



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventy-Fourth Session**  
Rome, 5-6 December 2001

**REPORT AND RECOMMENDATION OF THE PRESIDENT**

TO THE EXECUTIVE BOARD ON A PROPOSED LOAN TO THE

**REPUBLIC OF THE PHILIPPINES**

FOR THE

**NORTHERN MINDANAO COMMUNITY INITIATIVES AND RESOURCE  
MANAGEMENT PROJECT**



## TABLE OF CONTENTS

<b>CURRENCY EQUIVALENTS</b>	<b>iii</b>
<b>WEIGHTS AND MEASURES</b>	<b>iii</b>
<b>ABBREVIATIONS AND ACRONYMS</b>	<b>iii</b>
<b>GLOSSARY</b>	<b>iii</b>
<b>MAP OF THE PROJECT AREA</b>	<b>v</b>
<b>LOAN SUMMARY</b>	<b>vi</b>
<b>PROJECT BRIEF</b>	<b>vii</b>
<b>PART I THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY</b>	<b>1</b>
A. The Economy and the Agricultural Sector	1
B. Lessons Learned from Previous IFAD Experience	2
C. IFAD's Strategy for Collaboration with The Philippines	2
<b>PART II THE PROJECT</b>	<b>4</b>
A. Project Area and Target Group	4
B. Objectives and Scope	4
C. Components	5
D. Costs and Financing	7
E. Procurement, Disbursement, Accounts and Audit	9
F. Organization and Management	10
G. Economic Justification	10
H. Risks	11
I. Environmental Impact	11
J. Innovative Features	12
<b>PART III LEGAL INSTRUMENTS AND AUTHORITY</b>	<b>12</b>
<b>PART IV RECOMMENDATION</b>	<b>13</b>
<b>ANNEX</b>	
<b>SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES     INCLUDED IN THE NEGOTIATED LOAN AGREEMENT</b>	<b>15</b>



**APPENDIXES**

<b>I. COUNTRY DATA</b>	<b>1</b>
<b>II. PREVIOUS IFAD FINANCING</b>	<b>2</b>
<b>III. INDICATIVE DYNAMIC LOGICAL FRAMEWORK</b>	<b>3</b>
<b>IV. ORGANIZATION AND MANAGEMENT</b>	<b>9</b>



### CURRENCY EQUIVALENTS

Currency Unit	=	Philippine peso (PHP)
USD 1.00	=	PHP 41
PHP 1.00	=	USD 0.024

### WEIGHTS AND MEASURES

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

### ABBREVIATIONS AND ACRONYMS

ARBA	Agrarian Reform Beneficiaries Association
ARCs	Agrarian Reform Communities
AsDB	Asian Development Bank
ATs	Agriculture Trainers
BAFC	Barangay Agriculture and Fishery Council
BFAR	Bureau of Fisheries and Aquatic Resources
CENRO	City Environment and Natural Resources Office
CFEW	Community Field Extension Worker
DAR	Department of Agrarian Reform
EU	European Union
LGUs	Local Government Units
M&E	Monitoring and Evaluation
MA	Municipal Agriculturist
MARO	Municipal Agrarian Reform Officer
ME	Municipal Engineer
MSDO	Municipal Social Development Office
NCIP	National Commission for Indigenous People
NGOs	Non-Governmental Organizations
OMT	Office of the Municipal Treasurer
PFO	Project Facilitation Office
SDA	Social Development Agenda
SHGs	Self-Help Groups
SOE	Statement of Expenditure
TA	Technical Assistance

### GLOSSARY

<i>Barangay</i>	Village
<i>Sitio</i>	Settlement



**GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES**

**Fiscal Year**

1 January - 31 December



### MAP OF THE PROJECT AREA



Source: IFAD

*The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.*



**REPUBLIC OF THE PHILIPPINES**

**NORTHERN MINDANAO COMMUNITY INITIATIVES AND RESOURCE  
MANAGEMENT PROJECT**

**LOAN SUMMARY**

<b>INITIATING INSTITUTION:</b>	IFAD
<b>BORROWER:</b>	Republic of The Philippines
<b>EXECUTING AGENCY:</b>	Department of Agrarian Reform (DAR)
<b>TOTAL PROJECT COST:</b>	USD 21.6 million
<b>AMOUNT OF IFAD LOAN:</b>	SDR 11.6 million (equivalent to approximately USD 14.8 million)
<b>TERMS OF IFAD LOAN:</b>	40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum
<b>COFINANCIERS:</b>	None
<b>CONTRIBUTION OF BORROWER:</b>	USD 3.0 million
<b>CONTRIBUTION OF LOCAL GOVERNMENT:</b>	USD 2.2 million
<b>CONTRIBUTION OF BENEFICIARIES:</b>	USD 1.5 million
<b>APPRAISING INSTITUTION:</b>	IFAD
<b>COOPERATING INSTITUTION:</b>	United Nations Office for Project Services (UNOPS)



## PROJECT BRIEF

**Who are the beneficiaries?** The six-year project aims to reach approximately 58 500 poor households living in 270 of the poorest villages (*barangays*) of Regions X (Caraga) and XIII (Northern Mindanao). The project's target group comprises poor and disenfranchised groups including, but not limited to, indigenous peoples, fisher families, agrarian reform beneficiaries, landless workers, upland dwellers and women.

