PD-ABB-029
66421

A.I.D. EVALUATION SUMMARY - PART I

1. BEFORE FILLING OUT THIS FORM, READ THE ATTACHED INSTRUCTIONS.
2. USE LETTER QUALITY TYPE, NOT "DOT MATRIX" TYPE.

IDENTIFICATION DATA

A. Reporting A.I.D. Unit:
Mission or AID/W Office: USAID/Manila
(ES# _____)

B. Was Evaluation Scheduled in Current FY Annual Evaluation Plan?
Yes [XX] Slipped [ ] Ad Hoc [ ]
Evaluation Plan Submission Date: FY 90 Q ___

C. Evaluation Timing
Interim [XX] Final [ ]
Ex Post [ ] Other [ ]

D. Activity or Activities Evaluated (List the following information for project(s) or program(s) evaluated; if not applicable, list title and date of the evaluation report.)

Project No.	Project /Program Title	First PROAG or Equivalent (FY)	Most Recent PACD (Mo/Yr)	Planned LOP Cost (000)	Amount Obligated to Date (000)
492-0385	Accelerated Agricultural Production Project	8/30/86	12/31/91	$22,700	$17,019

ACTIONS

E. Action Decisions Approved By Mission or AID/W Office Director

Action(s) Required	Name of Officer Responsible for Action	Date Action to be Completed
1. Project Paper supplement completed and Project Authorization increased to a new total of $30 million.	ORAD, DRM Mission Director	2/1/90
2. ProAg Amendment, including Annex 1, completed.	ORAD, DRM, OLA	2/1/90
3. All other recommendations found in Section J of this PES are administrative in nature. The USAID Project Committee and the Department of Agriculture (DA) implementors have agreed to accept those recommendations.	USAID, DA	6/30/90

(Attach extra sheet if necessary)

APPROVALS

F. Date Of Mission Or AID/W Office Review Of Evaluation: (Month) October (Day) 18, (Year) 1989

G. Approvals of Evaluation Summary And Action Decisions:

	Project/Program Officer	Representative of Borrower/Grantee	Evaluation Officer	Mission or AID/W Office Director
Name (Typed)	Rodger D. Garner	V. Bruce Tolentino	Sulpicio S. Roco	Carleton B. Clay
Signature	Rodger D. Garner			
Date	4/25/90 11/15/90		11/15/90	Date: 5/5/90

ABSTRACT

H. Evaluation Abstract (Do not exceed the space provided)

This was a process evaluation of the Accelerated Agriculture Production (AAP) Project (492-0385). The project aims to increase profitability and productivity of agriculture production by developing more efficient, effective and decentralized ag support services; by creating more efficient markets for ag inputs and products through increased private sector participation; and by improving ag policies which are more conducive to private sector growth.

AAP was authorized in 1986 during a time of institutional and political flux, thus project implementation was initially slow and disbursements lagged behind projected levels. Between September 16 and October 19, 1989, a six-person evaluation team extensively reviewed project documentation and held discussions with USAID and Government of the Philippines (GOP) project officials. The objectives of the evaluation were the following:

-- To investigate ways to streamline the project's management structure in order to maximize the use of scarce management resources.
-- To improve the pace of project implementation by simplifying administrative procedures.
-- To identify outstanding constraints and recommend implementable solutions; and
-- To recommend options for project redesign and/or refinancing.

Major findings of the evaluation:

- While AAP's implementation pace has been slower than projected, analysis of past performance suggests that key constraints have been overcome. Geometrically increasing performance is well illustrated by the fact that disbursements in FY 1989 alone were three times that of FY 87 and 88 combined. At current expenditure levels, project funding will likely be completely expend[illegible] prior to the current PACD of December 31, 1991.

- Relationships between USAID and the two GOP implementing agencies, the Department of Agri[illegible]lture (DA) and the Na[illegible]ional Irrigation Authority (NIA), have improved and a growing collegiality has developed.

- Basic implementation procedures in ar[illegible]as as diverse as financial reporting, farm-level outreach activities and statistical [illegible]orting are completed, and full-scale implementation is und[illegible]rway.

- F[illegible]nally, the instability associated with the 1986 [illegible]hange of administration and the restructuring of the DA has largely [illegible]ipated, [illegible] new institutions and instruments to implement policies and coordinate [illegible]ams are emerging. The evaluation team believes that t[illegible]e basic adjustments will c[illegible]ntinue to improve project implementation performance.

COSTS

I. Evaluation Costs

1. Evaluation Team Name	Affiliation	Contract Number OR TDY Person Days	Contract Cost OR TDY Cost (U.S. $)	Source of Funds
Jose M. [illegible]as, Faustino [illegible]rillo, Pedro R. [illegible]oval	Cesar Virata and Associates	492-0385-C-00-9133-00	$65,900	Project Funded
Milton L. Barnett, James M. Wolf	ISPAN	PIO/T 492-0385-3-60301	$45,000	Project Funded
Martin E. Hanratty	AID/W		$6,000	OE

2. Mission/Office Professional Staff Person-Days (Estimate)	3. Borrower/Grantee Professional Staff Person-Days (Estimate)
15	30

A.I.D. EVALUATION SUMMARY - PART II

SUMMARY

J. Summary of Evaluation Findings, Conclusions and Recommendations (Try not to exceed the three (3) pages provided)
Address the following items:

- Purpose of evaluation and methodology used
- Purpose of activity(ies) evaluated
- Findings and conclusions (relate to questions)
- Principal recommendations
- Lessons learned

Mission or Office:	Date This Summary Prepared:	Title And Date Of Full Evaluation Report:
USAID/Philippines	January 1990	Accelerated Agricultural Production Project Evaluation October 1989

Purpose of Activity: The purpose of the AAP Project is to increase the profitability and productivity of agricultural production. In order to achieve this purpose, a multi-faceted project was proposed to support the following areas:

-- Develop more efficient, effective and decentralized agricultural support services for farmers through increasing the availability of technology, irrigation infrastructure, applied research and outreach services.

-- Create more efficient markets for agricultural inputs and products through an increased private sector role and investment in agribusiness and marketing.

-- Improve agricultural sector policy and program formulation through the development and implementation of policies more conducive to private sector growth.

3. Purpose of the Evaluation and Methodology Used: This process evaluation was designed to determine the project's progress toward meeting its purpose and objectives and to provide recommendations on: (a) streamlining the project structure; (b) improving the pace of project implementation; (c) resolving outstanding issues; and (d) recommending adjustments in project financing. The methodology adopted by the team involved document review, interviews, and site visits. Team members reviewed all relevant project documents, interviewed the majority of involved project officials in USAID, the DA and the National Irrigation Authority (NIA), and traveled throughout the Philippines to discuss project activities with field implementors.

4. Findings and Conclusions:

-- The factors which adversely affected early project implementation, i.e., DA reorganization and staff changes, NIA's legal status, cumbersome GOP disbursement procedures and limited understanding of USAID and GOP procedures have largely been resolved and implementation is proceeding at an acceptable pace.

-- Assuming current expenditure levels continue (and there is strong evidence that they will), project funding will likely be completely expended prior to the current PACD of December 31, 1991.

-- Maintenance of the Project's management system outside the DA's normal command structure demands an inordinate amount of scarce USAID and DA management resources, contradicts the institutional development nature of the project, and exposes the project to continued criticism that it is an AID project rather than a GOP project.

-- The current project monitoring and evaluation system is inadequate, and needs to be strengthened in order to use system output as an effective management tool and to ensure the impact of project investment on targeted beneficiaries.

-- The processing time for GOP fund releases in support of project subactivities has improved, dropping from 140 calendar days in 1987 to 40 days in 1989. Further improvements can and should be encouraged.

-- The Project provides USAID with a unique opportunity to coordinate irrigation and agricultural production activities in the same project.

-- The ability of DA and NIA to formulate new policies is critical, in the DA, where a strong analytical capacity is required to fully operationalize the Department's new management structure, and in NIA, where implementation of policy changes is becoming an essential part of irrigation system management.

-- DA's efforts to strengthen agricultural marketing, while critical to improve the flow of goods and services among producers, processors and consumers, will flounder until and unless the Department develops and implements a cohesive strategy that identifies its long-term role as a market manager and that of the private sector as a market participant.

5. Recommendations:

A. Funding and Funds Flow

1. AID should carefully analyze current funding requirements and increase life-of-project funding levels as required.

2. Project-supported technical assistance should be used to assist in simplifying USAID and GOP disbursement procedures.

3. A DA/NIA advisory group should be established to quickly deal with funds flow constraints; and

4. An easy-to-use system should be developed for project staff use in tracking funding requests through the GOP and USAID systems.

B. Project Management

1. The number of Project Implementing Units (PIUs) should be reduced from 13 to eight, including two in NIA, five in the DA, and the Project Management Office (PMO).

2. The DA PIUs should be placed under the direct supervision of an appropriate Assistant Secretary.

3. A Project Coordinating Committee, composed of the five DA Assistant Secretaries and chaired by the Undersecretary for Policy and Planning, should be established.

4. The responsibilities for preparing Department-wide annual Work and Financial Plans should be transferred to the Assistant Secretary for Management, for eventual review and submission to USAID by the Coordinating Committee; and

5. The PMO should be retained to manage the provision of technical assistance and commodity procurement and to develop a project monitoring and evaluation system.

C. Policy Formation

1. The DA should be encouraged to restructure its policy analysis capabilities into a three-tiered hierarchy: in-house rapid response capability; semi-detached medium-term capability; and long-term policy research supported by outside contracts.

2. The establishment of a research and policy analysis management cell in NIA should be encouraged.

D. Monitoring and Evaluation

1. A project management system should be developed that is closely linked to the GOP's planning and budgeting cycle and which clearly articulates proejct actions and measurable outputs.

2. Baseline data should be collected to set the stage for future project evaluations.

E. Marketing Strategy

1. Assist the DA in developing an internal long-term strategy which defines its role in market management and the steps required to develop the required capacity.

F. DA and NIA Coordination

1. Encourage senior agency managers to issue a joint memorandum supporting collaborative action at the field level.

2. Use the project's outreach activities to support collaboration.

3. Restructure AID project management assignments so that one officer is responsible for both the agriculture and irrigation components of the Project.

ACCELERATED AGRICULTURAL PRODUCTION PROJECT EVALUATION

PROJECT NO. 492 -- 0385

Submitted to:

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
Manila, Philippines

Submitted by:

DR. MARTIN E. HANRATTY
Team Leader
DR. MILTON L. BARNETT
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Prepared by:

C. VIRATA & ASSOCIATES
Under Contract No. 492--0385--C-00--9133--00
with USAID/Manila

October 1989

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EXECUTIVE SUMMARY

In response to slow economic growth in the early 80's, the Government of the Philippines launched an economic recovery program in 1987, which featured agriculture as a lead sector. As part of this program, USAID/Manila in cooperation with the Department of Agriculture (DA) and the National Irrigation Authority (NIA), launched the Accelerated Agricultural Production Project (AAPP) to help restore growth in agricultural production and to stimulate rural recovery. This five year effort, begun on August 30, 1986, commits $29.7 million, $22.7 million in USAID grant and $7.0 million in GOP funds, to improve agricultural services to farmers, identify and support activities and policies that create more efficient markets for agricultural inputs and products and improve the basis of agricultural policy and program formulation.

In keeping with the project's evaluation schedule, senior USAID and Filipino project managers sought the services of an independent evaluation team to provide recommendations on:

— streamlining project structure,
— improving the pace of project implementation,
— resolving outstanding issues, and
— recommending adjustments in project financing.

Major Findings

— the factors which adversely affected early project implementation, i.e. DA reorganization and staff changes, NIA's legal status, cumbersome GOP disbursement procedures and limited understanding of USAID and GOP procedures have largely been resolved and implementation is at an acceptable pace.

— assuming current expenditure levels persist, and there is strong evidence that they will, project funding will likely be completely expended prior to the current PACD of December 31, 1991.

— maintenance of the Project's management system outside DA's normal command structure of the Department, draws on an inordinate level of AID and DA scarce management resources, is in direct opposition to the institutional development nature of the project and exposes the project to continued criticism that it is an AID, not a GOP project.

— the current Project monitoring and evaluation system is inadequate and needs to be strengthened if system output is to be used as an effective management tool and the impact of Project investment on targeted beneficiaries is to be established.

— GOP fund releases in support of Project sub-activities have improved, dropping from 140 calendar days in 1987 to 40 days in 1989. Further improvements can and should be encouraged.

—the Project provides USAID with a unique opportunity to coordinate irrigation and agricultural production activities under the same project.

— the ability of DA and NIA to formulate new policies is critical: — in the DA where a strong analytical capacity is required to fully operationalize the Department's new functional structure; — in NIA where policy is becoming an essential part of the irrigation system management.

— DA's efforts to strengthen agricultural marketing, while critical to improving the flow of goods and services among producers, processors and consumers, will flounder until and unless the Department develops a consistent strategy which identifies its long-term role as market manager and that of the private sector as a market participant.

Major Recommendations

— Funding and Flow of Funds

- AID should carefully analyze current fund requirements and increase life of project funding levels as required,
- Use project supported TA to assist in simplifying USAID and GOP disbursement procedures,
- Establish an advisory group in DA and NIA which can quickly deal with funds flow constraints, and
- Develop a system that staff can easily use to track funding requests through the GOP and USAID systems.

