of such actions, the extent of their participation in local governance, and their attitudes toward participation. Through the course of the project, additional attitudinal surveys will be conducted to track and monitor project progress in this regard.

G. PROJECT OUTPUTS

The results of project activities lead directly into the outputs to be generated by the project. First and foremost, the project will *institutionalize participatory decision-making structures at the local and provincial levels*. These structures are not limited to those mandated by the Code, i.e., the Local Special Bodies, but also include those that have been installed by the local government in response to the priorities of their communities. Development authorities, advisory councils, regulatory boards and special initiative groups engaged in advocacy, monitoring, and/or problem-solving are examples of community decision-making structures. More appropriate at the provincial level are the provincial chapters of the Leagues and the provincial networks of non-government organizations.

In measurable terms, the project will generate an increase in the number of non-government organizations actively participating in governance through Code-based and community-based decision-making structures. The numbers of such structures itself are not as important as the effectiveness of the partnership between government organizations and the non-government sector. The project expects to engender increased satisfaction at the results of active engagement between the two sectors in prioritizing for local development. On the local and provincial levels, the project will establish a monitoring system that will provide reliable information which the non-government sector can use to enhance its participation in governance. On the provincial level as well, the project will generate supportive and self-sustaining networks of non-government organizations and League chapters.

The project will generate measurable outputs to indicate *more responsive government performance* in the three government action areas which will *enhance financial, human and community resources; prioritize and promote development investment; and contribute to sustainable environmental management*. Performance standards will be identified, benchmarks will be disseminated, systems of action will be documented, manualized, replicated, and refined. To overcome policy and other operational roadblocks to effective performance, policy studies will be performed and policy instruments, where appropriate, will be formulated.

A final project output is the *institutionalization of an information collection, communication, replication, and feedback system* through the Leagues. The Leagues of Provinces, Cities, and Municipalities will have operating and self-sustaining secretariats capable of providing services supportive of their members. In measurable terms, the Leagues will have increased their staffs, produced and published newsletters and other information conduits, and disseminated performance benchmarks. Appraisals to monitor Code implementation and the progress of decentralization will have been performed.

H. PROJECT INPUTS

USAID project inputs are viewed as catalytic to the wide spectrum of opportunities that already enjoy the support of the GOP, LGUs, and the non-government sector. Project inputs would have marginal effect if it were not for the GOP contributions to decentralization already in place. These include:

- a positive constitutional and legal enabling environment represented by the passage of the Local Government Code of 1991;
- LGU financial resources increased by P37 billion a year, beginning in 1994, from Internal Revenue Allotments and LGU shares in national wealth;
- successful completion of the first phase of decentralization, namely, devolution of 69,000 personnel and their functions to local governments;
- commitment of the Leagues of Provinces and Municipalities to institutional development plans and the commitment of all Leagues to participation in furthering decentralization;
- opening of the financial options available to LGUs, and GOP support thereof, as evidenced by GOP commitment to B-O-T, credit financing and similar mechanisms; and
- increased commitment in the non-government community to participation in local governance, as evidenced by the larger number of NGOs and POs accredited and beginning to participate in local special bodies.

The GOLD Project inputs are designed to catalyze the potential inherent in the current climate of opportunity. Inputs are:

- LGU investment of personnel and other resources;

- **community investments through non-government organizations and the for-profit private sector;**
- **increased GOP resources transferred to LGUs and their communities;**
- **technical advisory services and training in support of local communities as they implement the provisions of the Code;**
- **grants to non-government organizations to assist them in organizing and mobilizing their communities for participation in local governance, to stimulate and strengthen partnerships with local governments, and to support networking among the non-government organizations on the local, provincial and national levels;**
- **policy studies on local and national government concerns related to governance, decentralization, and implementation of the Code;**
- **grants to NGOs to assist Leagues strengthen their staff and build sustainability; and**
- **grants to Leagues and NGOs to build their capability in data collection, monitoring, and feedback.**

Training and technical assistance will be provided under an AID contract, with the prime contractor reporting to USAID's Decentralization and Local Development Division and coordinating with the GOP through a Project Steering Committee. The contractor will assist selected communities to develop and install the systems for improving government performance in the three project action areas. The contractor will closely coordinate with the NGO grantee, especially as regards enhancing participatory activities in the selected project sites. The contractor will also be responsible for policy studies and for monitoring the decentralization process through field appraisals.

The contractor will identify Filipino consultants and local institutions which have expertise in local government, fiscal administration, investment promotion, development planning and finance, and environmental management and promote linkages between these institutions and the local governments. Sub-contracts may be provided to local universities that are establishing Centers for Local Governance, for example.

The contractor will prepare annual work-plans covering these activities subject to the approval of USAID and the concurrence of the Project Steering Committee.

A separate grant will be provided to an NGO to organize, mobilize, and support the non-government sector; facilitate the establishment and enhancement of POs and their participation in local governance; support non-government and government linkages; and support the Leagues. Sub-grants will be available to assist the NGO grantee in these endeavors.