**Why are they poor?** The high incidence of poverty in Northern Mindanao can be attributed to a number of factors. The majority of households are extremely vulnerable because of their limited assets. Most are landless, and some resort to farming as tenants or paid agricultural workers. The lack of social infrastructure and appropriate government support services further exacerbates their poverty. Non-governmental organizations (NGOs) are present but have very limited outreach. Few development programmes have been initiated in the area. Moreover, the poor have virtually no access to credit. In terms of physical capital, the most obvious indicator of underdevelopment is the lack of physical infrastructure and the associated poor market links. Illiteracy, unemployment and the incidence of poverty are much higher among upland and indigenous peoples than among the rest of the population. Upland settlements are remote and lack basic services, and the target group has limited access to important resources (in particular forestry and pasture resources). Although a new law provides for the issuance of titles to ancestral domains to indigenous people, it has yet to be implemented. Women suffer from a low level of socio-economic development.

**How will the project benefit them?** To address the livelihood constraints outlined above, the project will seek to reduce vulnerability, improve access to essential services, support diverse livelihood options (crops, fishery and forestry), champion the empowerment of grass-roots institutions and mainstream gender and indigenous peoples' concerns. It will reach the target group by: (i) promoting/strengthening and empowering community institutions so that they can undertake their own development initiatives; (ii) supporting the conservation and improvement of beneficiaries' natural resource base while facilitating access to markets; (iii) improving village infrastructure; (iv) facilitating access and control over natural resources through the issuance of certificates of ancestral land titles/domain titles to indigenous people and advocating their representation in local councils; and (v) enhancing the responsiveness of local government units (LGUs) and other service providers to the diversified needs of community institutions.

**How will beneficiaries participate in the project?** The project will be driven by the demands of participant communities, based on their needs, which will be determined through participatory consultative processes. It will promote a process of social mobilization and participatory planning that will enable communities to plan, implement, monitor and evaluate initiatives that they themselves have selected. The social preparation, mobilization, organization and empowerment of community institutions form the core of the project. Community development facilitators will work closely with volunteer community organizers (COs) to facilitate the promotion of community institutions and self-help groups (SHGs) in each settlement (*sitio*). Women will constitute at least 50% of all SHGs and are expected to be the main agents of change. SHGs will promote local capital accumulation through their own savings. Community institutions and SHGs will identify the activities that they expect to undertake to improve their livelihoods, including land resources and watershed management, fisheries development and off-farm activities. Special emphasis will be given to replicable systems of improved agriculture and natural resource management. The project will seek to improve the situation of indigenous peoples through advocacy campaigns, legal assistance and orientation programmes. It will also assist them in demarcating and mapping their ancestral domains, and formulating and implementing a sustainable development and protection plan.





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MANAGEMENT PROJECT**

I submit the following Report and Recommendation on a proposed loan to the Republic of The Philippines for SDR 11.6 million (equivalent to approximately USD 14.8 million) on highly concessional terms to help finance the Northern Mindanao Community Initiatives and Resource Management Project. The loan will have a term of 40 years, including a grace period of ten years, with a service charge of three fourths of one per cent (0.75%) per annum. It will be administered by the United Nations Office for Project Services (UNOPS) as IFAD's cooperating institution.

**PART I - THE ECONOMY, SECTORAL CONTEXT AND IFAD STRATEGY<sup>1</sup>**

**A. The Economy and the Agricultural Sector**

1. In 1997, the Asian financial crisis and the *El Niño* phenomenon interrupted the steady economic growth that The Philippines had experienced since the mid-1990s. Gross domestic product (GDP) contracted by 0.6% in 1999, a sharp drop from the 5.2% growth recorded in 1997, with a 6.6% contraction in the agricultural sector a major contributing factor. The annual growth rate recovered to 3.1% in 1999, following the end of the Asian financial crisis and a recovery in agricultural production due to favourable weather conditions, and is projected to be 2.5% in 2001. Gross national income (GNI) per capita was USD 1 040 in 2000. The agricultural growth rate has, however, not kept pace with the rate of population increase. The structure of the economy has changed little in recent years: services consistently contributed 45 to 46%, industry 32 to 33% and agriculture 19 to 20% of GDP. Farming, natural forests and marine resources employ about 40% of the workforce.
2. Agriculture continues to be the dominant sector in the economy. It contributes 17% of GDP, and more than 20% of total export earnings, and it employs 36% of the labour force. While industry is the major export earner in terms of value, agriculture is of greater importance in terms of employment and as a net earner of foreign exchange, since the import content of its output is minimal. About half of the population are rural people, two thirds of whom are dependent on agriculture for a living. A wide range of crops are produced, but rice and coconuts dominate, accounting for 16 and 8% of agricultural GDP respectively and each occupying 3-4 million hectares (ha), primarily under small-scale production with typical smallholdings of 2.5 ha.
3. **Mindanao economy.** The island of Mindanao accounts for nearly one third of the country's total land area and 23% of its population, but produced only 16-18% of total GDP between 1997 and 1999. Stagnating agricultural output and high population growth have contributed to the erosion of the island's per capita incomes. In 1998, Mindanao accounted for 31% of those living below the poverty line in The Philippines, with 68% of all agricultural households living below the poverty line.