— Project Management

- Reduce the number of Project Implementing Units from 13 to eight, two in NIA, five in DA and the Project Management Office,
- Place the five PIU's in DA under the direct supervision of an appropriate Assistant Secretary,
- Establish a Project Coordinating Committee composed of the five Assistant Secretaries and chaired by the Under Secretary, Policy, Planning and Monitoring,
- Transfer responsibilities for preparing Department-wide annual Work and Financial Plans to the Assistant Secretary for Management for review and submission to USAID by the Coordinating Committee, and
- Retain the PMO to manage provision of TA and commodity procurement and to develop a project monitoring and evaluation system.

— Policy Formation

- Encourage the DA to restructure its policy analysis capabilities into a three tier hierarchy; an in-house rapid response capability, a semi-detached medium-term capability and a long-term policy research base supported by outside contract.
- Encourage the establishment of a research and policy analysis management cell in NIA.

— Monitoring and Evaluation

- Develop a project management system closely linked to the GOP's planning and budgeting cycle which clearly articulates project actions, measurable outputs, and
- Collect baseline data to set the stage for future project evaluations.

— Marketing Strategy

- Assist the DA in developing an internal long-term strategy which defines its role in market management and the steps required to develop required capacity.

— DA and NIA Coordination

- Encourage senior agency managers to issue a joint memorandum supporting collaborative action at the field level,
- Use the Project's outreach activities to support collaboration, and
- Restructure AID project management loads so one officer is responsible for both the agriculture and irrigation components of the Project.

CHAPTER I. INTRODUCTION

The Philippines has been plagued by low and often negative economic growth, heavy indebtedness and unemployment. The agricultural sector which generates 40 percent of Gross Domestic Product (GDP) and employs 70 percent of the nation's work force is no exception. Prior to the 1986 Revolution, major agricultural institutions including agricultural research, outreach, input supply and output processing were systematically discriminated against by government in favor of efforts to quiet urban unrest and promote often inefficient industrial growth. This left many of these critical institutions in physical and organizational disarray.

In response, the Philippine Government launched an economic recovery program in 1987, which featured agriculture as a lead sector. As part of this program, USAID/Manila in cooperation with the Department of Agriculture (DA) and the National Irrigation Administration (NIA), created the Accelerated Agricultural Production Project (AAPP) to help restore growth in agriculture production and to stimulate rural recovery. This five-year project commits $29.7 million, $22.7 million in USAID grant and $7.025 million in GOP counterpart funds, to improve agricultural services to farmers, identify and support activities and policies that create more efficient markets for agricultural inputs and products and improve the basis of agricultural policy and program formulation. More specifically, the project has sought to:

— establish new and improve existing farmer organizations to effectively manage irrigation systems;

— increase public and private support services associated with the production and marketing of crops;

— increase the production of corn and other diverse crops;

— strengthen agricultural price and information delivery systems;

— improve the flow and quality of policy papers and investment proposals in the Department of Agriculture; and,

— establish a private agribusiness investment financing facility.

Project funding provides technical assistance, training, limited amounts of commodities and equipment, and budget support for research, analysis and program operating costs to the Department of Agriculture, the National Irrigation Administration and private sector educational and business organizations.

Initiated during a time of institutional and political flux, project implementation has been slow and disbursements have lagged behind expected levels. In keeping with the project's evaluation schedule, senior USAID and Filipino managers have sought the services of an independent evaluation team to assist in identifying problems constraining implementation and to provide recommended solutions. Between September 16 and October 19, 1989, a six person team, including Philippine and expatriate agricultural and irrigation professionals, undertook this task. After an extensive review of project documentation and discussions with project managers, (See Annex One for list of individuals contacted) the team selected the following evaluation objectives:

— to simplify the project management structure to minimize the use of scarce management resources;

— to readjust project control structures so the DA is clearly in a leadership position;

— to identify past constraints to project performance and steps taken to resolve them;

— to identify outstanding constraints and recommend implementable solutions; and

— to recommend options for project redesign and/or refinancing.

In keeping with these objectives, this report begins with a discussion of project performance to date and the factors that have influenced it. These factors differ between DA and NIA and are treated separately. The report then turns to an evaluation of issues which continue to impede project performance and suggests specific steps that might be taken to resolve or mitigate problems. The report closes with a summary of recommended actions and a discussion of the reasons for and options available for project redesign.

CHAPTER II. PROJECT PERFORMANCE TO DATE

A. Introduction

Changes in GOP policy and structure, begun in 1986 by the Aquino government to counter charges of corruption and overcome economic stagnation, have been neither easy nor systematic. The impact of adjustments on the Department of Agriculture and the National Irrigation Administration has differed.

NIA, a quasi-independent parastatal, has been buffered from the uncertainty and administrative flux associated with these adjustments. This institutional stability has been complemented by well defined and tested implementation plans. For example, the project has supported small scale irrigation system repair and maintenance, standard operations within NIA at the time of project inception, and the expansion of irrigation associations, an operational model tested and institutionalized in the organization during the early 80's.

A completely different picture emerges with respect to the DA. Major adjustments in senior management and departmental structure and focus have had a destabilizing effect on project implementation. Before project implementation could begin, new administrators had to familiarize themselves with departmental functions and operations, reorganize operating units and functions (as set forth in Executive Order No. 116 of January, 1987) and identify implementing priorities within major divisions. It is not surprising, given the degree of uncertainty generated by these adjustments, that development of basic work plans for the 14 DA project supported units has taken two years.

B. Problems In Initial Implementation

When the new Secretary of Agriculture took charge in March 1986, he found an institution in disarray with operating units institutionally or financially bankrupt, unable to meet national development mandates or to service the needs of Filipino farmers. Sweeping changes in middle and senior management, major restructuring of departmental operating units and steps to decentralize control of key departmental functions resulted. For example, six (6) out of the ten (10) senior departmental managers, Assistant Secretary and above, were replaced; the Department reorganized around functional, not commodity lines and the Department recommitted itself to a policy of decentralization.

As adjustments proceeded, DA managers began to look to AAPP financial resources as a facilitator for change. Access to these resources was not easy. Project structure, relationships between USAID and the DA, and confusion over basic implementation procedures led to constrained access and slow implementation.

The project design posed formidable implementation problems. Created during the period of maximum political and institutional instability, 1984 to 1986, the project's agricultural component lacked a clear vision of DA's structure and function. Overall project focus was correctly placed on strengthening GOP agricultural related policy and planning capability and improving service delivery systems to farmers. However, the selection of two independent and often adversarial government agencies, the DA and NIA, to implement 23 separate and distinct project activities with no internal coordination was and continues to be a basic project design flaw.

To overcome the complexities of project structure and ease component coordination, project designers placed heavy emphasis on the development of a strong project management structure; and use of annual work and financial plans to facilitate project resource allocation.

Both elements have experienced problems. For example, USAID, sighting the financial irregularities which occurred at the close of the Marcos regime and DA's constrained implementation capacity, argued for a strong project management structure, loosely connected to the normal DA command structure. Newly appointed DA senior managers, needing immediate access to project funds, agreed. The management structure which resulted bypassed the Department's administrative system and was funded exclusively from project, not DA funds. At best, it facilitated project expenditures, at worst, it has been accused of pursuing USAID, not DA priorities and objectives. In NIA, where program and organizational structure were more stable, similar problems have not emerged. In NIA, the project management structure is internal to the agency and relies exclusively on NIA staff.

A major responsibility of the DA's Project Management Office was to assist operating units in developing annual work and financial plans. Problems have affected this process from the very beginning. For example, DA managers were unclear as to the form these plans should take, would they follow the simple quantitative/financial formats used by DA to prepare its annual budget submission or a more detailed presentation. Although USAID documentation suggests the latter (Annex B of PIL 11 gives a brief outline of the report with little detailed instructions), this was never operationally clarified until mid-1988. In the interim, plans acceptable by DA and GOP standards were submitted, rejected by USAID and recriminations abounded.

C. Progress to Date

The above factors led to slow disbursements and often heated debates over project implementation. Changes in USAID staffing, clarification of USAID/DA procedures, basic policy choices affecting DA program priorities and clarification of NIA's budget status have resolved many of these problems and are helping to forge a new cooperative relationship among USAID, the DA and NIA. For example, because of a controversy over the legal status of NIA, its capital budget was inadvertently dropped from the GOP's CY 1989 Annual Appropriations Bill. As a result, all donor and GOP support was withheld by the Department of Budget and Management. In the interim, NIA depended on its own capital reserves, which it can retain as a quasi-private corporation, to front-end AAPP project related activities. This slowed project implementation and expenditures. Recently, the problem has been resolved by the Supreme Court and project activities funded directly by AAPP, not NIA, are again underway.

The instability associated with restructuring the DA has largely dissipated, new functions and bureaucrat territory has been defined and significant steps have been taken by operating units to enhance performance. For example, project implementing units with assistance from PMO and USAID staff have developed sound, long-term plans to guide unit activities over the life of the project. While further work is required to annualize these plans, they provide a strong base for enhanced implementation and monitoring.

Efforts to restructure the Department along functional, not commodity lines is complete and new units are well along in defining and operationalizing their new bureaucratic turf. The Planning and Monitoring Group, a key element in coordinating this new structure, is no exception. While this unit has experienced difficulty in defining its new role, it has with AAPP support, provided a number of short-term analytical pieces used by the Secretary to negotiate price and subsidy policy, tariff levels, grain price stabilization and fertilizer polices. The Division has played a key role in representing and defending Department policy in the National Legislature and its recently published analysis of macro-economic biases constraining agricultural growth has received attention at all levels of government — from the National Cabinet to provincial governors.

Finally, the DA, with exclusive AAPP support, has initiated action to sell-off commercial assets under its control. A temporary unit, under the Executive Assistant to the Secretary has been established which has listed and valued selected Departmental developed rules for divestiture, and has begun auction procedures which ultimately will lead to public sale.

In a more operational vein, internal reviews of the Department's financial management structure, conducted with AAPP support, have led to systematic restructuring of the Department's internal budget allocation and reporting system. In the near future, additional project resources will be required to automate this system, and to implement additional changes in DA's asset, vehicle and personnel management systems, now under design. In addition, earlier Departmental efforts to decentralize planning, outreach and budget operations to the provincial level have met with substantial success. For example, a national agricultural research agenda, based on priorities identified by sub-provincial planning groups has been completed. Still requiring refinements in prioritization, the document does represent the first bottom-up agricultural planning document of its kind in the Philippines. Also, experimental efforts to improve corn production in Mindanao are firmly in place. Managed by University of Southern Mindanao staff, this effort is testing new ways of combining regional and provincial agricultural research and outreach personnel in a focused corn production program. Located in one of the poorest areas in the Philippines, the sub-project focuses on strengthening the link between agricultural technology generation and the farmer, a chronic constraint to increased farm production and income. Finally, the DA has moved ahead on its pledge to decentralize its budget planning and allocation procedures. Starting with foreign assistance funds, the program has been expanded to include both foreign and domestic funds and is moving swiftly to place budget planning and expenditure responsibilities firmly under provincial control. Under such a system, funds will go directly from the National Treasury to the provinces, bypassing regional agricultural offices. The latter offices, in addition to implementing their own programs, will now be responsible for monitoring provincial performance, not controlling provincial plans.

The improved working relationship between the DA and USAID, continued expansion of NIA's efforts and the resolution of implementation problems in the DA, have meant an increase in project related expenditures (See Table One). For example, implementation problems constrained project expenditures during FY 1987 and 1988, with only $1.3 million or seven percent of total AAPP allocations expended by September 30, 1988. As the impact of the above adjustment began to be felt, project related expenditures increased. In FY 1989 alone, over $3.9 million, or three times combined 1987 and 1988 expenditure levels, had been recorded. This increased rate will likely continue into the future. For example, requests contained in the three year planning documents submitted by project sub-units, suggest an accelerated drawdown of project funds through 1991. If rates contained in plans are attained, project funds will be exhausted by the third quarter of US FY 1990; if only half the expected expenditure rate is achieved, a supplemental project budget totalling approximately $10.0 million will be required in the second quarter of FY 1991 to complete project supported activities.

While AAPP's implementation record has been slow, analysis of past performance suggests that key constraints have been overcome. Relationships between USAID and the GOP have improved and there is a growing collegiality developing. Basic design efforts in areas as far reaching as financial reporting, farm level outreach and statistical reporting are completed and implementation has just begun. And finally, the instability associated with the 1986 change in government and DA restructuring has dissipated, and new institutions and instruments to coordinate programs and policies are emerging.

The Evaluation Team has little doubt that these basic adjustments will continue to improve project implementation. This is not to say that problems do not exist. Our evaluation has identified a number of issues that continue to impede project implementation and cloud the long-term impact of the project on GOP structure, functions and support of farmers. These issues and recommended solutions appear below.