A small reserve of project funds will be available to support similar collaborative efforts in non-project sites and to take advantage of unforeseen, exploratory, quick-response, and challenging opportunities for furthering the cause of local governance.

SECTION III. ADMINISTRATIVE AND IMPLEMENTATION PLAN

A. OVERVIEW OF OPERATIONS

Rather than diffuse efforts among too many communities, project resources will focus on ten project sites. Assistance to municipalities will be included in and integrated with provincial activities where appropriate. The smallest unit of government, the barangays, will not be direct recipients of project activities, but their roles will be considered in the activities selected.

The contractor will name field technical advisors in accord with the expertise required. They will then work directly with community project actors for specified periods of time. Counterparts will be designated to collaborate with advisors and jointly develop the required systems. Emphasis will be placed on using local and/or regionally-based advisors, including personnel from local academic institutions. To the extent possible, local university resources will be utilized to assist in governance activities as colleagues and supporters of their communities.

Systems generating performance benchmarks will be shared with other LGUs through a mechanism similar to the highly successful "City Sharing" program undertaken in the DSUD Project. This mechanism is fundamentally different from conventional training mechanisms which in the Philippines have tended to use Manila-based "experts" or central agency personnel, neither of which are highly conversant with the practical, day-to-day issues involved in local governance. In LDAP assessments of decentralization, local government officials and staff alike consistently expressed immense dissatisfaction with this approach, particularly since it tended to do "generic" training and those being trained were often more skilled than those doing the training. The "local personnel sharing" approach to be used by GOLD Project will be premised upon having the actual implementors of performance systems - advisors, government and non-government personnel - share experiences directly with other practitioners.

B. SELECTION CRITERIA³

The project will focus on provinces and their component local government units, i.e., the cities and municipalities located within their borders. The urban populations in highly urbanized cities (HUCs) and independent component cities (ICCs), which are independent of the provinces, will also be included. The focus on the provinces is based on the scale of their activities: it is at that level wherein one finds inter-

³ A detailed selection criteria and process is provided in Annex I.

governmental interaction, where the action areas of local development, i.e., resource mobilization, development investment, and environmental management, can have a widely recognized impact and still be meaningfully addressed, and where leverage can best be brought to bear to ensure the spread effect of project outcomes. HUCs and ICCs, being independent of provinces, and sometimes having as high a population or as broad a land area as provinces, can effectively address these concerns as well, and are therefore, also included for direct project assistance. (Metro Manila is excluded from direct project activity because it is atypical and therefore not likely to provide performance benchmarks relevant elsewhere.)

Barangays, the smallest unit of local governance, will not be directly targeted as a local government unit by project activities. However, since they are components of the cities and municipalities, their resources, non-government organizations, and priorities are included in project activities which seek broad participation in decision-making and in strengthening government performance in the project action areas. Recent political trends in the barangays provide positive support to democratization efforts in the Philippines. There is greater organizational activity for people belonging in the various sectors of society, including the more traditionally disadvantaged groups such as women, the youth, fisherfolk, small farmers, vendors, jeepney operators, and the urban poor. There also seems to be greater interest and willingness among leaders of people's organizations in running for political office in the barangay.

The Leagues will assist in publicizing the project, endorsing it to their members. The Leagues will actively participate in the screening and selection of project sites. To receive assistance, a municipality's request must be submitted in consultation with the provincial chapter of the League of Municipalities and the province. A component city's request must be submitted in consultation with the province. Requests by HUCs and ICCs will be submitted in consultation with the League of Cities. Once selected, the Leagues will participate in assessing progress under the project and in selecting additional and/or replacement project sites.

Since there are 76 provinces and 15 cities, a representative, stratified sample of this universe, with ten in the sample, would include eight provinces and two cities.

The project will use a demand-driven mechanism to identify participants in the project. An initial questionnaire (through the Leagues) will be sent to all 76 provinces and 15 cities soliciting their expressions of interest, if any, in technical advisory and training services in specified areas of local governance. Those responding will be visited by an evaluation team which will rank them according to selection criteria focusing on their potential for improved vertical and lateral linkages in a pluralistic environment, their commitment to the project strategy of "assisted self-reliance," to supporting a participatory problem-solving process, and a general willingness to develop more innovative government operations. Of those interested and meeting other selection criteria, geographic diversity of selected LGUs will be ensured, so that a representative

of each of the regions - Luzon, Visayas, Mindanao - will be in the final selection. The Leagues will participate with USAID and others in the final selection of project sites.

C. IMPLEMENTING ENTITIES

In addition to the contractor and Grantee directly responsible for the administration of the project, the GOLD Project will have implementing entities representing the GOP and USAID.

1. Training and Technical Advisory Services Contractor (Contractor)

Training and technical advisory services will be provided through a competitively procured U.S.-based contracting firm. Along with the other selection criteria, the contractor will be chosen based on the soundness of the proposed detailed implementation plan for the first year of operation, as will be required in the Request For Proposal (RFP). The bulk of project financial resources will be available through this facility (cost estimate shown in Annex H).