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<sup>1</sup> See Appendix I for additional information.



## **B. Lessons Learned from Previous IFAD Experience**

4. In The Philippines as elsewhere, IFAD experience has shown that area-based, integrated, multisector projects are more successful in terms of impact on the rural poor and sustainability than sector-focused projects. Moreover, the participation of beneficiaries in project identification and preparation results in greater long-term impact, with increased ownership and commitment to the project. A project designed with adequate flexibility to respond to the felt needs of communities during implementation is also likely to be more effective and its impact more sustainable than a prescriptive, inflexible project. Experience has also shown that project impact is greater and its sustainability assured when community institutions, self-help groups (SHGs), resource management groups and other local groups are involved in implementation, monitoring and evaluation (M&E). Non-governmental organizations (NGOs) have also been efficient and responsive in community-level activities. Community institutions formed by poor households in a given area are more effective and enduring when based on self-evolved systems and procedures. Successful IFAD-funded projects in The Philippines are characterized by the easy availability of credit, albeit in small amounts and mostly for short-term income-generating investments. Decentralized project management with well-established systems and procedures is more effective than centralized management, provided that strong technical backstopping is forthcoming during implementation. Harnessing the comparative advantages of different agencies, ensuring effective coordination and reinforcing their strengths are factors that have contributed to successful project implementation.

## **C. IFAD's Strategy for Collaboration with The Philippines**

### **The Philippines' Policy for Poverty Eradication**

5. The main thrust of the Social Reform Agenda, which defines the Government's policy for poverty alleviation, is to improve access to economic opportunities, to develop productive resources in a sustainable way and to strengthen the participation of local communities and agencies in governance. Its focus is on those villages (*barangays*) and municipalities with the fewest available funds, basic services and facilities and with a concentration of agrarian reform communities (ARCs), indigenous peoples, poor small farmers, and fishermen and women. Modernization of the agriculture and fisheries sectors is the Government's principal strategy for rural development and poverty reduction. The Agriculture and Fisheries Modernization Act of 1997 provides the legislative framework for this strategy. It aims to: (i) enhance productivity and competitiveness; (ii) widen people's access to land and other productive resources; (iii) promote the sustainable use of natural resources while protecting the environment; and (iv) empower stakeholders and rationalize the functions of institutions. In 1993, the Department of Agrarian Reform (DAR) adopted the agrarian reform community strategy to reduce poverty and promote equitable development through the Comprehensive Agrarian Reform Programme (CARP). The strategy is an area-focused, community-centred, rural development approach with eight major programme components: (i) ensuring land tenure security; (ii) building community organizations; (iii) providing basic infrastructure; (iv) enhancing agricultural productivity; (v) building agro-industries; (vi) enhancing women's participation; (vii) integrating environmental concerns; and (viii) providing social services and facilities. This strategy has elicited greater participation and involvement of people's organizations, NGOs, the private sector and local government units (LGUs). The Government has set itself a target of raising 70% of the beneficiaries in ARCs above the poverty line by 2004.

### **The Poverty Eradication Activities of Other Major Donors**

6. In The Philippines, there is a high convergence of aid supplied mainly by the Asian Development Bank (AsDB), the World Bank, Japanese official development assistance (ODA), the Japanese International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC) and the European Union (EU).



7. AsDB has extended more than 16 loans to The Philippines. It also provides technical assistance (TA) and administers TA projects financed from other sources such as the United Nations Development Programme (UNDP) and the EU. ODA support consists of bilateral grants, bilateral loans, and contribution and subscription to multilateral organizations such as AsDB, the UNDP and the World Bank. JICA executes bilateral grants and presently has nine projects ongoing in the country. JBIC executes bilateral loans covering economic and social infrastructure essential for economic development. It currently has two ongoing projects in The Philippines, one of which in Mindanao. The World Bank, as set out in its Philippines Country Assistance Strategy for 2000-2004, supports the Government's objective of reducing poverty by focusing on seven strategic action areas: (i) economic recovery; (ii) human development and social services; (iii) rural development; (iv) urban development; (v) infrastructure development, particularly in the provinces; (vi) enabling environment for the expansion of the private sector; and (vii) improvements in governance. Currently there are six ongoing World Bank projects in The Philippines. EU cooperation programmes in the country fall under two main headings: (i) economic cooperation – aimed at increasing two-way trade and investment flows and emphasizing mutual benefit; and (ii) development cooperation – addressing rural and urban poverty. In the last ten years, the EU has had nine projects in The Philippines, including the Support to Agrarian Reform in Central Mindanao Project, which DAR started to implement in January 2001.

### **IFAD's Strategy in The Philippines**

8. IFAD's strategy in The Philippines focuses on the following: (i) promoting asset reform in favour of the landless, equity in land distribution and security of tenure; (ii) emphasizing improved natural resource management and productivity-enhancing interventions; (iii) strengthening local administration and people's organizations; (iv) reinforcing convergence of the efforts of different agencies, both governmental and non-governmental; (v) strengthening links between the community and different service providers; and (vi) enhancing the capacity of LGUs to be more sensitive and responsive to the needs of the rural poor.

