I. Introduction

I.1. Background

Development Alternatives Inc. (DAI) was contracted by the United States Agency for International Development (USAID), through its Office of Transition Initiatives (OTI) to implement Task Order No. 2 of the Support Which Implements Fast Transition (SWIFT) Indefinite Quantity Contract (USAID AOT-I-00-98-00199-00), awarded September 29, 1998. Task Order No. 02 requires DAI to assist OTI in implementing the Philippines Initiative activity, entitled Emergency Livelihood Assistance Program (Mindanao, Philippines), hereafter referred to as SWIFT/Mindanao. OTI and DAI signed the Task Order on April 29, 1999 with effective dates of March 25, 1999 through March 24, 2000. The original obligated amount and ceiling price are $1.56 million.

On February 29, 2000, USAID extended Task Order implementation through May 24, 2000, followed by a Contract Modification signed on April 18, 2000, obligating an additional $1.51 million and extending the estimated completion date to December 15, 2000. A second Contract Modification signed on November 30, 2000 approved a no-cost extension to March 31, 2001 with DAI.

DAI is required under the Task Order to submit quarterly performance reports to the USAID within 30 days of the end of the reporting period. The Quarterly Report is used to summarize progress toward achieving the goals of the Program, indicate any problems encountered, and propose remedial action as appropriate. The first performance report, dated 6 August 1999, provides additional detail on the program goal, objectives, and targets for assistance. This abbreviated report covers performance during the 4th quarter of 2000, detailing closeout preparations.

I.2. Summary of Progress

The primary purpose of the SWIFT/Mindanao program is to provide small grant assistance to MNLF communities. OTI approved no new grants this quarter, to ensure complete delivery of all remaining grants before closeout. Last quarter’s totals represent the final grant approvals for the program. The table below summarizes grant activity. Please refer to the TAG Reports by Program Category in Annex B for more detail, including reports on prior quarters.

<table>
<thead>
<tr>
<th>PROGRAM CATEGORY</th>
<th>Agricultural Production</th>
<th>Capacity Building</th>
<th>Gender &amp; Dev't</th>
<th>Media</th>
<th>Post-Harvest Facilities</th>
<th>Reconciliation</th>
<th>Village Infrastructure</th>
<th>TOTALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL GRANTS APPROVED (#)</td>
<td>101</td>
<td>3</td>
<td>16</td>
<td>1</td>
<td>176</td>
<td>38</td>
<td>87</td>
<td>422</td>
</tr>
<tr>
<td>VALUE GRANTS APPROVED ($)</td>
<td>257,260</td>
<td>172,090</td>
<td>35,251</td>
<td>17,199</td>
<td>432,486</td>
<td>54,124</td>
<td>247,828</td>
<td>1,216,238</td>
</tr>
<tr>
<td>TOTAL GRANTS DELIVERED (#)</td>
<td>97</td>
<td>2</td>
<td>14</td>
<td>1</td>
<td>172</td>
<td>34</td>
<td>77</td>
<td>397</td>
</tr>
<tr>
<td>FAMILIES (#)</td>
<td>3,776</td>
<td>n/a</td>
<td>553</td>
<td>n/a</td>
<td>6,520</td>
<td>n/a</td>
<td>6,050</td>
<td>16,899</td>
</tr>
<tr>
<td>COMBATANTS (#)</td>
<td>2,573</td>
<td>22</td>
<td>131</td>
<td>n/a</td>
<td>4,740</td>
<td>n/a</td>
<td>2,479</td>
<td>9,945</td>
</tr>
</tbody>
</table>
II. Current Quarter Activities

II.1. Transition Assistance Grant (TAG) Project Development

Grant Project Approvals

During this quarter, OTI approved no new Transition Assistance Grants. The total number of approved TAGs reached 422 in 15 months of grant making activity. Total value of these projects was $1,216,689 (P 51,446,559). Thus, the grant budget line of $1.3 M was left with a remaining balance of $83,311, based on almost $1.22 M in approved grants. Disbursed funds reached $1.1 M this quarter, based on purchase orders issued. Actual cash payments to vendors are running slightly less, due to current strength of the US$ against the PhP. Projections are that the grant funds will have a remaining balance of approximately $175 K at program closeout.

Nine grants were cancelled by OTI after having been approved. These were case-by-case situations but generally related to either community evacuation due to ongoing MILF-GRP conflict or refusal by one or more partners to provide counterpart resources. Thus, DAI will deliver 413 grants by closeout.

Program Categories

The final breakdown of approved TAGs by program category is shown in the table on page 1. Post-Harvest Facilities accounted for 41.7% of grants, and 35.5% of total value. Agricultural Production contributed 23.9% of all TAGs, and 21.1% of value. Village Infrastructure grants were 20.6% of the total number, with 20.4% of total amount. The Gender & Development category contributed 3.8% to the total number (2.9% of value), while Reconciliation provided 9% of the grants and 4.4% of total amount. Capacity Building and Media each contributed less than 1% to the number of grants, while accounting for 15.6% of total value.