Table One. Financial Status and Flow of USAID Grant Funds (In Thousand U.S. Dollars)

COMPONENT/SUB-PROJECT	TOTAL PROJECT FUNDS */	FY 87		EXPENDITURES FY 86						EXPENDITURES FY 89						As of 9/30/89	
		Annual Total	% of Proj.	Q1	Q2	Q3	Q4	Annual Total	% of Proj.	Q1	Q2	Q3	Q4	Annual Total	% of Proj.	Total	% of Proj.
NATIONAL IRRIGATION ADMINISTRATION	7,810	0	0	628	(9)	26	33	678	9	35	(53)	200	1,129	1,311	17	1,989	26
1. Irrigation Services to Farmers	7,760	0	0	628	(9)	26	33	678	9	35	(53)	200	1,129	1,311	17	1,989	26
2. Project Evaluation	50	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DEPARTMENT OF AGRICULTURE	12,190	37	0	412	15	51	167	645	5	270	25	983	1,344	2,622	22	3,304	27
1. Agr. Research & Outreach	5,180	0	0	90	0	(47)	64	107	2	91	(9)	111	165	358	7	465	9
2. Improved Mgt. Services	250	0	0	0	0	0	30	30	12	74	(104)	324	4	298	119	328	131
3. Privatization	700	0	0	0	0	0	0	0	0	0	0	19	69	88	13	88	13
4. Grain Stabilization	400	0	0	0	0	0	0	0	0	37	2	5	49	93	23	93	23
5. Fertilizer Development	360	0	0	179	0	0	(1)	178	49	(9)	0	0	15	6	2	184	51
6. Marketing Info. Services	515	30	6	30	(1)	16	20	65	13	(5)	25	114	27	161	31	256	50
7. Crop Diversification	700	0	0	0	0	4	(1)	3	0	0	50	25	61	136	19	139	20
8. Private Investment for Agr.	300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9. Economic Analysis, DA	535	0	0	17	11	24	9	61	11	47	15	28	133	223	42	284	53
10 Economic Analysis, Univ.	1,000	0	0	0	0	0	0	0	0	0	0	101	98	199	20	199	20
11. Economic Analysis, NGO	235	0	0	0	0	0	0	0	0	0	0	0	4	4	2	4	2
12. Planning/Program Dev.	295	0	0	0	0	0	0	0	0	0	4	21	25	50	17	50	17
13. Ag. Statistics	900	0	0	24	5	21	30	80	9	(3)	74	139	299	509	57	589	65
14. Project Management Services	820	7	1	72	0	33	16	121	15	[illegible]	(32)	96	395	497	61	625	76
GRAND TOTAL	20,000	37	0	1,040	6	77	200	1,323	7	305	(28)	1,183	2,473	3,933	20	5,293	26
Cumulative Total		37	0	1,077	1,083	1,160	1,360	1,360	7	1,665	1,637	2,820	5,293	5,293	26		

*/ Excluding $2.7 million additional grant as of April 7, 1989.

CHAPTER III. Outstanding Issues and Recommended Actions

A. IN THE DEPARTMENT OF AGRICULTURE

1. Project Structure and Management

Issue

AAPP is committed to improving the Department of Agriculture's capacity to plan and manage agricultural development. By maintaining a project management structure outside the DA, the project misses a unique opportunity to further strengthen improved planning and management capacity now emerging in the Department, subjects itself to the continued criticism that the project is an AID, not GOP initiative, and fails to set the stage for the eventual withdrawal of USAID support.

Background

When the project's management structure was established, the Department, then called the Ministry of Agriculture and Fisheries, was in the throes of a major reorganization. On January 30, 1987, under the President's Executive Order No. 116, the Department was renamed and all government units, having responsibilities for agricultural and fishery related activities, were integrated into one Department under the supervision of the Secretary of Agriculture.

The reorganization dropped the Department's commodity production focus for a more functional organization structure, featuring integrated divisions responsible for Department-wide planning and evaluation, staff operations, regional programs and so on. The former single commodity focus, which had been so successful during the 1970's in raising cereal production, encouraged the development and maintenance of narrowly defined field operation units, which were difficult to coordinate, led to duplication of effort and were inconsistent with a more comprehensive farming systems approach to agricultural development adopted during the 1980's.

The confusion that followed this reorganization and the unique character of the project's management structure led many senior Departmental managers to conclude that the project was exempt from Executive Order No. 116 and independent of DA control. This perception was strengthened by the fact that: 1) of the 95 to 100 staff working in the project management structure, none are regular GOP civil servants but are contractual employees; 2) the terms and conditions of employment in the project are substantially better than those for DA colleagues; 3) project operational and management procedures are designed in large part to meet USAID/Manila, not DA requirements; and 4) the lines of authority which connect project working units to project management bypass middle level DA managers.

The special status and autonomy granted to the project management system has had its advantages. For example, the system has:

— Enabled the PMO to provide essential support services vital to project implementation during a period of flux;

— Enabled the PMO to play a facilitative role in the development phase of the project and to effectively organize and utilize DA personnel, administrative services and facilities to support AAPP project operations;

— Provided the PMO with the flexibility to adopt streamlined administrative proce-

dures and higher salary levels which helped attract and retain highly qualified personnel; and

— Facilitated substantial USAID control over the financial and administrative matters pertaining to the Project activities.

The flexibility inherent in this system was essential to get the project started. However, as management capacity within the DA has stabilized and improved, the need for a fully autonomous PMO has declined. This system now has a number of disadvantages:

— The PMO structure cannot be replicated within the DA because procedures do not parallel DA counterparts and staff benefits are substantially higher than DA scales;

— The PMO, operating outside the DA, has not availed itself of the Department's organizational strengths, and project Annual Work and Financial Plans continue to be developed and submitted by each project sub-component. This disaggregated structure requires the use of an inordinate amount of USAID and DA management resources to review and approve annual plans, and to issue and liquidate cash advances, and

— The PMO provides a poor mechanism for establishing formal links between the DA and other GOP agencies whose activities compliment AAPP objectives, i.e. NIA, DENR, etc.

Recommended Actions:

— Establish a Project Management Advisory Committee, chaired by the UnderSecretary, Policy and Planning, and composed of Assistant Secretary level staff responsible for project PIU's. The group would review and approve annual work and financial plans, monitor sub-unit progress on a quarterly basis and encourage cross-fertilization of project support activities.

— Begin the systematic absorption of selected PMO functions into the DA. To initiate this process, it is recommended that:

- responsibility for preparation of Project supported work and financial plans be transferred from the PMO to the Assistant Secretary for Management starting with the CY 1991 budget cycle in March, 1990;

- responsibility for managing the Project's advance and expenditure liquidation disbursement system be transferred from the PMO to the Assistant Secretary for Management at the beginning of the second quarter of 1990;

- the Assistant Secretary for Management be responsible for preparation of an annual consolidated work and financial plan, covering all DA project related annual requirements broken down into quarterly requests for financial, technical assistance and commodity support; and

- the project financial planning and allocation procedures be modified so they emulate, as much as possible, forms and procedures used by the DA.

— Reduce the number of Project Implementing Units from eleven to five and place PIU's under the direct supervision of the appropriate Assistant Secretary. (See Annex Two for a schematic presentation of the new structure) This would require:

- termination of support for individual efforts in activities: Privatization, Grain Stabilization, Fertilizer, and NGO Economic Analysis following completion of current work plans; and

- consolidation of the remaining activities under the supervision of five PIU's — Policy and Planning (Economic Analysis and Planning/Program Management), Private Market Support and Management (Market Development and Market Information), Research and Outreach, Financial Management (Improved Management Services) and Agricultural Statistics.

2. Policy Analysis, Project Design and Monitoring

Issue

To effectively operationalize the Department's new functional structure, enhanced policy analysis, project design and monitoring capacity are required.

Discussion

Prior to the 1986 reorganization, the DA, was organized along basic commodity lines. The focus was on the physical production of selected commodities and the supply of required inputs to meet designated production targets. Policy decisions revolved around what targets were attainable, problems associated with balancing farmer incentives with consumer prices, identifying affordable input subsidy levels and determining their impact on the adoption of new production technologies.

Such commodity approaches were relatively straight forward, tended to meet simple production targets and place limited demands on scarce DA managerial capacity. Their usefulness is limited, however, in a multiple commodity world where commodity substitutability, differential commodity prices and changing income and food demand permeate producer and consumer choices. In such a world, a more balanced approach which blends commodity production targets with a better understanding of the factors which affect producer and consumer choices is required.

While the recent reorganization has set the stage for this more coordinated approach, the task is not completed. While much of the commodity specific expertise, so important in past commodity production programs remains in the Department, the Department's ability to analyze and interpret the impact of policies and price adjustments on individual producers, processors and consumers remains limited.

To address these latter responsibilities, the DA must strengthen capacity in a number of functional areas. In the area of policy formulation, the Department needs to: 1) support and guide long-term research which identifies changes in basic agricultural factor markets that accompany growth; 2) establish and maintain a medium-term analytical capacity to identify adjustments likely to occur in current policy and projects as a result of changes inside or outside the sector; and, 3) maintain a rapid response capability that pulls together long- and medium-term policy research, transient political trends and financial realities to support Departmental managers in internal and external policy debates.

In addition, to translate long- and medium-term policy prescriptions into real programs, a strong project design capability is required. Price stabilization policies do not work if there is no capacity to intervene in domestic markets to protect floor and ceiling prices. Likewise, sound fertilizer recommendations are meaningless if field level price support and credit programs cannot be effectively defined and implemented.

Finally, to manage more effectively, the Department requires an enhanced monitoring capacity to: 1) record changes in overall Departmental goals that results from economic growth and structural change; 2) determine the impact of specific project investments on overall Departmental goals; and 3) decide if scarce human, financial and administrative resources committed in support of a project have been efficiently used.

Recommended Actions:

— To restructure policy analysis capabilities in a three tier hierarchy: an immediate response capability, a medium term analytical capacity and a long term policy research base. Each focus requires different skills, different management structures, and different institutional arrangements:

- short-term response capabilities — already located in the DA's Planning and Monitoring Service, this unit would continue to be strengthened with the provision of young, well educated, college graduates, able to collect and integrate policy relevant information quickly into clear, concise policy statements for senior Departmental managers;

- medium-term analytical capacity — located in a quasi-independent analytical unit, possibly a strengthened Agricultural Credit Policy Council. This unit would attract top quality full time professionals in specific substantive areas, i.e. trade, production economics, and marketing, to examine policy options associated with major agricultural commodities — rice, corn, coconut, etc. The policy analysis capacity would be under the supervision of the UnderSecretary for Policy, Planning and Monitoring as Chairman of the Institute and would provide individual or team expertise, as required, to support the Department's short-term policy unit; and

- a long-term policy research capacity — located outside the Department in various colleges and universities. This capacity would focus on quantifying long-term structural adjustments which occur with growth and their impacts on agricultural input and output markets, long-term constraints to agricultural growth and the relationship between agricultural growth and macroeconomic policy. Supported by contracts and guided by a comprehensive research agenda developed by the DA, this effort would be supervised through the medium term analytical institute.

— To strengthen program and project design by training of field level and central staff, temporary out-posting of central staff to field operating units and deputation of program and project design staff to complementary units in NEDA and PAP.

— To use AAPP activities as a laboratory to develop improved monitoring and evaluation systems for the Department. Experimental activities should focus on:

- strengthening and computerizing the monitoring link between the Department's central staff and regional units;

- adjusting the current system so it can deal with questions of resource efficiency — this would require establishing direct measurable links between project resource support and project outputs;

- establishing and implementing a project impact evaluation strategy for AAPP which includes developing a Departmental project monitoring and evaluation manual.

3. Financial Management

Issue

The flow of Project funds, although improving, remains a problem, with advances taking two to three months to process. Delayed disbursements slows project implementation, especially in agencies wh e seasonality is critical, distorts the balance between USAID and DA expenditures and leads to sub-optimal project activity.

Discussion

Analysis of GOP and USAID financial management structures and project supported fund releases indicates a substantial decrease in the time required to process project related support requests. For example, it now takes 50 instead of the previous 140 days to process funding. Requests for advances are routinely processed by USAID and checks issued in 10 days. Check encashment and transfer of proceeds to sub-project accounts by the Bureau of the Treasury takes an additional 25 days. Finally, access to funds provided by the Department of Budget and Management can be arranged in 15 days. (See Figures Two and Three in Annex three for details).

Processing has not always been as swift. For example, in 1987 Treasury's issuance of an official receipt (OR) to USAID and the Certification of Fund Deposit (CFD) to the Department of Budget and Management alone took about 31 calendar days. In addition, it took DBM an additional 80 calendar days to process and issue a Funding Warrant (FW) which PIU's require to access project funds. Reductions in lag-time have been accomplished by:

— improvements in the internal coordination between BTR divisions involved in the issuance of CFD's. Normally, the vouchers required to process CFD's were accumulated for up to thirty days in one Division before forwarding. Now CFD processing takes 25 calendar days;

— USAID and DBM agreement, which allows project implementing units to use official receipt (OR) issued by Bureau of Treasury when USAID checks are deposited in place of the CFD's to initiate DBM processing of funding warrants.

Although there have been marked improvements in processing time, problems still exist:

- Inadequate preparation and late submission of annual project work and financial plans by PIU's to DBM and USAID. This results in delays in DBM's processing of Advices of Allotments, required by PIU's to access grant funds, and USAID's issuance of PIL's, which commit annual support to specific project activities;

- Poor preparation and late submission of requests for advances and advance liquidations by PIU's. This results in delays at USAID in processing and depositing checks with BTR;

- The continued presence of unsystematic, lengthy procedures at BTR and, to a lesser extent, at DBM and USAID for processing the release of USAID funds.