### **Project Rationale**

9. IFAD is eager to finance a community-based and multisector project in the upland and coastal areas of Regions X and XIII because: (i) these areas are among the poorest in The Philippines, with the indigenous peoples, other upland farmers, women, coastal communities and agrarian reform beneficiaries among the most impoverished and vulnerable groups; (ii) investments are required in the project area to provide rural infrastructure, improve basic services, reverse environmental degradation and enhance natural resource productivity if poverty is to be reduced substantially and in ways that are sustainable; (iii) the target communities lack access to goods and services (e.g. extension, credit, inputs and post-harvest facilities); (iv) the legal rights of indigenous peoples remain unrealized, and women are disadvantaged; (v) building community institutions can enhance solidarity among the poor, strengthen their bargaining power and improve the effectiveness and reduce the costs of NGO service delivery; and (vi) agricultural and other technologies are available and can increase natural resource productivity in ways that are sustainable and create employment and income-earning opportunities in the non-farm sector. Finally, there is no major donor-assisted project focusing on the poor in the project area, and the ongoing efforts of the Government are unable to finance the investments required. The Government is nevertheless creating the necessary enabling environment by addressing land tenure issues through CARP, agricultural development through the Agriculture and Fisheries Modernization Act and indigenous issues through the establishment of the National Commission for Indigenous People (NCIP). It has also initiated measures to secure convergence between different national and local government agencies and is working closely with NGOs and the private sector. The project will complement other ongoing government programmes in the area.

## PART II - THE PROJECT

### A. Project Area and Target Group

10. The project will initially cover 270 *barangays* in Regions X (Caraga) and XIII (Northern Mindanao). Following extensive local consultations and data collection, 250 *barangays* were selected on the basis of the presence of prospective stakeholders who include: (i) agrarian reform beneficiaries; (ii) land users operating under other systems of tenure, such as Integrated Social Forestry; (iii) indigenous peoples; (iv) other poor upland farmers; (v) women; and (vi) poor coastal and lakeside fishing communities. An additional 20 *barangays* will be selected during project implementation.

11. Upland areas cover about 60% of the project area; the rest are coastal areas. Population density is highly variable. Rainfall ranges from 1 600 millimetres (mm) on the coast to over 2 500 mm in the hills. The project area is well drained and suited to the production of maize, coconut, upland rice, cassava, and upland vegetable and root crops. In the lowlands, where the terrain is flat to undulating, irrigated or rainfed rice production predominates. In all areas, tree crops and other horticulture crops – coffee, cocoa, black pepper, cassava, sweet potatoes and vegetables – are widely grown. Access to the project area, especially the upland areas, is very poor.

12. The incidence of poverty in Mindanao is higher than the national average, reflecting limited access to employment and income-earning opportunities, productive assets and basic social and financial services. Indigenous peoples in the mountain areas constitute the poorest segment of the population. In terms of rural poverty, the regions forming the project area rank 13<sup>th</sup> (Region XIII) and 11<sup>th</sup> (Region X) out of 16 regions. Some 59% of the population in Region XIII and 63% in Region X are living below the poverty line. Life expectancy for the project area is 65 years, against the national average of 70. The literacy rate is 83%, while the national average is 94%. About 30% of the poor in the two regions lack access to safe drinking water, 54% lack access to electricity, and more than 80% lack access to credit from formal financial institutions.

13. The target group comprises poor and disenfranchised communities including indigenous peoples, marginal fisher families, agrarian reform beneficiaries, landless workers, upland dwellers and women. Indigenous peoples are the poorest and the most disadvantaged group in the country, with high rates of illiteracy and unemployment, and a high incidence of morbidity, mortality and malnutrition. Their settlements are remote, without access to basic services. DAR has identified ARCs as priority areas for land acquisition and distribution. However, land distribution, without corresponding social infrastructure and the timely delivery of appropriate support services, does not ensure increased productivity and incomes. Most households in the coastal areas do not own agricultural land; some resort to farming as tenants or as paid agricultural workers. Most have no assets except for their small fishing boats and the most basic fishing and farming gear. Women in The Philippines have a higher status than in many other countries, but their lives in the coastal and upland areas of Regions X and XIII are more difficult than those of Filipinos elsewhere. The difference derives not so much from discrimination but from their low level of socio-economic development and the inadequacy of infrastructure and services.

### B. Objectives and Scope

14. The overall goal of the project will be to reduce the vulnerability and enhance the food security of about 58 500 low-income households (310 000 people) living in the project area. This will be achieved by: (i) promoting/strengthening community institutions of indigenous people, poor upland farmers, agrarian reform beneficiaries, poor fisher families and women's SHGs, making them self-reliant and capable of undertaking their own development activities; (ii) promoting the conservation and improvement of their natural resource base; (iii) improving village infrastructure; (iv) facilitating the representation of indigenous peoples in local councils and the issuance of certificates of ancestral land



titles/domain titles to them; and (v) enhancing the responsiveness of LGUs and other service providers to the diversified needs of the community institutions.