Geographic Distribution

The geographical distribution of TAG grants highlights the unsoundness of “quotas” for each State as practiced by some donor programs assisting the GRP in implementation of the Peace Agreement. The following table shows the breakdown of TAGs by MNLF State, except Various grants (42) under the Capacity Building, Media, and Reconciliation categories, covering more than one State.

<table>
<thead>
<tr>
<th>MNLF State</th>
<th>Ranao Norte</th>
<th>Sentral Ranao</th>
<th>Ranao Sur</th>
<th>New Utara Kutawatu</th>
<th>Sebanggan Kutawatu</th>
<th>Sentral Kutawatu</th>
<th>Selatan Kutawatu</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Grants Approved (#)</td>
<td>57</td>
<td>50</td>
<td>13</td>
<td>90</td>
<td>59</td>
<td>65</td>
<td>46</td>
<td>380</td>
</tr>
<tr>
<td>Total Grants Delivered (#)</td>
<td>54</td>
<td>47</td>
<td>12</td>
<td>84</td>
<td>55</td>
<td>65</td>
<td>45</td>
<td>362</td>
</tr>
<tr>
<td>Value Grants Approved ($)</td>
<td>149,330</td>
<td>122,188</td>
<td>31,386</td>
<td>233,590</td>
<td>135,671</td>
<td>206,998</td>
<td>94,189</td>
<td>973,352</td>
</tr>
<tr>
<td>Counter-Part Resources ($)</td>
<td>223,994</td>
<td>217,222</td>
<td>19,237</td>
<td>453,440</td>
<td>241,193</td>
<td>297,876</td>
<td>182,836</td>
<td>1,635,796</td>
</tr>
</tbody>
</table>
Grant Project Deliveries

DAI delivered 76 TAGs this quarter, as the backlog from waiting for counterpart contributions was reduced. This brought the total number of TAGs delivered by end of 2000 to 392, or 94.9% of the 413 DAI will deliver. Village Infrastructure had the lowest delivery rate, at 86.9%. The nine projects still unfinished all expect January completion. Gender & Development reached 93.33% delivery, while Agricultural Production (95.05%) and Post-Harvest Facilities (99.42%) delivery rates reflect the very few equipment TAGs yet to be delivered. One Reconciliation grant (peace music CDs) is in its reproduction stage and scheduled for January delivery.

Impacts

SWIFT/Mindanao has now directly assisted 16,899 families through December 31, 2000, including 9,945 former combatants. This nearly doubles the original target of 9,000 families. Assistance has reached 324 barangays in 91 municipalities in 10 provinces since the beginning of SWIFT/Mindanao. These livelihood investments in Muslim villages are beginning to show positive impacts in terms of initiating economic development throughout the region, as well as altering perceptions among former combatants about the benefits of the Peace Agreement.

These impacts have been validated by a total of 138 Progress Analysis assessments accomplished by the close of the quarter. Beginning in January, one of the Engineering Team shifted duties to the Progress Analysis Team (PAT) – SWIFT's monitoring and evaluation unit – to help ensure that all 242 remaining assessments can be completed by the end of February. Annex C contains a Consolidated PAT Summary as of the close of the quarter.

Leveraging Success

Of the total of almost $3 Million invested in SWIFT projects in Mindanao, 59% ($1.76 M) has come from counterpart organizations, while less 40% has been direct donor grants from OTI. Within the $1.76 M of counterpart resources, 42% was from various national agencies, provincial, municipal, and barangay government. Communities themselves contributed 16% of their own resources – including “sweat equity” – to their village-based self-help projects. Other Donors contributed 1%.

During the quarter, the Dept. of Agriculture had to discontinue deliveries of counterpart equipment under the DA-SWIFT Village Partnership. There was good news in that DA Secy Edgardo Angara approved an additional P12 M ($240,000) to purchase more equipment necessary because the Partnership has reached more communities than originally intended, bringing the total to P35 M. The downside, however, is that the national government has accumulated huge budgetary deficits during the Estrada Administration and has been unable to pay vendors for the initial purchases since June, 2000. Suppliers now are understandably reluctant to deliver additional items. Warehouse stocks are exhausted, and schedules uncertain for the next tranche of equipment.

The delayed deliveries have caused significant discomfort in the field as communities realize that SWIFT staff are ending their service, with no assurance other than our word that the DA will deliver even after we have completed our assignments. The issue has increased security risks in several locations. To their credit, DA staff are fully aware of the implications for the GRP, and have given SWIFT their promise that they will complete all deliveries based on the final list provided to them. Annex D contains a summary report by of equipment that remained undelivered at the close of the Quarter.
Capacity Building

Orient Integrated Development Consultants, Inc. (OIDCI) hit the ground running last quarter in delivering their Establishment of Village-Based Financial Management Systems three-day training module and one-day follow-up activity 2-4 weeks after the initial training. Their field teams deployed quickly to fill the yawning gap left by Notre Dame Business Resource Center Foundation (NDBRC), who quite simply was incapable of meeting the needs among SWIFT beneficiaries in building internal capacity to properly record financial transactions, especially income being generated by SWIFT and DA-provided equipment. OIDCI completed 176 three-day on-site trainings by the end of the quarter, and 126 follow-up refreshers. SWIFT fully expects OIDCI to finish their 250 sites by the end of the grant in February, 2001. NDBRC’s grant ended, reportedly conducting 208 training events, but field validation confirmed many to have been one- to two-hour activities instead of one-day modules. DAI recommends no future training programs utilize NDBRC due to their disappointing performance.