Recommended Actions:

— Use of project supported technical assistance to explore ways of streamlining GOP fund release procedures, the development of detailed flow diagrams and a tracking system so financial requests can be monitored as they move through the GOP system, and redesign of USAID required project work and financial planning procedures so they more closely emulate DA requirements;

— Support for series of action workshops to familiarize DA central, regional and provincial financial management staff with the above procedures and their consequences to financial planning and reporting flows; and

— Creation of a technical advisory group to resolve future funds flow constraint. The group chaired by the Assistant Secretary for Management, would include senior representatives from the Department of Budget and Management, Bureau of Treasury, USAID's Controller's Office, and, if possible, the Commission on Audit.

4. Monitoring Project Performance

Issue

The AAPP's monitoring and evaluation system, established by the PMO, is designed to track physical inputs and outputs. While the system does provide for early detection of implementation shortfalls, it is not sufficient to serve as an effective management tool or to carry out a full assessment of AAPP performance.

Discussion

The AAPP monitoring system consists of periodic reports provided by field and central office PIU's to the Project Management Office for final integration and distribution to concerned end-users. Target indicators and corresponding monitoring instruments, based on a detailed logical framework for the project as a whole and for each sub-component, have been developed. Unfortunately targets and indicators are not used effectively. The latest monitoring report, "Mid-Project Implementation Report of the Accelerated Agricultural Production Project", deals extensively with articulating PIU physical accomplishments, budgetary releases and financial disbursements. While informative, and presumably useful for administrative control, it does not contain an analysis of physical, financial and over-all project implementation performance toward targets, or responses from project beneficiaries on the utilization, delivery and consequences of project supported inputs and services. This information is essential to track whether or not project activities are moving toward agreed upon project goals.

Other measures of project performance such as PIU efficiency need to be estimated. A standard performance measure based on the absorptive capacities of implementing units has been developed and applied to monitor progress in NEDA and other Filipino agencies. This methodology focuses on the calculation of performance ratios which examine the relationship of output over financial performance. In most agricultural projects, the common range indicating satisfactory performance is from 85% to 105%. Ratings below 85% or above 105% imply inefficiency or ineffectiveness in project implementation.

The impact of project activities on beneficiaries also needs to be closely watched. Periodic assessments of project beneficiary responses regarding the effectiveness of delivery and utilization of project inputs and services need to be conducted and analyzed. Benchmark information, particularly baseline data, describing conditions in areas likely to be impacted by the project, needs to be collected immediately, to set the stage for a complete project evaluation following completion of project activities.

Finally, setting targets for assessing project performance, i.e. targets for inputs required, activities to be undertaken, and outputs to be generated, and movement toward project targets or goals, need to be linked and monitored continuously. A systematic monitoring and evaluation scheme which accomplishes this through periodic analysis, is absent and needs to be developed.

Recommended Actions:

— To sustain the AAPP M&E system, M&E staff capabilities need to be strengthened and, following project termination, absorbed into DA's regular monitoring unit. Those respon-

sible for substantive monitoring would be transferred to the Planning and Policy Division DA, while those responsible for financial tracking, would be settled in the Financial and Management Division. Given the advanced state of the latter Division, the team strongly suggests that the latter functions be transferred immediately;

-- Detailed training plans which coordinate short- and long-term management training with monitoring and evaluation need to be developed by the PMO for PIU and DA Central and Regional staff;

-- The detailed AAPP logical framework, developed by the PMO, needs to be updated continuously and physical input targets, project supported activities and project output targets adjusted accordingly;

-- Baseline data for each sub-component needs to be collected immediately by the PMO to facilitate the future evaluation of project impacts; and

-- A systematic management information system for monitoring and evaluation of AAPP project activities, including user friendly formats for periodic monitoring reports needs to be designed and implemented. Annual reports need to be available no latter than March, to be used in making final decisions on subsequent year project support levels;

5. Decentralization

Issue

The DA has begun decentralizing agency functions and responsibilities to regional and local offices. The absorptive capacity of these latter offices to perform new managerial tasks is limited by their lack of experience and previous training as agricultural specialists, not administrators. Exacerbated by recent personnel changes associated with reorganization, decentralization could pose a serious deterrent to the smooth delivery of DA services to farmers.

Discussion

Since 1987, the DA has been undergoing substantial reorganization and change. Largely complete at the national level, it continues in regional and provincial offices.

For example, work and financial planning is no longer a top down exercise but emanates from municipalities and barangays. Budget control and expenditure authority has been transferred from the region to the province. Payments from the center, which used to be filtered through the region, now go directly from the Bureau of the Treasury to Provincial Agricultural Offices.

While these changes are to be commended, they have caused some problems. Many DA provincial staff, who are trained in the agricultural sciences, are accustomed to receiving program guidance from Regional and Central staff. Many do not have the experience or self-confidence needed to effectively manage project design or execution. In a few instances, Provincial staff have actually refused to exercise their new authority and have argued for the center or region resuming control over provincial operations. In addition, the shift in budget control from the Regions to the Provinces has added a new dimension of uncertainty on Regional Offices just recovering from reorganization. With direct control over past financial flows, the Regional staff exerted substantial power over provincial level operations. Now, limited to monitoring provincial performance, they are confused with respect to their relationship with provincial agricultural staff.

The uncertainty associated with these new roles and responsibilities will dissipate over time as they become institutionalized. Direct action by the Department, however, to assist employees in operationally defining their new rights and responsibilities will lessen transition

time and reduce the risk of disruptions in the Department's provincial operations.

Recommended Actions:

— The UnderSecretary for Regional Operations with support from the AAPP's Economic Policy Sub-component, should initiate regional, provincial and local staff training programs in the following areas:

- spatial and sectoral planning and programming, project development, monitoring and evaluation and other aspects of project management;
- beneficiary-oriented development strategy techniques, beneficiary participation in local planning and project development; and
- research procedures in social sciences, rapid assessments techniques, basic statistics, and basic economic and policy analysis;

—The UnderSecretary for Staff Operation, with support from the AAPP's Improvement Management System Sub-component, should;

- provide continuing training in office, financial, and personnel management, and development administration for DA officials and staff at all levels of decentralization;
- facilitate completion of a DA Management and Operating Manual which provides detailed statements of DA unit functions, responsibilities, and accountabilities, job descriptions and procedures to link DA offices at the national, regional, provincial and municipal levels.

— The UnderSecretary for Regional Operations, with the support from the AAPP's Agricultural Research and Outreach sub-component, should establish in-house libraries for relevant technical and popular reading materials, research papers and other related matters essential for building capacities of "generalists" at the provincial and municipal levels.

6. Agricultural Marketing

Issue

The Department of Agriculture is increasing its emphasis on marketing and market development. However, their role in the areas remains vague and there are competing visions of which functions the Department need to develop.

Discussion

Currently, the AAPP is supporting three separate agricultural market related activities: the review of grain price stabilization efforts, the development of a market information service for farmers and the collection and dissemination of information about changes in industrial and consumer demand that encourage farm level diversification. Each of these sub-components have had their problems.

For example, the grain stabilization study managed by the National Food Authority and supported by AAPP funds, lacks analytical rigor and is not likely to result in major adjustment. The farmer market information service lacks a clear understanding of its clientele or their information needs. Collection and dissemination focuses on market, not farm gate prices, a more meaningful statistic for producers. Coverage is extensive, with the sheer volume of price and commodity information inhibiting dissemination. Coverage is shallow, focusing only on prices, not marketed volumes, quality or point of origin, important information needed for analyzing

market flows. Also, there is some question whether or not price information is of use to farmers. Locked into production — credit-marketing arrangements with wholesalers — producers may have limited farmer's use of prices. Finally, the dissemination of industrial and consumer demand information to producers is just getting underway and as yet has not proven its effectiveness. Some argue that private entrepreneurs, not government, might be a more effective source of linking changes in market demand, processing requirements and farm output.

While the Team believes it is important to continue with these activities, certain adjustments in the Department's overall approach to marketing is required. A comprehensive market development strategy is suggested. The strategy would identify among other things how current operations fit together; would suggest additional areas where government action is needed; specify steps which need to be taken to establish these additional focal areas and the timing of support activities. For example, the role that grades and standards play in the current market needs to be explored, and a mechanism needs to be developed or strengthened in the Department to continuously upgrade existing standards. Also, there may be a role for the Department in monitoring market structure. Understanding how agricultural markets operate is the first step in learning how to manage markets and protect producers and consumers from the ill effects of concentrated market power. AAPP could and should play a catalytic role in formulating such a strategy.

Recommended Actions:

— All AAPP supported market development activities be consolidated under the Assistant Secretary for Agribusiness and a new PIU formed to assist in management;

— AAPP funds be used to support the development of a Department-wide market development strategy. The strategy would provide a statement of the Department's overall responsibilities in the area, how they interface with private sector interests and the specific functions in which government should be involved.

-- Undertake a careful review to determine who benefits from market price information, what kind of information is required by different market participant farmers, middlemen, processors and marketers, and how best to collect, analyze, package and disseminate the information.

— Given the importance of stable prices to technological adoption and private investment, the team strongly suggests that another review of the Department's grain stabilization policies be undertaken. The team recognizes that because of the political importance and widespread impact of changes in these policies, it may be difficult for Filipino analysts to conduct such a study. Consequently, the team believes that the Department should seriously consider use of an expatriate team to implement the review.

B. THE NATIONAL IRRIGATION ADMINISTRATION

1. Performance Monitoring and Evaluation

Issue

To date, NIA management and USAID have focussed on inputs: spending levels, accomplishing minor repairs, and staff development and have not asked what progress has been made toward achieving desired outputs. At the mid-point in the project, it is important to make the transition from input to output monitoring, the latter a necessary condition for project evaluation.

Discussion

Routine AAPP performance monitoring consists of financial results and quarterly reporting of project inputs against targets. This falls short of the substantive contribution which monitoring and evaluation can make for planning project activities to meet desired outputs.

Unlike the agricultural component's clear objectives, which form the basis for establishing targets for project performance, these are not readably available in NIA project documentation. For example, the Project Paper fails to list NIA specific objectives. Subsequent project implementing documentation does, however, suggest the following objective; increasing the adequacy and reliability of water delivery by improving irrigation system operation and maintenance. The stated program approach, or strategy, is to help build a core of sustainable and stable irrigation systems, able to generate income to support O&M activities on a continuing basis. The purpose is strengthening institutional capacity to enable NIA and IA to better perform O&M activities. Based on these statements, a set of objectives and complementary performance indicators (see Annex Five for details) are suggested:

— To increase the adequacy and reliability of water delivery and distribution. (General objective);

— To strengthen institutional capacities within NIA;

— To strengthen IAs to participate in planning, repairing, operating and maintaining irrigation systems;

— To enhance support services by NIA to IAs; and

— To improve NIA's capability to perform O&M functions.

The lack of measurable performance indicators associated with component objectives has forced NIA to focus on input, not output monitoring. Monitoring inputs, through targets placed in annual work and financial plans, has been useful in determining if project components are meeting agreed upon expenditure and physical construction targets. Such information is, however, not sufficient to access project impact, or the degree to which project objectives will be fulfilled.

Recommended Actions:

— Technical assistance be used to design an effective output monitoring system including, but not limited to the identification of key output indicators, a clear description of the link between indicators and objectives, and how and where the system would be operationalized in NIA;

—NIA assign sufficient staff resources to implement the new output monitoring system.

— A portion of research support be used to quickly gather the base line data required to access project impact.

2. Management and Organizational Issues

a. Financial Management

Issue

Like the project's DA component, the irrigation support component has been experiencing delays in funding. This has necessitated postponement of minor repairs for up to one irrigation season and subsequent loss of credibility with farmers.

Discussion

Substantial delays in NIA fund releases have been experienced during the last two years. The first cash advance took four months between deposit by USAID and receipt by NIA. The second cash advance took eight months. Delays have adversely affected project performance. For example, using information from Region VI as an indicator of the problem, CY 1989 funding shortfall of P9 million resulted in:

— 28 kilometers of main farm ditch not constructed;

— 56 kilometers of secondary farm ditch not restored or constructed;

— 19 kilometers of drainage ditch not restored or constructed; and

— delayed training of the second batch of F10 trainees until late 1989.

The team has identified the following funds flow constraints:

— NIA's lack of understanding of USAID accounting and auditing requirements;

— there is lack of follow-up by NIA staff once funds were disbursed by USAID to BTR;

— Lengthy office procedures in BTR and to a lesser extent at DBM and USAID inhibit disbursements; and

— Statutory limitations which restricted Government subsidization of NIA's O&M budget. Thus, USAID funds could not be included in the General Appropriation Act which serves as the basis for issuance of the advice of allotment (AA) by DBM. It took several months for NIA to resolve this problem.

Recommended Actions:

— Workshops to train NIA staff in USAID planning, programming and budgeting systems need to be undertaken and periodic follow-up training initiated to assure that staff remain abreast of changes in procedures.

— Technical assistance is required in streamlining procedures in the BTR and DBM to hasten issuance of the Certification of Fund Deposit and Funding Warrant.