The project envisions a contractor staff of two senior institutional development professionals, four senior analysts/specialists, and seven administrative support personnel. The two senior professionals are expected to have had *at least* ten years of international experience and orientation on local governance and democratization; and may be expatriates. The contractor staff should reflect the following areas of expertise: participatory development, public policy analysis, institutional development, public finance, urban/regional planning, development investment promotion, and communications.

The contractor is also expected to provide 48 person-months of expatriate short term technical assistance and approximately 400 person-months of short term locally-hired technical assistance.

The selected contractor will be expected to provide the following services:

- a. In partnership with the selected communities and the Leagues, develop and implement a work-plan of technical assistance and training in the action areas to be undertaken. As a first step in implementation, the contractor will conduct team building, conflict-resolution and negotiation and other supportive activities to clarify participants' roles (contractor, the non-government sector, local governments, other local institutions, appropriate Leagues, etc.) and expectations and to institute an open, flexible, consultative process for project implementation.

- b. **Lead team effort in institutionalizing participatory structures for more effective and responsive government performance in local development.**
- c. **Monitor national developments regarding decentralization and governance generally and the Code specifically. Conduct periodic rapid field appraisals to provide an early identification of possible areas requiring policy studies. Widely publicize the results and hold symposia and public fora to stimulate dynamic communications and discussions in the on-going debates on local governance and democratization.**
- d. **Identify subject matter areas for policy studies, conduct such studies and disseminate information through consultative conferences on policy issues.**
- e. **Hold consultative conferences with USAID, the Leagues, NGOs and GOP officials to inform all interested parties regarding the process of decentralization and local governance.**
- f. **Link with the NGO grantee through a steering committee that will provide regular consultations, collaborative decision-making and feedback.**

The above contractor functions are not intended to be all-inclusive. The project supports flexibility in programming so that opportunities and challenges can be promptly addressed. Thus, the project requires a contractor staff with technical and training skills in financial mobilization and management; human resource mobilization and participatory institutions; and development investments and promotion, including project financing. Although an action area under the GOLD Project, environmental management activities will be undertaken collaboratively with the SUSTAIN project which shall provide the necessary technical assistance and training.

The contractor must have strong organization and communication or "linkage" skills to bring the non-government sector and LGUs together to negotiate a common course of action and to cross-transfer skills. The contractor has to understand, and have the capacity to inject, collaborative and participatory mechanisms in decision-making. The contractor is not just a facilitator linking the two sectors but has to ensure that the linkage is effective in building skills with the cooperation of both sectors so that both contribute to sustainable local development.

Use of Socially and Economically Disadvantaged Organizations: Technical assistance under this project will be provided by a U.S. technical assistance contractor. Since diverse services will be delivered under the contract, the RFP will require interested firms, as part of their proposals, to present a subcontracting plan setting out how they intend to utilize the services and resources of socially and economically disadvantaged

(formerly known as Gray Amendment) entities, particularly small and disadvantaged firms and PVOs and women-owned and 8(a) organizations. As the technical assistance contract is D.A.-funded, a minimum of ten percent of the contract price is required to go to such organizations. These organizations may provide technical assistance, training, monitoring, evaluation and/or other aspects of the contract to the prime contractor. The prime contractor will be required to subcontract the services of an 8(a) or Gray Amendment Procurement Services Agent firm to procure commodities. Potential contractors should also examine the opportunities offered by historically black colleges and universities, where appropriate, particularly for short-term training.

2. *NGO Grantee*

The project will also be implemented through a separate grant, initially to a locally-based NGO and depending on performance, to a number of NGOs. The NGO Grantee must be knowledgeable about participatory development and familiar with operations in the three regions of the Philippines - Luzon, Visayas, and Mindanao. The NGO Grantee may enter into sub-grant agreements with other non-government organizations, including private sector associations, to undertake project activities.

Illustrative NGO functions are as follows:

- a. Initial mobilization, visioning, organization, and operationalization of participation in the selected project sites. Once the community-based, non-government sector is brought to the desired level of active participation, the NGO Grantee will provide continuing "conceptual" support - not logistics - to the sector. Because of the project's emphasis on participatory processes, it is recognized that the non-government sector may need continuous assistance in building up its own capacity to participate. However, once that capacity is effected, the continuing support for the sector will be through the core project activities with the local government sector and under the contractor, thus ensuring collaboration.
- b. Develop communication systems among the non-government sector on the local, provincial, and national levels.
- c. Provide technical assistance and training in support of the institutionalization of the various Leagues.
- d. Link with the contractor through a steering committee that will provide regular consultations, a collaborative decision-making mode, and feedback.

- e. Conduct workshops or conferences, provincial, regional or national consultations on issues of participatory development and local democratic governance.
- f. Monitor field developments in local governance and the evolution of policy issues so these can be addressed promptly and in concert among non-government organizations, the Leagues and the contractor team.
- g. Support networking and advocacy of non-government organizations so that the autonomy and local development envisioned by the Code can be achieved, maintained, extended and protected.