### **C. Components**

15. The project is comprised of six components: (i) community institutions and participatory development; (ii) community investments; (iii) natural resource management; (iv) socio-economic support services and studies; (v) support fund for indigenous peoples; and (vi) project management. Within this framework, the project will be demand-driven, based on the needs of the participating communities, determined through participatory consultative processes. Community institutions will plan, implement and monitor all development initiatives at the community level.

#### **Community Institutions and Participatory Development**

16. This project will build the capacity of communities and their grass-roots organizations to participate in their own economic and social development. It will promote a process of social mobilization and participatory planning that will enable the communities to plan, decide, implement, monitor and evaluate project investments. The social preparation, mobilization, organization and empowerment of community institutions as the foundation for social advancement and economic development constitute the core of the project. This component will be the responsibility of NGO community development facilitators, who have experience in group formation.

17. Under this component, a poverty alleviation fund will also be financed in each project municipality. It will be used only to assist low-income groups that regular local and national programmes do not reach. SHGs in the target settlements (*sitios*) will be the recipients of this assistance.

#### **Community Investments**

18. The project will finance community investments through the provision of a fund for small rural infrastructure and a reserve fund for microfinance operations. It will provide funds to finance infrastructure subprojects that are part of the community development plans. Beneficiary user groups will contribute up to 10% of infrastructure cost in cash, materials and/or labour, while LGUs will provide counterpart funds. Beneficiaries and LGUs will undertake and finance the operation and routine and periodic maintenance of the proposed investments. Community institutions will identify, prioritize, plan, implement and manage most of the works, with technical support in design, implementation and monitoring from LGUs. Only for the complex civil works will private-sector contractors be used. User groups and LGUs will receive training in the operation and maintenance of the infrastructure. Not less than 40% of the investment in infrastructure will benefit indigenous peoples' settlements directly. Project funds will flow directly to the communities from LGUs, and NGOs will provide the TA required for implementation.

19. A reserve fund for microfinance has also been provided and may become operational from about the third project year (PY), depending on the results of a review to be conducted of the credit situation in the project area. The review will evaluate the demand for microcredit, the readiness of beneficiaries and their partners (NGOs and cooperatives) for such credit, and the type of products/services most needed. Should microfinancing not be incorporated into the project, the reserve fund will be reallocated to other categories of expenditure.

#### **Natural Resource Management**

20. The project will promote sustainable increases in the production and productivity of beneficiaries' land and promote the sustainable management of fisheries resources and income-earning opportunities related to the use of natural resources.



21. **Land resource management.** The focus will be on testing and introducing improved agricultural and natural resource management concepts and technology through community participation, adaptive research and enhanced extension processes. The first priority will be to introduce, in response to beneficiary demand, proven and pro-poor technology. The second will be to introduce promising technologies for further refinement and testing before promoting them on a wider scale.

22. **Watershed management.** The project will assist local communities – backstopped by LGUs – in preparing management plans for entire watersheds (which could extend beyond one municipality) and in mobilizing resources for their implementation. It will finance the planning and implementation of one comprehensive micro-watershed management plan per LGU. It will also help municipalities to improve or update existing watershed plans. In all aspects of watershed planning and management within areas officially declared ancestral domains, the project will inform indigenous groups and obtain their prior consent before releasing any project funds.

23. **Fisheries development.** The project will promote the improved management of lake and marine resources and income diversification among poor fisher families through the demonstration of proven technologies and the participatory adaptation of other technologies. It also will seek to improve post-harvest handling, marketing and processing; develop supplementary incomes based on lake and marine resources; and reinforce the capacity of fishermen and women and the extension staff.

24. **Lake Mainit fisheries.** The project will target the fishing communities on Lake Mainit by promoting lake resource management institutions. It will refine the master plan for the lake and strengthen the Lake Mainit Development Alliance through the inclusion of representatives of poor fishing communities. The Bureau of Fisheries and Aquaculture Resources (BFAR) in consultation with concerned LGUs, will establish regulatory measures and a tenure regime for the sustainable management of lake resources.

### **Socio-Economic Support Services and Studies**

25. This component, which complements and reinforces the project's focus on community-led initiatives and natural resource management, will support four kinds of activities: (i) the provision of socio-economic services related to health, literacy and community-managed primary schools for the benefit of indigenous communities; (ii) marketing and enterprise development; (iii) a series of focused studies that will contribute to reducing the incidence of poverty and increasing household food and income security in the longer term; and (iv) institutional support to line agencies working in the project area.

### **Support Fund for Indigenous Peoples**

26. The project will provide assistance in jump-starting the implementation of key provisions of the Indigenous Peoples' Rights Act (IPRA), particularly those that directly affect the well-being of indigenous peoples. More specifically, it will: (i) provide support to advocacy campaigns for the inclusion of tribal council leaders in concerned LGU development councils; (ii) contribute to orientation programmes on IPRA for indigenous peoples, LGUs and national line agency officials; (iii) assist in the demarcation and land-use mapping of ancestral domains; (iv) help formulate ancestral domain sustainable development and protection plans and integrate them in local and national plans; and (v) provide organizational support to promote coalition-building among tribal communities.

### **Project Management**

27. The arrangements for project management are designed to improve the access of communities to various services by securing the assistance and efforts of different agencies in support of the LGUs.