— A targeted time limit of two months between deposit of funds in BTR and release to NIA needs to be set and maintained. NIA's PMO should assign a staff person to regularly follow-

up on AAPP funds and to ensure that the time limit is not exceeded.

— A system for tracking financial requests between BTR and NIA needs to be established. The system should inform NIA managers of: (a) the status of paperwork associated with release of funds; (b) which GOP office has the next signatory responsibility for fund release; and (c) the expected time when intermediary approvals are expected to be taken.

b. Personnel Issues

1) AAPP-NIA Project Leadership

Issue

NIA's policy to provide senior technical and management personnel with overseas employment opportunities, while commendable, does interfere with project implementation. On the other hand, it permits people to "take a breather" and obtain perspective on their own roles in NIA, to acquire new experiences in agencies following different modes of operation based on different sets of policy objectives, and to draw comparisons which may be of benefit to NIA itself.

On the other hand, the absence of those on leave has serious implications for AAPP-NIA implementation. Prolonged absence has a profound effect on staff initiative; weakens the effectiveness of AAPP-NIA activities, disrupts the flow of implementation and robs NIA staff of critical talent needed for effective and efficient implementation.

Recommended Actions:

— NIA should routinely expect written close of assignment reports on covering the professional activities of the returnee and examining "lessons learned". NIA should consider how best to draw on the overseas experiences. For example, reports could be re-edited for distribution to regional NIA staff at different levels. Returnees could sensitize university researchers and regional staff to organizational activities undertaken elsewhere.

— Individuals holding a key project position who are scheduled to take extended leave of absence, should be permanently replaced. Replacement should not be *pro forma*. Efforts should be made to identify individuals who can provide the leadership required of the position and who have sufficient stature within NIA to continue the effectiveness of their predecessor.

2) Staff Turn-over

Issue

Regional directors report a high turn-over of Irrigation Organization Workers (IOWs). Currently, there are approximately 978 IOWs nationally (800 in CIS and 178 in NIS). The Team estimates that for the period 1988 to date, 80 ICOs/IOWs have left their assignments for positions in other government agencies or the private sector. In 1989 alone, Region X lost 20% of its IOWs and ICOs. The Department of Agriculture, especially DAR, appears to have benefitted most from the exodus.

Most IOWs are on contract status and do not fall within NIA approved staffing levels. Wages are low, government benefits other than income are not provided and there is no staff development program. The movement out of NIA is motivated by opportunities for security of tenure, higher income and the possibility for promotion offered by other agencies. Lack of professional stimulation is often the reason given for leaving NIA.

The exodus of personnel with field experience interferes with achieving the institution-

building targets of AAPP. Agendas for hiring, training, and field operations, both institutional and infrastructural, are affected. The investment in IOW training is lost; discontinuity in their work with IA leaders and FIOs is a consequence. Most important are the disruptions turn-over causes to irrigation group participation in minor repairs.

The Evaluation Team has been informed that NIA has decided to provide permanent rather than contractual positions to IOW's if they indicate a preference for the change. Such a step could stem the outflow of IOWs to other agencies and the Team recommends early resolution of the problem.

Recommended Actions:

— NIA should examine the benefit packages of competing agencies to determine what it can offer to the IOWs it wishes to absorb.

— NIA should determine the number of IOWs it can afford to retain, assess individual performance to date, select those IOWs it wishes to continue through full time regular service, and allocate the necessary funds to support this new regularized cadre.

— Professional development programs need to be established for interests of the IOWs. A training program to upgrade professional capabilities of IOWs in working with their IAs can only have a positive effect on IOWs and IAs alike.

— An information program that would regularly and frequently distribute relevant materials to staff is also required and be distributed in summary form. Led by the AAPP Technical Advisor, the program should access the flow of international and national publications of potential interest to IOWs.

3) Use of Technical Assistance

Issue

The use of Filipino or expatriate technical services in support of project activities is low. To date, TA has been used only sparingly to strengthen AAPP's support to NIA. Two individuals work full-time on the project; one person works approximately 40% as a part-time consultant; and there have been three short-term consultancies earlier. With adequate AAPP funds use, AAPP-sponsored technical assistance should be encouraged to assist in:

— reviewing and revising existing training modules;

— designing computer training or software for irrigation-related activities;

— reviewing research projects; and/or

— establishing an information and reporting system.

Recommended Actions:

— Increased use should be made of short-term TA.

— Development of a TA plan which:

- puts the project in a pro-active rather than a reactive mode for accessing TA;
- provides the opportunity for NIA managers and the USAID Project Officer to agree upon needed resources in response to project directions and annual plans; and

- gives the project a better chance to identify the most appropriate person for the job.

3. Policy Concerns

a. Payments to Irrigation Associations to Perform Maintenance

While some believe it is acceptable to employ irrigation associations (IAs) to perform maintenance in the main canal system under NIA control, other suggest they should not be paid to perform maintenance on farm ditches where farmers themselves have responsibility for maintenance. In this latter case, opponents suggest that payments blur responsibilities, creates dependency, negates the goal of establishing IAs, and costs the GOP money. The impacts of payment policies on the integrity of IA need to be examined carefully.

b. Limits to Cost of Minor Repairs

Through AAPP, NIA has established average limits of ₱600 and ₱900 per hectare for minor repairs in communal and national irrigation systems, respectively. Limits are low, and are being continually eroded by inflation. Most NIA field and central office staff believe that limits should be increase to ₱1000 and ₱1500 per hectare.

The immediate policy concern is to identify reasonable minor repair limits, recognizing that, if raised, fewer irrigation systems can be repaired.

4. Inter-Agency and Equity Issues

a. NIA and DA Collaboration

Issue

Joint funding of NIA and DA activities under the same project, offers a unique opportunity to encourage collaboration between the two agencies. Collaborative activities, however, have not played a role in project implementation to date.

Discussion

AAPP has been designed as two parallel components in agriculture and irrigation. Although each component has been implemented separately, AAPP does offer a unique opportunity to influence relationships between these agencies, and to link system repair and farmer organization with enhanced production, productivity and income.

Recommended Actions:

—Senior NIA and DA managers issue a joint policy statement supporting collaboration and charge BAR and NIA with implementing a series of joint field programs during the CY 1991 season. Collaborative field actions might include:

- conducting agronomic trials in irrigated fields to test options for crop diversification;
- assign agricultural production technicians (APTs from BAR) to work closely with IOWs (NIA) and FIOs (NIA) in planning and implementing activities;
- cross-training IOWs and APTs to manage irrigation systems management and output marketing;
- conduct regular field meetings between farmers, APTs, IOWs, and Water Masters;

- monitor the results of the above activities, to determine if there is a difference between AAPP and non-AAPP supported schemes, and to assess the effectiveness of joint activity between agricultural and irrigation agencies (NIA - IIMI).

— USAID restructure its management system so one USAID project officer is responsible for both AAPP agriculture and irrigation components.

a. Equity

Equity deals with the relationship between actual amounts of water delivered and sanctioned in upstream portions of an irrigation system versus actual amounts and sanctioned flows in downstream reaches. Although the Team found that equity is a problem in many Filipino systems it examined, particularly those where water supply is limited, AAPP has not concerned itself with this issue. This is surprising since AAPP-sponsored minor repairs can and often do adversely affect water distribution more inequitably. For example, the evaluation team observed that increasing the height of a weir in a communal system near Dingle, Iloilo benefited system farmers while reducing flow to downstream farmers. In another system, the team observed that when replacing 18 in. with 24 in. pipes, no consideration was given to the effects that the change would have on changing water supply and distribution.

The team believes that questions of equity and who gains and loses from irrigation improvements must be carefully considered when designing adjustments in both major and minor systems. The results of AAPP minor repairs should be documented by acquisition and analysis of pre-improvement (baseline) flows and post-improvement flows both to the targeted turnout service area and to potential downstream users. Land tenure information should also be obtained as farming by tenants may be concentrated in downstream irrigated areas.

Recommended Actions:

— NIA staff responsible for AAPP minor repairs should conduct assessments of the potential impact of "improvements" on downstream users;

— AAPP-sponsored irrigation improvements should be concentrated in downstream sections of irrigation systems since upstream improvements often exacerbate upstream and downstream differences; and

— A portion of the AAPP-sponsored research agenda should be focused on equity concerns. This would include an examination of gainers and losers from AAPP-sponsored interventions.

5. Recommended Research

NIA enjoys a long tradition of collaborating with researchers and institutions engaged in irrigation studies. It has responded positively to research findings and recommendations which strengthen the agency's major goal: the efficient distribution of irrigation water to farmers. Research has focused on four major areas: 1) agronomic research on crop response to water variables; 2) engineering research on physical models, hydraulics and materials; 3) canal operations research on water distribution and equity issues; and 4) organizational/ institutional research on the role of irrigation associations in system management and control.

In the past, NIA has wisely chosen not to develop an in-house research capacity but to sponsor research conducted by international research institutes and domestic universities. Currently, AAPP funds are supporting the involvement of the International Irrigation Management Institute in an action research program to:

— evaluate, refine and improve present NIA organizational activities;

— identify, develop, field test and evaluate innovations to strengthen IAs, and NIA's ability to sustain cost effective irrigation systems; and

— assist NIA to strengthen its capacity to conduct and manage applied research and special studies.

IIMI managed research is well under way. The IIMI Research Coordinator, in collaboration with USAID and NIA personnel, has prepared a research program. A Research Advisory Committee, largely comprised of NIA personnel but including PCAARD, IIMI and USAID, has been established. After reviewing approximately 40 proposals submitted by different regional universities, 12 have been accepted and four others combined into one proposal. Process documentation research on the Farmer Irrigators Organizing Program (FIOP), conducted in the three AAPP regions, is underway and a workshop has been held by the three universities engaged in this aspect of the research.

Although implementation is progressing satisfactorily, the evaluation team has identified a number of concerns which require attention;

— The research is heavily weighted on institutional issues. The evaluation team views this as an imbalance and suggests that a more balanced program which focuses equally on physical and social infrastructure and equity be implemented;

— Delays in negotiating contracts with local universities will allow data collection during only one cropping season. Ways of extending the research contract need to be identified;

— The Institutions involved in research implementation have differential capacities. By assigning process documentation to the three strongest universities, a hierarchy of research priorities has unintentionally been established and other research areas examined by weaker institutions may suffer.

— The number of institutions involved in the research is excessive and a clear management plan is required to assure that the IIMI advisor remains focused on substantiative not administrative matters. Micro-management of the several research projects must be keep to a minimum.

Recommended Actions:

— Project supported research should be expanded to explore, in addition to organizational issues, research activities in engineering, the impact of minor repairs on equity, and so on.

— Present plans call for nine universities to be sub-contracted to IIMI. This may interfere with obtaining high quality research results and will impose excess managerial and administrative demands on IIMI staff. While there is little that can be done with the structure, IIMI staff need to plan their time allocation carefully to maximize professional supervision of the research and to minimize administrative duties.

— The IIMI Cooperative Agreement terminates in February 1991 and should be extended to permit research to be conducted over several crop seasons.

— NIA management needs to establish a research and planning cell within the central office. Drawing upon local research capacity, the cell would help NIA define opportunities for improved services. AAPP would be an appropriate source to fund start up activities.

CHAPTER IV. MAJOR FINDINGS AND OPTIONS FOR THE FUTURE

A. Major Findings and Recommendations

—Drawdown of Funds. The slow draw down of project funds in support of DA and NIA related activities has been caused by a number of factors: 1) the destabilizing impact of DA's reorganization and staff changes; 2) resolved questions regarding NIA's legal status; 3) limited understanding by GOP staff of their own and USAID procedures; and 4) cumbersome and time consuming disbursement procedures followed by the GOP. The team has found that many constraints have been resolved and that DA and NIA have taken a number of steps to enhance the pace of project implementation. As a result, project related expenditures have increased and the time required to process advance requests has declined. Remaining issues that require attention are:

- If current project expenditure rates are sustained, project funds will be completely exhausted by mid-to late-CY 1990, one year before the PACD is reached. Either a slow down in project implementation or supplemental funding is required;

- GOP disbursement procedures remain complex and further streamlining is needed;

- staff follow-up is critical to assure the rapid processing of requests. Through explanation of the GOP's and USAID's financial processing system needs to be developed and DA and NIA staff, from the center to the provinces schooled in the procedures; and

- technical advisory groups in DA and NIA need to be established to quickly resolve flow of funds constraints.

—Monitoring and Evaluation. The current system of monitoring and evaluating project supported activities is inadequate. Data collection is limited to financial and physical targets. The systems developed in DA and NIA need to be strengthened to serve as effective management tools in determining the relevance, efficiency and effectiveness of AAPP implementing units and the impact of their programs on targeted beneficiaries. To improve and strengthen these systems, the following actions are recommended;

- a clear set of project objectives, annual targets, and performance indicators need to be developed and updated annually for all project activities;

- baseline data needs to be collected immediately to set the stage for future project evaluations;

- a management information system, closely linked to the GOP's planning and budgeting cycle, needs to be developed and implemented; and

- financial monitoring functions now carried out by the DA's Project Management Office should be transferred to the Assistant Secretary for Management, DA and his counterpart in NIA. Following completion of management information system design and implementation, substantive monitoring functions need to be transferred to the Assistant Secretary for Planning Services, DA and his counterpart in NIA.