The above functions are not meant to be all-inclusive. The Grantee should remain flexible and conduct ongoing activity appraisals to guide or, if necessary, provide the basis for realignment of their activities and functions. In view of the diversity of functions to be carried out by the NGO Grantee, it may be necessary to involve other NGOs and/or POs as sub-grantees.

3. *GOP Agencies*

Local Governments and Leagues

The GOLD Project will be implemented primarily by the participating local government units but will involve the Leagues of local governments, several national agencies and the non-government community.

Project Steering Committee

The coordination and facilitation of project activities will be provided by a Project Steering Committee (PSC) which will operate on the model developed under the LDAP project. The PSC will be composed of undersecretaries from DILG, NEDA, DBM, DOF, one officer from each leagues (provinces, cities, and municipalities), the project contractor, an NGO Grantee, and ONRAD/USAID. The PSC will meet every eight weeks to monitor progress, consider issues with policy ramifications or which require multiple agency cooperation or coordination to accelerate project implementation. Likewise, the PSC will review the Scopes of Work for the selection of project contractor and grantee including, as needed, the terms of references for the various activities that they will undertake.

The various members of the steering committee will be expected to take on specific roles within and in support of the project. DILG, as the lead GOP agency for local governments and as secretariat of the Local Government Code Oversight Committee,

will have primary project coordination responsibilities and assist in the facilitation of project activities. DILG will also participate, as appropriate, in the conduct of policy studies and action research. The project will coordinate its training activities with DILG, through the Local Government Academy. Together with USAID and other GOP entities, DILG will participate in the conduct of project monitoring and reviews.

The Leagues will play a leading role in the selection of the participating project sites and will continually be involved in project monitoring and the identification of policy issues requiring project support. They will also provide the primary communication link of the project with all local government units in the country.

NEDA will coordinate with other GOP entities in preparing project reports and conducting project evaluations. Furthermore, NEDA will participate in or exercise an advisory role regarding areas for policy studies and will provide or coordinate the provision of information necessary to conduct such studies.

As the project addresses its substantive areas of support, appropriate coordination with other concerned GOP entities will be effected. Among these entities are the Department of Environment and Natural Resources (DENR), Department of Health (DOH) and the Housing and Urban Development Coordinating Council. The project will look to these entities to facilitate and provide the information needed to carry out project activities.

4. *USAID Offices*

Office of Natural Resources, Agriculture and Decentralization (ONRAD)

General project management, coordination, and contractor supervision will be provided by the Decentralization and Local Development Division (DLD) of ONRAD. Management of the GOLD Project will require one direct-hire U.S. Project Officer and two FSN Project Managers. One of the Project Managers should be a specialist in Local Government Finance. The other should have a thorough understanding of participatory development and be able to mobilize the non-government sector to participate in local government, development planning and program implementation. Each of the FSNs will provide discrete assistance in monitoring project activities, conducting project reviews, and assisting in project evaluations. They will assist in the management and supervision of the contractor and the NGO Grantee. DLD will also exercise general supervision over project financial matters, including accounting and reporting of project resources. Additional technical expertise and management can be provided by other mission staff or through the contractor.

Furthermore, DLD/ONRAD will provide a proactive role in promoting cooperation and coordination among various USAID offices and selected donors in areas where each

of the projects will mutually reinforce and complement each other including resolution of possible conflicts. Such proactive role will be exercised, to the extent necessary and appropriate, with the support of the contractor and NGO grantee wherein corresponding funds will be allotted for the purpose of special collaborative activities.

Other USAID Offices

The Office of Portfolio Development and Implementation Support, Office of Program Economics, the Office of Regional Procurement and the Office of Legal Affairs are expected to provide additional technical, legal and professional services as necessary in project implementation. The project expects to be working closely with the Office of Voluntary Cooperation, the Office of Capital Projects, the Office of Population, Health and Nutrition and the Division of Natural Resources in ONRAD as it implements its activities in the selected LGUs.

D. IMPLEMENTATION SCHEDULE

The project will be implemented in two major phases. The first phase will be underway from October to December, 1994 and the second, from January, 1995. Phase one will be characterized by the selection of project sites. The Leagues will publicize and endorse the project to its membership and solicit expressions of interest from them. Short-term contractors will develop a questionnaire tapping the selection factors crucial to the project, i.e., tapping the potential for effective vertical and horizontal linkages in a local government unit and its community. The contractors will then administer the questionnaire to those responding; develop a point system by which to rank the responses; conduct field visits and field interviews to augment questionnaire information; and submit a ranking of potential project sites. Final selection of the ten project sites will be made in concert with the Leagues, USAID, and others.

A baseline survey will also be conducted such as by the Social Weather Stations during the first phase. The survey will gauge citizen perceptions of their local government, their own sense of personal efficacy in relating to government, and their views on the value of participation and citizen empowerment. The survey will provide baseline information for the project. At least one more attitudinal survey will be conducted in the life of the project to determine if the project has had an impact on citizen perceptions.