Under the aegis of DAR, a project facilitation office (PFO), based in Butuan City (the capital of Region XIII), will be responsible for overall planning, implementation, coordination and monitoring of the project. Day-to-day project management, on the other hand, will be the responsibility of the municipal LGU. At provincial level, a provincial project coordination office (PPCO) will have the principal responsibility for providing TA to the municipal LGUs.

28. The project will cover the operational costs of coordination, through a series of committees at different levels who will be responsible for coordination. To provide the essential management and performance information, a comprehensive project M&E system will be established and data collection arranged through the appointment of monitoring officers.

29. The project will also cover the operating and transportation costs of the regional and provincial offices, a comprehensive training programme, contracts for the preparation of manuals, the establishment of the M&E system, baseline surveys, mid-term review and project completion impact assessment studies.

#### D. Costs and Financing

30. Total project costs, including contingencies, duties and taxes, are estimated at USD 21.6 million, including 28% foreign exchange. Costs have been estimated using July 2001 prices. Price contingencies add about 6% to total base costs. Taxes and duties have been calculated at prevailing rates and amount to around USD 1.9 million, or about 9% of total project cost. The project completion date will be six years after the date of loan effectiveness, and the loan closing date six months after project completion.

31. The proposed IFAD loan of USD 14.8 million will finance 68.6% of the project costs. The Government will contribute USD 3.0 million, or 13.9% of project costs; LGUs will contribute 10.3% and beneficiaries 7.1%. The LGU contribution will be USD 2.2 million, and will be financed from their internal revenue allotment or other sources except those provided in kind. Table 1 summarizes project costs, while Table 2 shows the proposed financing arrangements.

**TABLE 1: SUMMARY OF PROJECT COSTS<sup>a</sup>**  
(USD '000)

Components	Local	Foreign	Total	% of Foreign Exchange	% of Base Costs
1. Community institutions and participatory development	2 325	267	2 593	10	13
2. Community investments	5 252	2 877	8 129	35	42
3. Natural resource management	1 086	976	2 063	47	11
4. Socio-economic support services and studies	845	924	1 769	52	9
5. Support fund for indigenous peoples	2 966	-	2 966	-	15
6. Project management	1 350	339	1 689	20	9
<b>Total base costs</b>	<b>13 824</b>	<b>5 384</b>	<b>19 208</b>	<b>28</b>	<b>100</b>
Physical contingencies	726	411	1 137	36	6
Price contingencies	895	331	1 226	27	6
<b>Total project costs</b>	<b>15 446</b>	<b>6 125</b>	<b>21 571</b>	<b>28</b>	<b>112</b>

<sup>a</sup> Discrepancies in totals are due to rounding up of figures.

**TABLE 2: FINANCING PLAN<sup>a</sup>**  
(USD '000)

Components	IFAD		Government		LGUs		Beneficiaries		Total		Foreign Exchange	Local (Excl. Taxes)	Duties and Taxes
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%			
1. Community institutions and participatory development	2 190	77.0	384	13.5	198	7.0	72	2.5	2 845	13.2	286.6	3 005.9	193.8
2. Community investments	6 144	64.1	964	10.1	1 846	19.3	632	6.6	9 587	44.4	2 932.9	6 430.5	1 036.0
3. Natural resource management	1 875	85.1	288	13.1	41	1.9	-	-	2 204	10.2	341.3	468.5	89.4
4. Socio-economic support services and studies	1 441	72.3	459	23.1	92	4.6	-	-	1 992	9.2	883.8	1 120.4	218.8
5. Support fund for indigenous peoples	1 945	63.0	309	10.0	-	-	833	27.0	3 087	14.3	-	2 126.8	236.3
6. Project management	1 210	65.1	603	32.5	45	2.4	-	-	1 857	8.6	382.4	1 735.7	122.7
<b>Total disbursement</b>	<b>14 804</b>	<b>68.6</b>	<b>3 007</b>	<b>13.9</b>	<b>2 222</b>	<b>10.3</b>	<b>1 538</b>	<b>7.1</b>	<b>21 571</b>	<b>100</b>	<b>4 827.0</b>	<b>14 887.8</b>	<b>1 897.1</b>

<sup>a</sup> Discrepancies in totals are due to rounding up of figures.





## E. Procurement, Disbursement, Accounts and Audit

32. **Procurement.** The procurement of goods and services financed by IFAD will be undertaken in accordance with IFAD's procurement guidelines. The communities will execute all intra-*barangay* civil works costing less than USD 20 000, with technical and material support from the LGUs. Contracts for civil works costing more than USD 20 000 will be awarded through local competitive bidding (LCB) to pre-qualified local contractors. LGUs will be duly designated (through a memorandum of agreement) to undertake procurement of infrastructure. Procurement of vehicles and equipment will follow LCB procedures. Procurement of all other items and services costing less than USD 50 000 will follow local shopping procedures, and in excess of USD 50 000 will follow LCB procedures open to international suppliers. Items costing USD 100 000 or more will require prior review by IFAD before purchase.