—DA Project Management Structure. The project management structure in Department of Agriculture falls outside the normal command structure of the Department, draws on an

inordinate amount of scarce USAID and DA management time, and has a staff of all contractual employees, not DA regular staff. Continuation of this system perpetuates an inefficient management structure, fails to take advantage of a unique opportunity to further strengthen the Department's improved planning and management capabilities, and exposes the project to continued criticism that it is an AID, not a GOP project. To resolve these issues, the team suggests that:

- project management units be cut from 13 to five and placed directly under the supervision of an Assistant Secretary;

- a project coordinating committee composed of the Assistant Secretaries involved in the program be established under the chair of the UnderSecretary, Planning, Policy and Evaluation; and

- selected management functions, i.e. financial planning and expenditure monitoring now carried out by the Project Management Office, be transfer to the DA.

— Policy Formulation in DA and NIA. DA and NIA's ability to formulate future policy goals is limited. This capacity is critical — in the DA where a strong analytical capabilities is required to fully operationalize the Department's new functional structure — in NIA where policy research is becoming an essential part of improved irrigation system operation and maintenance. To strengthen these capacities the following actions are recommended:

- the DA restructure its policy analysis capabilities into a three tier hierarchy: an in-house rapid response capability, a semi-detached medium-term analytical capability and a long-term policy research base supported by on outside contracts;

- the NIA establish a cell specifically charged with managing an agency wide medium- and long-term research agenda; and

- both agencies strengthen their monitoring capacities to link policy objectives to agency inputs and field level impacts.

— Irrigation and Agricultural Production. The AAPP provides a unique opportunity to blend irrigation and agricultural production interests. Unfortunately, little has been done in DA, NIA or USAID to take advantage of this opportunity. To coordinate these interests more fully, the Evaluation Team suggest that:

- USAID consider reformulating its staff work loads so that the irrigation and agricultural development components of the project fall under one Project Officer, not two as is today;

- senior DA and NIA personnel issue a joint policy statement to agency employees indicating the importance of coordinated irrigation and agricultural production activities; and

- procedures be established at the provincial level to coordinate DA field level outreach and NIA irrigation management services in selected areas supported by AAPP.

— DA Marketing Strategy. Marketing is playing and increasingly important role in the Department of Agriculture. Project level efforts to improve market performance are hindered by the limited vision the Department has vis-a-vis their role in the market. Moving from a role as controller to manager of critical markets require strategic adjustments in the way DA personnel think. AAPP support of Departmental efforts to define this vision would be very productive. The Team suggests that:

- project support be provided to engage technical assistance services to assist the DA in formulating a vision of their role in a modern agricultural market economy; and

- a realistic implementation plan which systematic strengthen DA market policy be developed. Such a plan would focus on such issues as DA's role in grain price stabilization, the importance of agricultural standards, market structure and DA regulatory capabilities, market information and DA's role and market infrastructure planning.

B. Options for the Future

The evaluation has recommended action on a wide range of new as well as on-going initiatives. It has found that DA and NIA have made significant progress to improve the pace of project implementation and a number of adjustments in staff, structure and program are underway. Given early delays in formulating adjustments and the far reaching implications of the changes, support for implementation adjustments will be required far beyond the current project activity completion date. In addition, the rapid increase in project related expenditures which has accompanied early implementation of changes is likely to result in a situation where project success is its own worst enemy. For example, at current expenditure levels project supported activities will run out of funds by mid-CY 1990. Already, fund limitations (98 percent of remaining resources are either earmarked or committed to future use,) are limiting project flexibility. Although some slippage can be expected in expenditure rates, projections are likely to be firm. Based on Work and Financial Plans developed by each Project sub-component, justification for expenditures is well thought out and forcibly argued. Also, the composition of expenditures — 40 percent for commodity/equipment purchases, 40 percent for technical assistance and only 20 percent for more volatile DA and NIA operational support — suggests a high degree of predictability.

The current funding position and rate of draw down suggest a number of options for USAID/GOP action:

OPTION ONE. Do nothing, allow funds to be fully committed and limit new activities.

— PROS: minimizes the use of scarce USAID/Manila staff resources.

— CONS: fails to follow up on an implied USAID commitment that if project implementation improved additional USAID financial support would be available; and

- minimizes ability to support new adjustments in DA operations that worked further strengthen and stabilize improved management structures now in place.

OPTION TWO. Maintain the current PACD but increase life of project funding to support actions contained in the Three Year Work and Financial Plans submitted by DA/NIA and approved by USAID.

— PROS: rewards DA's superior implementation efforts;

- allows USAID to support new DA initiatives to improve operation;

- increases budget flexibility; and

- decreases USAID pipeline by increasing commitment to a proven expenditure performer.

— CONS: requires DA and USAID staff time to review current Work and Financial Plans

to determine actual requirement, to negotiate a project grant agreement amendment and to process the amendment.

OPTION THREE. Extend the current PACD, increase life of project funding and redesign project activities so they reflect recommendations contained in this process evaluation and those forthcoming from the agriculture sector review.

— PROS: provides the long term USAID support required to institutionalize DA's efforts to improve performance:

• is a more realistic approach to institutional development as it recognizes early project delays and time required to implement the extensive nature of DA's changes;

• provides USAID with an opportunity to realign its agricultural policy and planning support with DA interests early on in the next USAID five year project planning cycle; and

• simplifies USAID and DA project management structure by reducing the number of project activities from 11 to 7 and encourages the development of a consistent set of DA/USAID procedures, thus reducing duplication of scarce management effort.

— CONS: will require substantial technical and staff input for project redesign. Negotiation and processing time will only be marginally different from Option Two.

• could lead to a temporary slowdown in project implementation.

Given the scope of adjustments currently underway in the DA and NIA, the likelihood that continued outside support will be required beyond the current project action completion date and the need to minimize demands on scarce USAID and GOP staff capacities, the Evaluation Team unanimously supports the selection of Option Three. The Team recognizes that certain risks, inherent in this option, need to be considered by USAID and the GOP prior to finalizing their decision:

— The design and processing of a major amendment through the GOP and USAID systems takes time. If delays would mean that the Project is without resources for a period of time, the Team strongly recommends pursuing Option Two.

— DA is rapidly systematizing and streamlining its administrative structure. The introduction of new delegations of authority to provincial officers, the introduction of improved financial planning, monitoring and management systems; and the development of new personnel, asset and vehicle control systems are cases in point. However, until these systems are in place and operating effectively, project performance will continue to be heavily dependent on individual leadership and initiative. Thus, changes in senior DA project leadership could abruptly influence the speed and direction of implementation.

— Implementation of modifications in project structure could lead to a slowdown in project implementation. The team believes, however, the chance for disruptions are minimal, because:

• recommended changes will affect only DA operational budgets, which represent only 20% of DA support; and

• minor slow down in project expenditures following the recent increases would not be a major target of concern.

ANNEX ONE

INDIVIDUALS CONTACTED
ACCELERATED AGRICULTURAL PRODUCTION PROJECT
PROCESS EVALUATION

NAME	TITLE	NAME OF FIRM/ADDRESS
Abella, Rey	Assistant Secretary	Department of Agriculture Quezon City
Alcedo, Nap	RIDD Chief	National Irrigation Administration
Alid	Assistant Regional Director for Operations	Department of Agriculture, Region 12 Office, Cotabato City
Amarra, Archie	Assistant Project	Project Management Office, AAPP
Andag, Teofilo	Chief, Research Division	Region 12 Office, Cotabato City
Andrada, E.	Regional Research Coordinator	Region X, NIA
Atienza, Cenon S.	Senior Agriculturist	Bureau of Agricultural Research (BAR), DA, Quezon City
Bama, Dionisio P.	Provincial Agricultural Statistics Officer	Bureau of Agricultural Statistics (BAS) Cagayan de Oro City
Bartolomo, Ricardo	Senior Staff	PMO/AAPP/DA, Quezon City
Bayaca, Renato	Project Coordinator	Bureau of Agricultural Research (BAR)
Bonifacio, Manuel	Consultant	Bureau of Agricultural Research (BAR)
Calsina, Chit	Farmer Assistance Superior	National Irrigation Administration - Institutional Development Department
Castillo, Marinella	Assistant Secretary	Planning and Monitoring Office, DA
Clarete, Ramon	Consultant	Department of Agriculture Quezon City
Cordoba, Agustin	Regional Director	Region X - National Irrigation Administration

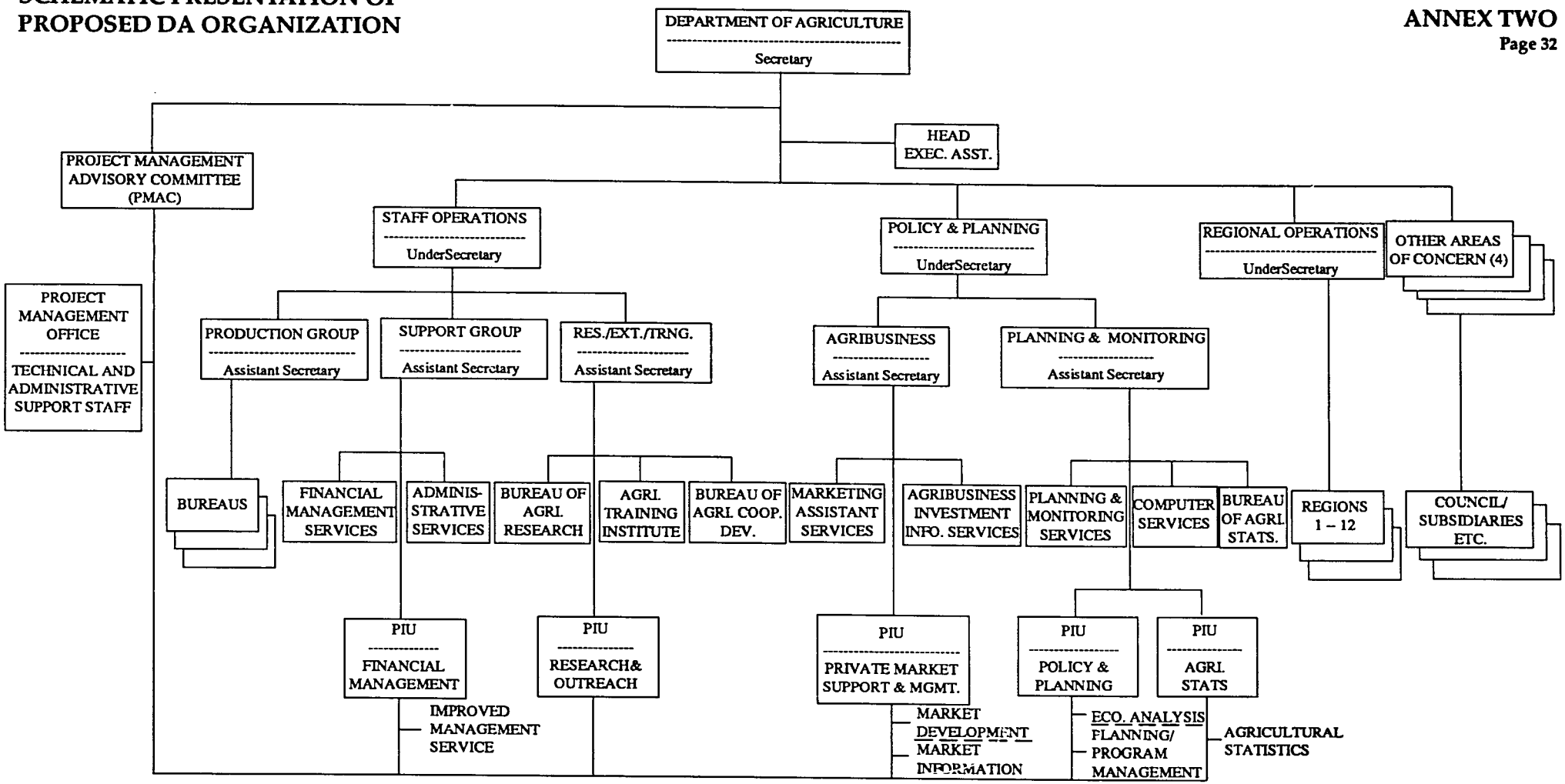
NAME	TITLE	NAME OF FIRM/ADDRESS
Corsiga, Ed	Reg. Engineering Chief	Region VI - National Irrigation Administration
Dalag, Roberto M.	Chief	Agricultural Accounts and Statistical Indicators Division , BAS, Quezon City
Daly Rex	Consultant	Department of Agriculture Quezon City
Damasco, Boy	Assistant IS	Region X - Pulangui RIS National Irrigation Administration
Damasco, Mamerto R.	Assistant Director	Bureau of Agricultural Statistics Quezon City
Dar, William	Director	Bureau of Agricultural Research (BAR), Quezon City
Dato-on, Domingo	Officer-in-Charge	Region VI - National Irrigation Administration
de Guzman, Genardo G.	Director	Bureau of Agricultural Statistics, Quezon City
del Rosario, J.	Administrator	NIA, Quezon City
Dime, Rosann S.	Market Information	AAPP/BAS Malaybalay, Officer Bukidnon
Ehera, Ted	Institutional Development Consultant	USAID - AAP Project
Fernandez, Rodolfo	Agricultural Specialist	BAR, Quezon City
Francia, Susan	Senior Staff	Fertilizer and Pesticide Authority, Makati, Metro Manila
Francisco, Felix	Irrigation Superintendent	Aklan River Irrigation System
Galvez, Jose	Officer-in-Charge	Office of the Assistant Administrator for Systems Operation and Equipment Management National Irrigation Administration
Garner, Rodger	Project Officer	USAID/Manila
Guiam, Victoriano	Acting Head, Research Utilization Program	BAR, Quezon City