The second phase will be characterized by the establishment of long-term contractor offices and project activities being undertaken. An illustrative implementation schedule is presented below:

ILLUSTRATIVE IMPLEMENTATION SCHEDULE

1994

- July** **Project authorized; Pro-Ag signed. Issue RFPs for prime contractor, short-term T.A. services and NGO grantee.**
- Aug/Nov** **Implement short-term T.A. services; engagement of NGO grantee; select initial provinces; conduct baseline survey.**
- November** **Assistance program for Leagues starts**

1995

- January** **Prime contractor mobilization**
- February** **First group of 6 LGUs selected; first rapid field appraisal**
- March** **Assistance to first groups of 6 LGUs started, formulation of LGU action areas, identification of performance benchmarks and install system**

1996

- January** **Second group of 4 LGUs selected for a total of ten.**
- February** **Second rapid field appraisal**
- June** **Policy Conference**

1997

- February** **Third rapid field appraisal**
- June** **Policy conference**
- September** **Project evaluation**

1998

February Fourth rapid field appraisal

June Policy Conference

1999

February Fifth rapid field appraisal

April National policy conference

September Project Assistance Completion Date (PACD)

Policy studies and assistance to Leagues will be carried on concurrently with assistance to local government and the non-government sector.

SECTION IV. PROJECT MONITORING AND EVALUATION PLAN

A. MONITORING

The Decentralization and Local Development Division (DLD) of the USAID Office of Natural Resources and Development (ONRAD) will monitor the implementation of the GOLD Project on behalf of USAID. The Division will manage the contracting process and will provide technical direction to the contractor and NGO Grantee.

The DLD will monitor the progress of the GOLD Project through maintaining close contact with the contractors and undertaking *field visits* from time to time to review ongoing project activities. The DLD staff will identify problems in the field, and advise on ways to solve them. DLD will also keep in close touch with the GOP counterparts and keep USAID informed of progress and potential bottlenecks.

The contractor will monitor field operations in the selected project sites and will submit *quarterly progress reports* and recommend modifications in project implementation activities as appropriate.

The contractor, the NGO Grantee, DLD, the Leagues, concerned provinces, cities and municipalities and GOP representatives will hold *periodic sessions* to set direction, approve overall workplans, and assess the progress of GOLD Project activities in the selected project sites.

Both the U.S. contractor and the NGO Grantee will submit *financial reports* to USAID as required.

DLD staff required to carry out monitoring functions will consist of two foreign service national, professional specialists and the Chief of the Decentralization and Local Development Division of USAID.

B. EVALUATION

In addition to ongoing monitoring, consultations and periodic assessment conferences, there will be two major independent evaluations of the GOLD Project. The first will be a mid-term evaluation in late 1996 which will evaluate the progress of the project to date. Project accomplishments will be assessed in terms of progress toward achievement of project purpose. The evaluation team will assess technical advisory and training services, policy studies, and other project activities to identify lessons learned, opportunities and problems. If determined appropriate, the team will recommend changes in mode of project implementation or focus.

The final project evaluation will take place in the early part of 1999. The evaluation team will review project implementation and achievements against the output and project purpose indicators in the project design. The team will also conduct a survey of citizen perception of local government competence and compare it with benchmarks obtained in the pre-implementation period.

Both evaluations will be performed by teams of expatriate and Filipino consultants which will be competitively selected by USAID.

SECTION V. COST ESTIMATE AND FINANCIAL PLAN

A. COST ESTIMATE

The total estimated cost of the GOLD Project is \$31.80 million over a five-year period. USAID will provide 63 per cent of the project costs amounting to \$20 million and the GOP/LGUs will contribute at least \$11.8 million equivalent representing 37% per cent of the project costs. The allocation and projected expenditures of project funds are shown in Tables 1 and 2, respectively.

A major part of the project costs will be devoted to assistance to local communities and LGUs. Of the USAID funds, about 65 per cent will be supporting the 10 selected and other LGUs; 13 per cent to supporting the NGO networks and the League of LGUs, including the press; 11 per cent for monitoring and policy support; 2 per cent for evaluation and audit; and 10 per cent for the development and support of participation from the non-government sectors at the LGU level. The foreign exchange component of the USAID funds is estimated to be approximately 30 per cent or \$5.850 million, and 70 per cent in local currency or the equivalent of \$14.150 million.

The GOP counterpart will come primarily from development funds of LGUs directly being supported by the project. Based on the 1993 IRA, the average province received about \$4.06 million; a city, about \$5.21 million; and a municipality, about \$0.3 million. Hence, for one year alone, if 20% of the average IRA from 10 LGUs will be targeted by the project, there is \$19 million available for development counterparts. For the five-year project period, there will be at least a \$10.0 million contribution by the 10 LGUs directly participating in the project. This is not counting the other LGUs contributions that may also be possibly supported by the project. The development activities of the LGUs within the action areas which will be the focus of the GOLD Project will be reported by each LGU and verified against IRA data from the Department of Budget and Management.

The second category of local project financial support will be the increased contribution of the LGUs to their leagues. As the leagues develop, they are expected to significantly increase their annual collections from their members as well as contribute a fee or cost sharing for training and other league-supported activities. Their contribution will be approximately \$200,000 in 1995 increasing to \$400,000 per year by the end of the project, or \$1.8 million for the project life.