33. **Disbursements.** The Government will open a special account for the financing of IFAD's share of eligible expenditures with an authorized allocation of USD 1.5 million. The Department of Finance (DOF) will operate that account. IFAD will make disbursements to the special account on the basis of withdrawal applications prepared by the PFO, forwarded to UNOPS through DAR and DOF. The DOF will make disbursements from the special account to DAR which will, in turn, disburse to the PFO against the approved annual workplan and budget (AWP/B).

34. All agencies receiving project funds will submit a statement of expenditure (SOE) to the PFO every month. The PFO will consolidate and process, on a timely basis, withdrawal applications for all eligible project expenditures for submission to IFAD by DAR for reimbursement or replenishment. Such applications will be based on the SOE for any single claim not exceeding USD 50 000. The implementing agency will retain supporting documents for periodic inspection by IFAD during its supervision. SOEs could potentially cover all disbursement categories. Initially, SOEs would cover all expenditures for local training and for incremental operating costs and contracts not exceeding USD 50 000; the relevant documentation will be retained for periodic inspection during supervision missions and the annual audits of accounts. Withdrawals from the loan account for all other expenditures will be fully documented.

35. Immediately upon loan effectiveness and prior to receipt of the initial deposit into the special account, the project will set up its accounting and internal control systems. The PFO and each implementing agency – e.g. LGUs, NGOs, the Department of Agriculture (DA), the Department of Environment and Natural Resources (DENR) and NCIP – will maintain appropriate financial records and accounts, which will follow generally accepted accounting practices to reflect the progress of the project and identify its resources, operations and expenditures. The project accounts will reflect all financial transactions during the project period, both of the IFAD loan and government financing, by project component and separately by standard expenditure categories. The project accounts will be maintained separate from any routine budget account or other externally funded project account. The PFO will consolidate the project accounts and will submit annual financial statements of project expenditure for each fiscal year to IFAD through DAR no later than three months after the close of the fiscal year.

36. **Audit.** With prior concurrence of IFAD, independent auditors will be engaged by DAR to audit the project's accounts (DAR, LGUs, NGOs and other implementing bodies) regularly and submit a report annually, in accordance with the international standards on auditing. The audited accounts and the audit report, in a format agreed with IFAD and including separate opinions on the SOEs and the operations of the special and project accounts, will be submitted to IFAD no later than six months after the close of each government fiscal year, until closing of the loan. The auditor's report will contain a separate management letter. The reply by the PFO and other implementing bodies, as the



case may be, to the management letter will be submitted to IFAD within one month of receipt of the audited accounts. If timely audit reports of the project accounts are not provided within six months after the end of the financial year, independent auditors satisfactory to IFAD will be appointed.

## F. Organization and Management

37. The community institutions themselves will be responsible for the implementation of all community-based activities with the assistance of the *Barangay* Development Council. Most project implementation and management responsibilities will be decentralized to the municipal LGUs, which are responsible for agricultural extension, municipal fisheries, health services and rural infrastructure. The four national agencies that play a role in the management and development of natural resources and in indigenous affairs – namely DA, DENR, DAR and NCIP – will provide technical support to the LGUs (for details see Appendix IV).

38. Initially three implementation manuals – a project implementation manual, a community investment fund manual and an indigenous peoples intervention manual – will govern the project operations. All three manuals will be developed with the active participation of all stakeholders. A supplementary manual on microfinance, under the community investment fund, will be drafted, provided that the results of the study on the credit situation in the project area are positive. While the Government and IFAD have agreed that these manuals are an integral part of the project documents, future changes may be made on them upon agreement of both parties to suit project requirements.

39. **Monitoring and evaluation.** M&E of the project will be carried out from the perspective of inputs, outputs, process and impact. Key performance and suitable impact indicators have been identified for the project objectives, outputs and activities; these are included in the logical framework. They will need to be refined/adjusted during project implementation.

## G. Economic Justification

40. **Beneficiaries.** An estimated 58 500 households will benefit from the project's direct investment activities, including crop and fishery production, reduced transport costs, off-farm activities and improved nutrition and health. With an average household size of 5.3 persons, the total number of beneficiaries is estimated at 310 050. Total project cost per beneficiary will be USD 69 or USD 369 per household.

41. **Economic analysis.** An economic analysis was undertaken based on the estimated economic costs of the project. The resulting economic rate of return was 27.3%, demonstrating a rather robust project. However, it should be noted that the estimates of the benefits were based on assumptions with respect to the number and type of activities likely to be carried out by the beneficiaries. As with any demand-driven project, the actual composition of benefits may be quite different.

42. **Gender and household food security.** The project will have a positive impact on women and household nutrition and food security and will integrate a gender perspective in all its activities. All women in the target settlements will be members of the community institution, and the SHGs will primarily consist of women. In addition, women will constitute 50% of the committee members and officers of the community institutions and will have equal representation on the executive committee that manages the poverty alleviation and infrastructure funds. Forty per cent of the funds will be earmarked for financing subprojects that will directly benefit women, who will manage the use of these funds themselves. At the community level, 50% of the organizers will be women. The provision of drinking water supply, backyard vegetable and fruit gardens, plant nurseries and small livestock production will benefit women in terms of improved family health and income. The project will pay



particular attention to skills training for women and staff training programmes on gender relations and issues.