NAME	TITLE	NAME OF FIRM/ADDRESS
Guillero, Jun	Provincial Irrigation Engineer	National Irrigation Administration
Hondrade ,Orlando	Irrigation Superintendent	Pulangui River Irrigation System, Region X, NIA
Hwang, Emmeline S.	Head, Executive Assistant	Department of Agriculture Quezon City
Japitana, Sammy	Regional O&M Chief	Region VI, National Irrigation Administration
Korten, Frances	Philippines Representative	Ford Foundation/Manila
Laitos, Robby	AAP Project Advisor, USAID/Manila	NIA, Quezon City
Lazaro, Arthur	Officer-in-Charge	National Irrigation Administration - Institutional Development Department
Lim, Vicente H.	Project Director	Project Management Office, AAPP
Macatumbas, Dominador	Manager, Irrigation Assistance Division	National Irrigation Administration- Institutional Development Department
Madigan, Francis	Professor of Sociology	Xavier University
Mejia, Avelino	Department Manager and Concurrent Project Director	Institutional Dev't Dept. Accelerated Agricultural Production Project Irrigation - National Irrigation Administration
Mr. Mendoza	Irrigators Association Leader	Community Irrigation System Kisolon
Millendez, Ratelieta T	Section Chief	Agricultural Marketing Services, Statistical Analysis Section BAS, Quezon City
Molina, Ma. Celeste M.	Division Chief	Agricultural Marketing Statistics Analysis Division, BAS, Quezon City
Montano, Felimon	Section Chief NIS-IDD	National Irrigation Administration- Institutional Development Department

Morato, Malou	Consultant, Finance and Management Services	Department of Agriculture Quezon City
Ochoa, Jomar	Senior Staff	Department of Agriculture Quezon City
Olama, Alauya R.	Assistant Regional Director for Research	Department of Agriculture, Region 12 Office, Cotabato City
Oliva, Lydia P.	Director of Research and Development, and Coordinator of AAPP-RO Sub-project for Mindanao	University of Southern Mindanao, Kabacan, Cotabato
Olivares, Ireneo B.	Section Chief	Agricultural Enterprise and Household Survey Section, BAS, Quezon City
Ordiano, Marietta	Director, Agricultural Staff	NEDA, Manila
Orlanes, Concordio V.	Provincial Agricultural Statistics Officer	BAS, Malaybalay, Bukidnon
Paforo, N. R.	Assistant Regional Director for Research	Department of Agriculture, Region X, Cagayan de Oro
Popera, N. R.	Deputy Regional Director	DA, Cagayan de Oro
Prussner, Kenneth	Chief, Office of Rural and Agricultural Development	USAID/Manila
Reburiano, Myrna P.	Assistant Director	Business Development and Promotions Directorate NFA, Quezon City
Reingans, Charles	Project Officer	USAID/Manila
Salanio, Arsin	Iloilo Provincial Irrigation Engineer	Jalaur-Suage, NIA, Region VI
Samson, Leah	Technical Staff Member	BAR, Quezon City
Santos, Cynthia Paras	Associate/Manager	C. Virata & Associates

NAME	TITLE	NAME OF FIRM/ADDRESS
Sarmiento, Reynaldo	Acting Project Director	Accelerated Agricultural Production Project - NIA
Siapno, Amante	Regional Director	Department of Agriculture, Region X, Cagayan de Oro City
Silvestre, Romy	Manager	Institutional Development Division, NIA, Region X
Sison	Consultant	Department of Agriculture Quezon City
Tan, Jr. Gregorio Y.	Assistant Director for Marketing Development	National Food Authority, Quezon City
Taylor, Donald	Contractor	AAPP, Department of Agriculture, Quezon City
Ticao, Ireneo	Irrigation Superintendent	Santa Barbara, Aganan Irrigation System
Tirol, Plato	Senior Staff	PMO/AAPP/DA, Quezon City
Tolentino, Bruce	UnderSecretary	Department of Agriculture
Ugalino Audie C.	Service Chief	Marketing Assistant Service, Department of Agriculture, Quezon City
Valdez, Danilo R.	Legal Officer and Head	Miscellaneous Service Unit, BAS, Quezon City
Valdez, Ruth	Market Information Research	AAPP/BAS Malaybalay, Bukidnon
Venegas, Elgin	Irrigation Superintendent	Jalaur-Suage Irrigation NIA, Region VI
Villareal, Louie, T.	Administrator	Fertilizer and Pesticide Authority, Makati, Metro Manila
Villodres, Cesar	R & D Officer Research Coordinator	NIA, Region VI
Virata, Cesar	Principal Consultant	C. Virata & Associates
Wijayaratna, C. M.		IIMI, NIA, Manila
York, E. T.	Professor	U. Florida Gainesville

SCHEMATIC PRESENTATION OF PROPOSED DA ORGANIZATION



ANNEX THREE

FLOW OF FUNDS PROCEDURES

Funds flow procedure starts with the Project Implementation Unit (PIU) preparing its proposed annual implementation plan and submitting it to DBM for integration into the preparation of the proposed national budget for the ensuing year, Figure 1. The proposed budget is usually approved by Legislature and authorized by the President during the third quarter of the ending budget year.

Work and Financial Plan

After budget authorization, based on the new General Appropriation Act (GAA) the PIU prepares:

a. detailed work and financial plan (WFP) for its program/ project/activity to be submitted to DBM; and

b. annual implementation plan to be submitted to USAID.

The DBM reviews the PIU's WFP and, if acceptable, prior to the start of the new budget year, DBM sends to PIU notice of approval of its WFP. This notice indicates the total available allotments and obligational authority which then form the basis for the issuance of Advice of Allotment (AA) to the PIU. The AA specifies the amount which can be obligated by specific items of expenditures as authorized in the GAA.

Request for Cash Advance

The annual WFP is submitted to USAID about 60 days before the start of the new budget year. Upon approval, the PIU can start requesting cash advances from grant funds. Advances of funds are programmed on a quarterly basis. The request for cash advance must include the following documents:

a. a copy of the Advice of Allotment (AA) issued to PIU by DBM; and,

b. a certification on needs for cash advance from the PMO.

Upon approval of the request, USAID deposits the check with the Bureau of Treasury (BTR) to finance project implementation. BTR issues official receipts (OR) to USAID on its check deposits.

The request from PIU for cash advance to be used during the first quarter of the new budget year should be submitted to USAID not later than the month of November of the ending budget year. Within the first 15 days of the first quarter of new budget year, the PIU should submit its request for the second quarter cash advance to USAID. The request should also be supported by the certification from AAPP project manager on the need for the cash advance and a copy of the PIU's second quarter AA. Similarly, within the first 15 days of the second quarter, the PIU through the PMO should request USAID for its third quarter cash advance. The same requirements and procedures done in requesting for the third quarter cash advance must be followed in requesting cash advances for the subsequent quarters. USAID is allowing 180 days for the PIU to liquidate its previous cash advances before any new advance can be made. Thus, the request for the fourth quarter cash advance submitted during the first 15 days of the third quarter should be supported with three documents:

a. the AA for the fourth quarter;

b. certification on cash advance needs from the PMO; and

c. liquidation report for the cash advanced for the first quarters of the year.

Fund Deposit and Funding Warrant

After depositing the check with the BTR, a Certification of Fund Deposit in favor of the PIU is issued to DBM, with a copy provided to the PIU, by BTR. The preparation of such certification involving three Divisions in the BTR usually takes at least three to four weeks to complete. Upon receipt of this Certification of Fund Deposit, DBM will then issue Funding Warrants covering the total amount needed for the quarter by PIU. Accordingly, the DBM would be able to do all processing work for about 6 days, provided the following required documents are completed:

a. Certification of Funds Deposit;
b. Approved Work and Financial Plan;
c. Advice of Allotment; and
d. Request for Funding Warrant

Funds flow from the date USAID made deposit with BTR and the date DBM issued Funding Warrant is illustrated in Figures 3 and 4. The funds advanced by USAID is deposited in a non-interest bearing accounts for utilization by the PIU.

Figure 1
CASH ADVANCE SCHEME
FUNDS FLOW PROCEDURES
Government of the Philippines Implemented Activities

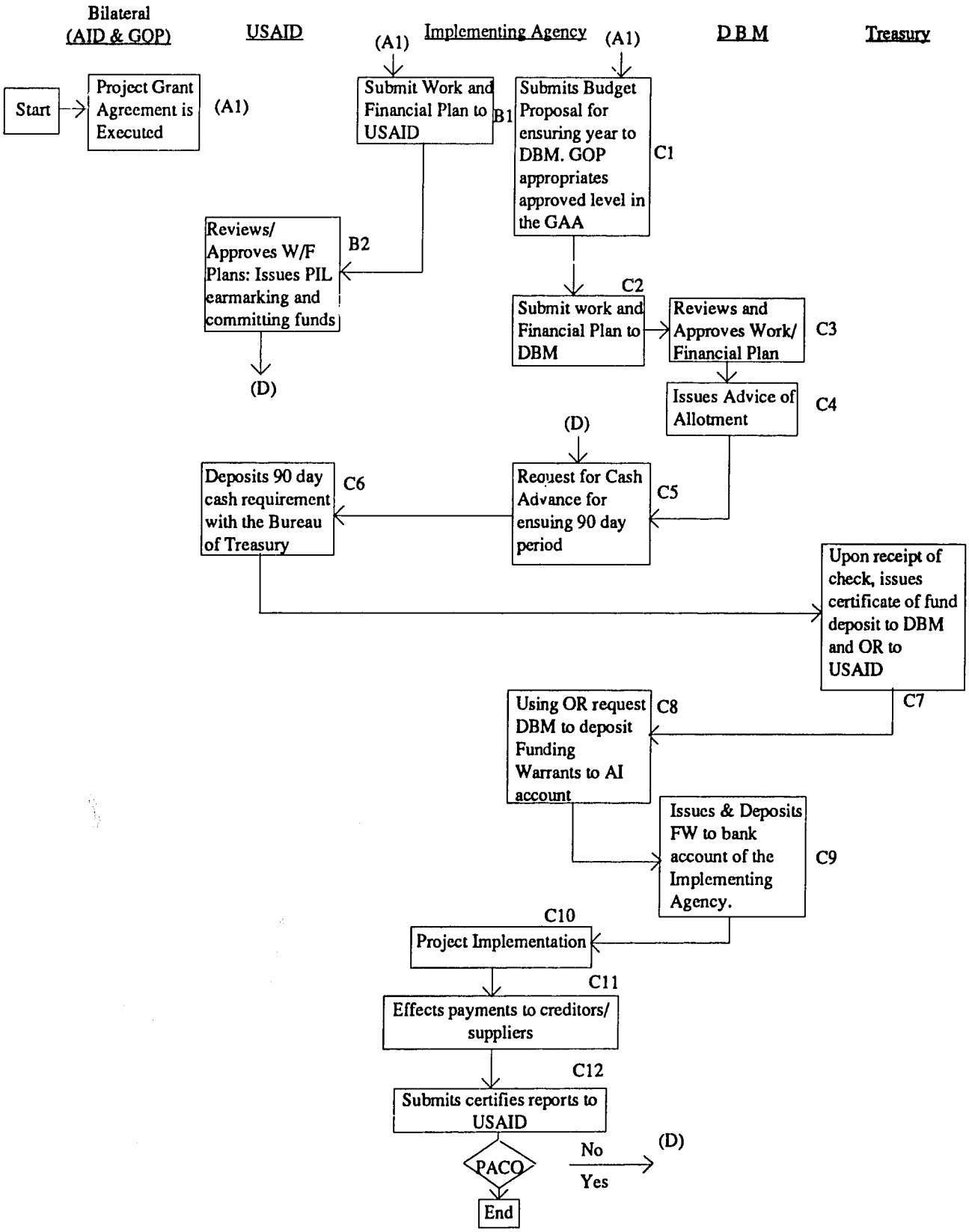
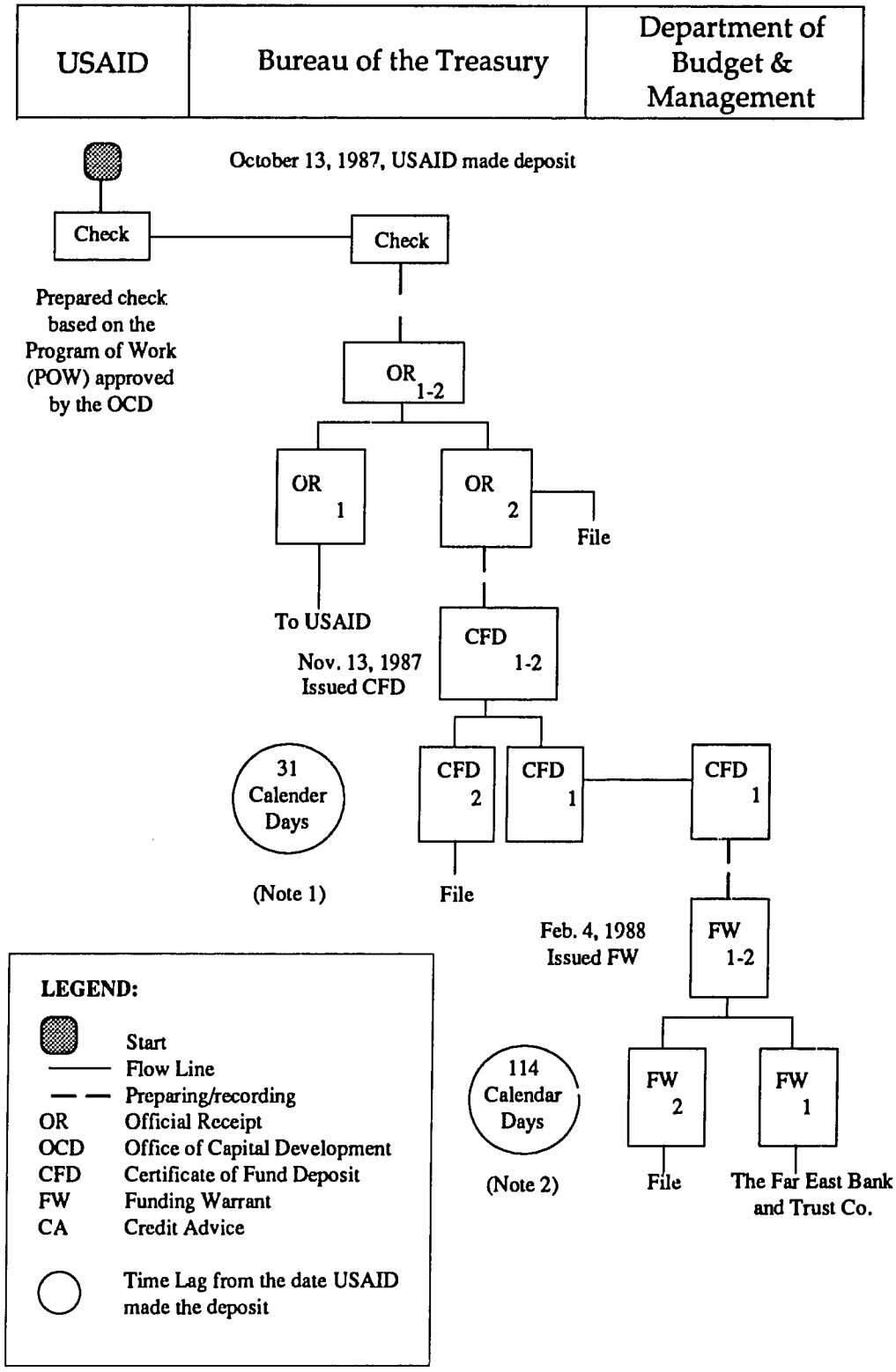