It is expected that there will be other in-kind contributions from the LGUs, communities, national government agencies, and non-governmental sectors. However, for purposes of accounting and reporting the GOP counterpart, only the

LGUs' development fund from the IRA and contributions to the LGU Leagues will be monitored.

B. FINANCIAL PLAN AND SUSTAINABILITY

The ultimate sustainability of the project will depend heavily on the strong commitment of the GOP to the implementation of the 1991 Local Government Code which increases the financial resources and taxing powers of local governments to fund development activities. Moreover, the sustainability of the Code is strengthened by the broad-based popular support noted in the social analysis and the constitutional provisions on local autonomy.

Financial sustainability is built into the project because the project is designed to assist local governments to better utilize their revenues. Rather than creating new institutions or structures, the project will help to develop existing institutions with broader popular support and better resource management and mobilization.

Another important contribution to the financial sustainability of the project activities will come from the active role of the non-government and private sectors including the media. Local governance is designed to be transparent and participation of local communities will engender accountability of local officials.

C. METHODS OF IMPLEMENTATION AND FINANCING

Table 3 shows the summary of the planned implementation and financing methods that will be used for project activities supported by USAID funds. The technical assistance and training to communities/LGUs will be implemented through one direct USAID contract with a U.S.-based firm as the prime contractor, preferably subcontracting with an 8(a) firm and with a local organization. The prime contractor will also be responsible for the conduct of rapid field appraisals and policy studies, including policy conferences.

Short-term technical services and limited commodity support that may be identified during actual project implementation will also be procured using the direct contracting method. The same method will also be used for evaluation and audit.

For community mobilization, cooperative agreements will be entered into with highly qualified and capable NGOs, such as those which have demonstrated excellent performance under LDAP and DSUD. Implementation of networking activities and support to the Leagues will, likewise, be through a cooperative agreement with a member of the NGO-network.

The conduct of baseline survey and local governance monitoring will be contracted directly by USAID such as with the Social Weather Station.

D. PROJECT DISBURSEMENTS AND AUDIT

Funds for the various project elements will be disbursed directly by USAID to the contractors. This will also be true for the cooperative agreements with the local NGOs which will be governed by USAID's regulations on PVOs. All project implementation costs will be funded through USAID contracts or cooperative agreements.

The audit will cover the financial and compliance aspect of the project. Primary responsibility for audit of USAID projects lies with the Regional Inspector General/Audit (RIG/A). However, independent non-federal auditors may be contracted by RIG/A or by a non-U.S. non-governmental recipient organization for the purpose. Of the total project funds, \$100,000 has been allotted for possible audit.

Table 1. ALLOCATION OF PROJECT FUNDS (\$000)

FUNDS SOURCE/ELEMENT	FX	LC	TOTAL	PER CENT
USAID Funds				
Participatory Mechanisms	300	1,680	1,980	6.2
Assistance to Communities/LGUs	4,500	8,490	12,990	40.8
Support to NGO Networks/Grantees (including Press) and Leagues	150	2,450	2,600	8.2
Monitoring and Policy Support	700	1,430	2,130	6.7
Evaluation (Process and Impact)/Audit	200	100	300	1.0
TOTAL USAID FUNDS	5,850	14,150	20,000	62.9
GOP(Communities/LGUs) Counterpart*	0	11,800	11,800	37.1
GRAND TOTAL	5,850	25,950	31,800	100.0

* Representing estimated development fund .
Dollar equivalent based on estimated exchange rate of \$1 = P27.

Table 2. PROJECTED ANNUAL EXPENDITURES (\$000)

FUND SOURCE/ELEMENT	1995	1996	1997	1998	1999	TOTAL
Participatory Mechanism	\$391	\$498	\$500	\$301	\$290	\$1,980
-Community (NGS) Mobilization	200	200	200	0	0	600
-Community (NGS) Support	60	100	100	100	100	460
-TA Support to NGS	131	198	200	201	190	920
Local Government Action Areas	\$2,125	\$2,662	\$2,813	\$3,266	\$2,124	\$12,990
-Support to 10 Selected LGUs	1,953	2,438	2,579	3,036	1,984	11,990
-Support to Other LGUs	172	224	234	230	140	1,000
Support to NGO Networks/Grantees (Including Press) and Leagues	\$490	\$540	\$540	\$540	\$490	\$2,600
-Overall Networking Support	100	100	100	100	100	500
-Leagues Secretariats Support	90	90	90	90	90	450
-Communications/Sharing Support	300	300	300	300	300	1,500
-Int'l. Exchange Program with U.S. Leagues	0	50	50	50	0	150
Policy Support and Monitoring	\$235	\$550	\$565	\$565	\$215	\$2,130
-Baseline Survey	10	0	10	0	15	35
-Local Governance Monitoring	15	15	15	15	15	75
-Rapid Field Appraisal	30	30	30	30	30	150
-Policy Studies and Conferences	0	200	200	200	10	610
-Continuing Policy Support	180	305	310	320	145	1260
Evaluation/Audit (Process and Impact)	\$0	\$0	\$150	\$0	\$150	\$300
-Process & Impact Evaluation	0	0	100	0	100	200
-Audit	0	0	50	0	50	100
TOTAL USAID FUNDS	\$3,241	\$4,250	\$4,568	\$4,672	\$3,269	\$20,000
GOP Counterpart	\$810	\$1,780	\$2,580	\$2,915	\$3,715	\$11,800
-Leagues of LGUs	260	330	380	415	415	1800
-LGU Development Funds*	550	1450	2200	2500	3300	10000
GRAND TOTAL	\$4,051	\$6,030	\$7,148	\$7,587	\$6,984	\$31,800