The Kubota Philippines “basic diesel engine maintenance and repair” training completed their circuit of SWIFT delivery sites. The number of engine breakdowns and requests for warranty service have declined since these pro bono training activities began in March, 2000. At the close of the quarter, the technician was making a second round of visits to service additional sites, as well as accompany farm equipment technicians in trouble-shooting problematic machinery.

The Dept. of Agriculture’s Agriculture Training Institute (ATI) received approval for their funding and moved toward field operation of extensive on-site training on agricultural equipment operation and maintenance. This additional activity further strengthens the DA-SWIFT Village Partnership by ensuring follow-on capacity building that will continue beyond the life of the SWIFT program itself.

II.2. Program Operations

Information Systems

The Information Systems/Database Manager provided services to another OTI country program for part of this past quarter. After that, her efforts focused on closeout process for cleaning databases and developing a package of information that can be distributed to government agencies, donors, and non-government organizations. The CD-ROM will be completed before closeout and distributed personally so that a brief orientation can be provided to the expected two dozen recipients.

Financial Systems

The Finance team has begun an internal audit, finalized budget projections, and is in full swing toward an efficient closeout, including arrangements for final billing by utility companies and others.

Administrative Systems

The Admin team is ahead of schedule in their closeout preparations, aided by having identified each process in the daily operations and fixing a timeline for closeout procedures of satellite and Davao offices. Annex E contains the detailed plan to guide each unit through an orderly, coherent closeout.

Procurement Systems

The Procurement team completed approximately 2/3rd of their individual TAG clearance audits, as well as completing delivery of remaining items. They are ahead of schedule toward closeout preparations and will shift into logistical aspects of closeout after completing the last TAG audits.
Engineering Systems
The Engineering team completed all but a handful of ongoing infrastructure activities. By the end of the quarter, one Engineering member was undergoing training to shift to the Progress Analysis Team, while another was attending to any outstanding warranty issues on equipment delivered.

Evaluation Systems
The Progress Analysis Team completed 138 Final reports by the end of the quarter, plus another 60 in Draft form. The results of their analyses continue to highlight capacity building as the largest need for continued success by the majority of groups. Another insight from site analyses is that groups take joint ownership seriously, reinvesting income in other commonly-held machinery items.

An disappointment has been the relatively low levels of group income mobilized by equipment and other grant projects. PAT members are researching possible reasons for this, including deliberate under-reporting of income to avoid both official and unofficial taxation.

II.3. Satellite Office Operations

Cotabato City
The Cotabato PDOs moved to finish their deliveries, organizational coaching exercises, and formal hand-off of the best performing groups to local government units or other developmental partners. Differences between states have emerged. In New Utara State, a federation of cooperatives has gained strength to make up for LGU weaknesses. In Selatan Kutawatu, municipal officials are leading efforts to consolidate gains and strengthen relationships between LGUs and MNLF villages.

Iligan City
The Iligan PDOs also moved toward closeout, with similar success in establishing the foundations of sustainability. In Ranao Norte, strong local government interest was formalized into a provincial Task Force to channel continuing assistance to MNLF communities. Central Ranao lacks LGU leadership.

III. Next Quarter Priorities

In the last Quarter of the program, there will be only one major thrust: prepare for the March 31, 2001 closedown. The specific activities planned are the following:

1. Final Reports for each TAG, using a simplified form in the database, followed by a thorough review of each database record to ensure internal consistency across the TAGs, PAT, Village Survey, Procurement, and Finance databases;
2. Tidy all loose ends, from riveting of any uninstalled nameplates to distributing any remaining copies of grant agreements to barangay, municipal, or community officials involved;
3. Close tracking of program operations expenditures against the budget, to ensure no shortage of funds in any line items, with a possible small realignment if necessary;
4. Property Disposition according to the approved plan, with most if not all items expected to be stored until required for the anticipated follow-on activity by USAID/Manila;
5. Complete administrative and financial systems closeout; and
Annex A
Quarterly Financial Summary
Annex B

TAG Reports by Program Category

1. All TAGs

2. Quarterly¹

¹ Quarterly TAG reports are presented in reverse chronology
Annex C

Consolidated Progress Analysis Team (PAT) Report
Annex D

DA-SWIFT Village Partnership

Undelivered Equipment Report
Annex E
Closeout Plan