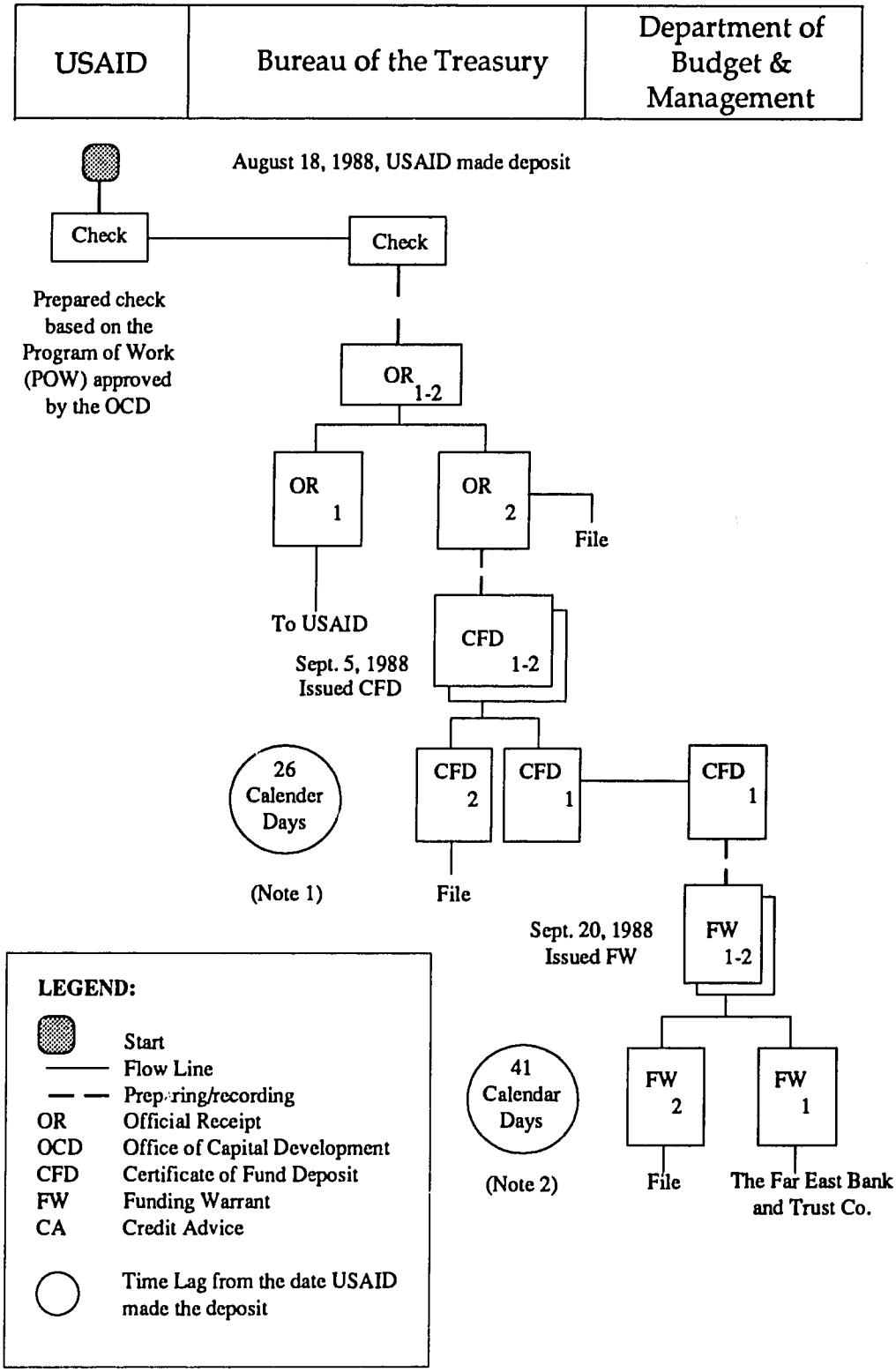
Figure 2. Funds Flow -- P1,939,828.00



NOTES:

1. Twenty-three working days lag between the USAID deposit with the BTR and issuance of the Certificate of Fund Deposit.
2. Seventy-seven working days lag between the USAID deposit with the BTR and the issuance of the Funding Warrant.
3. One Hundred-sixteen working days lay between the USAID deposit with the BTR and the receipt of the CA by the Project.

Figure 3. Funds Flow -- P1,939,065.00, FY 1988



NOTES:

1. Eighteen working days lag between the USAID deposit with the BTR and issuance of the Certificate of Fund Deposit.
2. Twenty-nine working days lag between the USAID deposit with the BTR and the issuance of the Funding Warrant.
3. The date the Project received the CA is not available at the DLG.

ANNEX FOUR

IRRIGATION GOALS AND PERFORMANCE INDICATORS ACCELERATED AGRICULTURAL PRODUCTION PROJECT

Objective One
Water Adequacy and Reliability

— Volume of water delivered (mcm) in relation to irrigation require-ments. Water measurement should be conducted over time to determine if the project has had an impact upon deliveries. Deliveries must be computed against irrigation requirements (mm/ha/day). Water because if overall supply is fixed and minor repairs result in re-allocation of flows, chances in volume delivered may be at the expsense of the system.

— Reliability deals with the notion of "assured" flows. Do farmers (particularly those in downstream areas of the irrigation system) receive sufficient water in conformity with the communicated schedule?

Objective Two
Strengthened NIA

— Number of workshops and seminars attended by NIA personnel.
— Number of workshops and courses presented by NIA personnel.
— Number of staff moved upward into management positions following training.
— Turnover of IOWs.
— Number of IOWs employed by NIA in permanent positions.

Objective Three
Strengthened IAs

— Irrigation service fee payment.
— Kilometers of canals cleaned or restored by the IA.
— Number of structures installed by the IA.
— Average attendance at IA meetings.
— Number of IAs with by-laws.
— IA bank account balances.

Objective Four
Support Services NIA to IAs

— Number of IAs with assigned IOWs or FIOs.
— Number of training sessions carried out under AAPP auspices.
— Hectarage affected.

Objective Five
Capability of NIA to peform O&M functions

— Kilometers of canals cleaned or restored by NIA with AAPP support.
— Number of structures improved or installed by NIA with AAPP support.
— O&M Budget allocation (pesos/ha/yr).

ANNEX FIVE

IRRIGATION AND SUSTAINABILITY

One concept of sustainability is that of carefully managed resources that will support continuing and even expanding production from an agroecosystem indefinitely (Hopper 1987).[1/] A sustainable system: (a) provides for increasing human food and fiber needs; (b) is economically viable; (c) maintains or improves the resource base on which agriculture depends; and (d) enhances the quality of life for farmers and society as a whole.

This definition includes economic, environmental and social elements. To this list we can add irrigation system (physical) sustainability to include head works, barrages, canals, and turnouts which are all subject to deterioration and thus could threaten the life of a project. Lastly, we should include the concept of institutional sustainability: the ability of an institution to perform its functions, for example, to perform maintenance, to regulate water supply, or to enforce the law. Here we acknowledge that a sustainable institution does not need to be one that is forever at a steady state of readiness, but rather one which has the ability of timely response to needs.

The AAPP was designed to address institutional sustainability, i.e., to strengthen the capability of NIA and IAs. The project is supportive of O&M responsibilities from the government to water users. Transfer is viewed as a move toward a more sustainable condition because farmers with direct economic stake in the irrigation systems are more likely to maintain them than is the Government which is economically more distant and subject to budgetary and political vicissitudes.

From 1979 to 1984, NIA's budgetary allocations for irrigation O&M decreased by a factor of five. Allocations have remained constant, but at a low level, for the past five years. This is illustrated in the attached figure. The result is likely to be an accumulation of deferred maintenance with major rehabilitation required at more frequent intervals. In the meantime, irrigation systems may no longer be able to meet design water deliveries and both yields and production may suffer. Faced with reduced water deliveries and squeezed by lowered incomes, farmers may naturally refuse to meet payment of irrigation service fees. Thus, income to NIA will be reduced and funds for future O&M will be jeopardized. This is a non-sustainable cycle. One of the ways to deal with the problem is for Government of gradually, but completely, back out of responsibility for irrigation system O&M (in both NIS and CIS) leaving this responsibility entirely to farmers. The Government would still be responsible for irrigation system construction but O&M and, importantly, ownership of facilities, would revert to IAs.

AAPP provides funding for minor repairs. This helps to bring an irrigation system into a rehabilitated condition in which farmers are better able to use the system for economic gain. Since all physical works deteriorate, the sustainability of minor repairs (and the irrigation system itself) depends upon the economic viability of the farming system. Unless operations are profitable, farmers will be unwilling and unable to meet water service fee obligations essential to maintenance of the infrastructure. Physical infrastructure sustainability also depends on economic viability and organizational stability of institutions, i.e., the responsiveness and ability of IAs to perform O&M functions.

Sustainability is less a characteristic to be measured than a tendency to be monitored. The various elements of sustainability can be determined only over a long time frame, well after AAPP terminates. Conditions at any one time are less important than the direction of change, and monitoring is the critical activity. There are many irrigation-related indicators that could be monitored. What is needed are those

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1/ Hopper, W.D., Sustainability, Policies, Natural Resources, and Institutions in Davis, T.J., and I.A. Schirmer (eds). Sustainability Issues in Agricultural Development: Proceedings of the Seventh Agriculture Sector Symposium. Washington, D.C.: The World Bank, 1987.

that will remain constant over time and are relatively free of measurement error and interpretation. These qualities, coupled with uncertain support for data gathering, suggest that monitoring programs should depend only on minimum necessary data, preferably of elements already measured for other purposes. Verifiable indicators of sustainability may be divided into three groups: institutional and socio-economic, irrigation system, and environmental.

Institutional and Socio-economic indicators:

- Equity of water delivery between upstream and downstream users
- Irrigation association viability
- O&M budget allocation (per unit area)

Irrigation system indicators:

- Frequency of rehabilitation
- Amount of water delivered (per unit area)
- Total area irrigated
- Cropping intensity

Environmental indicators:

- Impact Downstream: (Quality of irrigation return flow)
- Impact Upstream: (Change in forest cover in watersheds immediately adjacent to irrigation project area)
- Groundwater levels
- Sediment loads.

National Irrigation Administration

O&M Budget Allocation -- Region X

(Allocation/h~)