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*From the LGUs' estimated development fund.

Table 3. METHOD OF IMPLEMENTATION AND FINANCING

ELEMENT	METHOD OF IMPLEMENTATION	METHOD OF FINANCING*	AWARD AGENT	TOTAL (\$000)
Participatory Mechanism -Community (NGS) Mobilization -TA and Other Support to Community (NGS)	Cooperative Agreement USAID Direct Contract and P.O.	Direct Payment Direct Reimbursement	USAID/ORP USAID/ORP	600 1,380
Local Government Action Areas -Support to Selected LGUs -Project Strategic Activities	USAID Direct Contract USAID Direct Contract	Direct Reimbursement Direct Reimbursement	USAID/ORP USAID/ORP	12,740 250
Support to NGO Grantees/Networks (including Press) and Leagues -Support to Leagues and Sharing -Overall Networking Support -Internat. Exchange Program with U.S. Leagues	Cooperative Agreement Cooperative Agreement USAID Direct Contract	Direct Payment Direct Payment Direct Reimbursement	USAID/ORP USAID/ORP USAID/ORP	1,950 500 150
Monitoring and Policy Support -Baseline Survey & Local Governance Monitoring -Rapid Field Appraisal, Policy Study/Conference and Continuing Policy Support	USAID Direct Contract (SWS) USAID Direct Contract and P.O.	Direct Reimbursement Direct Reimbursement	USAID/ORP USAID/ORP	110 2,020
Evaluation (Process and Impact)	USAID Direct Contract or IQC	Direct Reimbursement	USAID/ORP	200
Audit	-		USAID/RIG/S	100
TOTAL				20,000

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* Cash advances may be provided under the Cooperative Agreement. All disbursements will be direct USAID payments to the project contractors and NGO grantees for goods and services provided.

SECTION VI. SUMMARIES OF ANALYSES

See Annexes D to G and O for the following analyses:

Technical Analyses
LGU Financial Management and Planning
Economic Analysis
Social Soundness Analysis
Environmental Analysis

The analyses reviewed the present design and provided significant inputs. Analyses indicate that the project is cost-effective, socially sound, and technically and environmentally feasible. In broadening, facilitating, and institutionalizing the participatory processes of decision-making, the project is responsive to the democratic aspirations of the Filipino people themselves. In supporting and strengthening local government performance, the project contributes to Philippine local development. The analyses provides evidentiary support that the project design should achieve the desired impact on project goal and purpose.

Because the project is grounded on the socio-political realities of the Philippines, a summary of the social soundness analysis is included here for quick reference.

Social Soundness Analysis: A Summary

When we consider the social soundness of a project of technical assistance to democratic decentralization, we begin on an optimistic note. To the extent that the public participates, local officials have a greater incentive to provide services in response to the democratic pressures. In this dynamic, a program of technical assistance can have a disproportionate effect by altering institutional perceptions and incentives.

Our analyses (including three regional studies focusing on the socio-political realities of Northern Luzon, Visayas, and Mindanao) has shown that the main threats to the twin dynamic do not come, as is often asserted, from local-level politicians acting as "warlords" or otherwise being indifferent to the welfare of their constituents. In general, socio-economic modernization has gone far enough in the Philippines to erode the power of traditional patrons to dominate their clients.

Rather, threats to the intertwining of local-level governance and democracy come from forces which advocate re-centralization of power. Congressmen in rivalry with governors and mayors, and national government agencies wishing to exercise their accustomed prerogatives, have significant reasons to oppose full implementation of

the Code. The project proposes to address these threats both by demonstrating effective governance at the local level, and by strengthening the ability of the Leagues of local government to lobby for the preservation of decentralization.

The cultural setting for democratic decentralization is quite favorable in the Philippines, with certain widely-held values serving as supporting factors. In the first place, there has always been "localism": local administrative units are psychologically very real. In addition, local governments (down to the neighborhood level) have been elective for decades (except for a short period under Martial Law when such positions became appointive). This helps feed a second cultural value, "democracy." In the Philippines, there is widespread commitment to electoral forms. And, beyond elections, there is pressure for more substantive versions of democracy: for more equitable outcomes and for sectoral representation--of women, workers, and the like in the local legislatures. These initiatives to go beyond elections are facilitating factors for more democracy, while the resistance of elected officialdom can be noted as a possible restraining factor. The project proposes to work with local officials who welcome democratic initiatives, and to disseminate these examples of democratic governance.

The third value which needs to be brought into focus is "developmentalism," which tends to have a conservative slant, favoring "impact" projects over those which emphasize equity. Hence, while this value brings in a laudable desire for results and efficiency, any program of establishing "benchmarks" must keep "democracy" in mind. Fortunately, this is one instance where intertwining of the goals of democratic and effective governance can produce synergy, so that the developmentalist concern with results can be harnessed--through increased participation-- to the goal of increasing effective local governance.

The major actors in the proposed program of technical assistance are the local government units, and the non-governmental organizations. Local government units are under pressure generated by the implementation of the Code to innovate. Many responsibilities have been devolved, and local governments are clamoring for training to help them deal with new tasks.

When we turn to non-governmental actors in the proposed project of assistance, we are faced with a bewildering variety. Every conceivable type of organization has sought accreditation under the Code--from the Rotary Club to human rights organizations best known for their sustained attacks on the government. There is widespread acknowledgment that the Code affects the non-government sector, and the move for accreditation reflects this.

The most important point to be made is that the non-government sector is the mechanism through which benchmarking of government performance is achieved through democratization. An information and pressure function is performed between elections by the organizations of civil society, if they choose to direct their attention

to government. This is despite the fact that the reach of the non-government sector is much less than many (especially the NGOs themselves) believe. The project will address this limitation by linking the non-government sector with the media and the local academe.

The non-government sector is irredemiably plural even in the face of persistent efforts over the past years to "network." Thus, a necessary activity in any project site will be to build the interaction and cooperation of the many varieties of non-government actors. This will be the function of the NGO Grantee.

An asymmetry of possible motives for participating in a program of decentralized democratic governance must be kept in mind. Technical assistance for democratic local governance will typically allow the government side to use its time more efficiently. For the non-government sector, however, it will mean taking time away from their normal non-government tasks to engage in a relatively new type of activity, sustained interaction with local government. There is also an asymmetry in priorities: government officials often are willing to sacrifice thorough consultations for quick action, while those on the non-government side are willing to sacrifice quick action for thorough consultation.

The project recognizes these asymmetries as central challenges to its success. It proposes to address this by making the strengthening of participatory mechanisms integral to the whole project. This will show the non-government side that opportunities to pursue their own agenda are now available under the new Local Government Code, and also that their participation has a high probability of success. One easy way of demonstrating this is by utilizing a receptive local government unit with which the non-government side can work, a criterion which will be central to project site selection.

The non-government community is not only crucial for the participatory mechanisms, but also for the sustainability of the project's efforts as it can be resistant to the effects of any changeovers on the government side. A functioning system of consultation which non-government actors feel is to their benefit will be sustained from the bottom. At the same time, such initiatives are likely to be replicated at the initiative of non-government sectors in other sites, as evidence of successful collaboration is currently being sought by the national-level networks, led by the NCCLG. This spread enhances the effect on secondary beneficiaries, outside of the project sites.

Two of the areas being addressed by the project--financial mobilization and development prioritization--are expressly cited repeatedly by local officials, so that successes will have a wide resonance among non-site observers. With regard to the third area, environmental problems are widely acknowledged but mayors and governors are frustrated because they feel there is little they can do. Once it is

realized that a certain level of environmental action is possible--that is, when a benchmark is established--then it can be expected that other, non-site government units, will be spurred to initiate action.

Particularly at the local level, the media are susceptible to sustained efforts at information dissemination. Press releases, public service announcements, analyses of problems distributed to the media--all of these have the potential at the local level to increase awareness of democratic local governance. This would contribute to sustainability and to the possibility of spread.

Finally, by focusing through non-governmental organizations on participatory mechanisms, the project will be promoting the position of marginal sectors and women. Non-government development organizations often focus their efforts on aiding the poor, so that by bringing these organizations into local governance the concerns of this sector will also be made more central to local government action. In addition, the position of women in non-government organizations is higher than that of society as a whole, with the leadership being almost half female. Thus, these organizations can carry women's issues into local development planning.

SECTION VII. CONDITIONS PRECEDENT TO DISBURSEMENT

A. CONDITIONS PRECEDENT

Only the standard conditions requiring an opinion of counsel with respect to the agreement itself and the names and specimen signatures of those acting in behalf of the grantee are recommended for the project agreement.

B. COVENANTS

Two special covenants will be included in the agreement. The first covenant will require the Government of the Philippines to continue to provide for a responsive and accountable local government structure whereby local governments are given more powers, authorities, responsibilities, and resources as provided for in the 1991 Local Government Code.

The second covenant will provide for the parties to establish a monitoring and evaluation program as part of the project. This program will include at least annual reviews of the progress being achieved in the implementation of the 1991 Local Government Code. These reviews may be modeled after the Local Development Assistance Program: *Rapid Field Appraisals of the Local Government Code*. Annual reviews will also be conducted to determine progress of the project in supporting the development of: more responsive selected democratic institutions; and increased local government resources, mechanisms, and models for responsive performance.