## **H. Risks**

43. The project faces two major risks. The first one concerns the new orientation to rural development that is based on building genuine partnerships between different agencies and the communities in line with government policy. However, devolution has yet to secure the desired confluence among national agencies, LGUs and NGOs. Furthermore, partnership with community institutions of the poor, especially of indigenous peoples, has not been institutionalized.

44. Therefore, the community-centred, participatory, demand-driven, process-intensive approach will require significant changes to existing systems and processes. It will also necessitate a change in the attitudes and working methodologies of the staff. While this reality might delay project implementation, this risk has been countered by including investments to facilitate the desired changes, including technical studies, advocacy, capacity-building and institutional studies. In this way, it is hoped to harness the relative advantages of different partner agencies for the achievement of the defined objectives. In addition, significant changes have already taken place during the past decade in the working methodology and the outlook of the national agencies and LGU officials. NCIP is also undergoing massive institutional reforms and recently received priority attention from the national government. Partnership with NGOs and people's organizations is an established practice throughout the country.

45. The other major risk is that the continuing conflict in Mindanao may spread to the project area, until now largely unaffected. However, the project itself could be a mitigating measure as it could prevent people from joining the rebel forces, and the community activities and economic undertakings it fosters could divert people's attention from disruptive and destructive activities.

## **I. Environmental Impact**

46. Given the levels of degradation of much of the middle and upper watersheds in the project area and the damage from overfishing and illegal fishing in coastal waters, the project will have significant environmental benefits and pose minimal hazards. For fisheries, as for farming, the key is resource conservation rather than expansion. To increase agricultural output, an increase in the use of fertilizers and agrochemicals may be necessary. However, with the correct use of contour cultivation, terraces and ridge cultivation, soil run-off and, therefore, the leaching of chemicals will be minimized. Training in the correct use of agrochemicals will also minimize their present excessive and imprudent use and limit the exposure of handlers. Integrated pest management will be a component in crop production systems, with support from a number of research institutions.

47. Improved farming techniques should prevent the need for the cultivation of additional marginal land. It may even reduce the amount of land being cultivated, thereby putting less pressure on the more fragile soils. The establishment of nurseries and tree planting will increase the future stock of timber available to the community and in time reduce the pressure on existing stocks of natural forest timber. Introducing productive perennial cropping systems will help cultivators stabilize their farming practices and reduce erosion. Finally, developing linkages to the market should encourage farmers to view their natural resources as a valuable source of revenue, one that needs to be sustained by adopting farming methods that protect and conserve the environment.

48. Moderate potential negative impact on soil erosion may be caused by rural access and track improvement, in conjunction with existing damage caused by previous deforestation, with adverse effects downstream on water required for irrigation and siltation of canals. Methods to prevent further soil erosion (e.g. proper drainage and appropriate routing of tracks in association with soil



conservation farming) will be carefully applied as mitigation measures. Watershed management in the catchment areas of irrigation systems will have a positive effect on the environment and mitigate possible adverse impacts.

### **J. Innovative Features**

49. The project design contains innovative features for IFAD in The Philippines, some of which have implications for policy changes, as follows: (i) the project has been identified and developed through an intensive consultative and participatory process involving the Government, NGOs, partner communities, donor agencies and other stakeholders; (ii) it will target the most disfranchised communities in the project area, especially indigenous peoples who have thus far received inadequate attention from both donor agencies and the Government; (iii) it will empower community institutions with technical, financial and management capabilities to plan, implement and monitor all development initiatives, enabling them to become the anchor for all development initiatives and not merely conduits for channelling project inputs; (iv) the project has adopted a highly flexible, demand-driven approach to planning and implementation in order to ensure the relevance of its activities to the needs, aspirations and potential of its intended clients; and (v) it will reinforce the comparative advantages of different agencies and provide an enabling environment for synergy and complementarity.

50. Project activities are designed to secure policy realignment in respect of indigenous peoples (e.g. the planning and management of their ancestral domains) and other poor groups (e.g. management of coastal fisheries) with impacts far beyond the project area. The adoption of a participatory development approach will lead to a change in the work culture of government services and to changes in the policies of these institutions. Instead of being implementers, the national government agencies and the LGUs will be service providers responding to the demands of the rural population. With beneficiaries partly responsible for financing the organization and management costs of the infrastructure investments, including the rural access tracks, the project could provide a model for financing routine maintenance of village access roads and tracks without recourse to outside budgetary resources.

### **PART III - LEGAL INSTRUMENTS AND AUTHORITY**

51. A loan agreement between the Republic of The Philippines and IFAD constitutes the legal instrument for extending the proposed loan to the borrower. A summary of the important supplementary assurances included in the negotiated loan agreement is attached as an annex.

52. The Republic of The Philippines is empowered under its laws to borrow from IFAD.

53. I am satisfied that the proposed loan will comply with the Agreement Establishing IFAD.



#### **PART IV - RECOMMENDATION**

54. I recommend that the Executive Board approve the proposed loan in terms of the following resolution:

RESOLVED: that the Fund shall make a loan to the Republic of The Philippines in various currencies in an amount equivalent to eleven million six hundred thousand Special Drawing Rights (SDR 11 600 000) to mature on and prior to 1 October 2041 and to bear a service charge of three fourths of one per cent (0.75%) per annum, and to be upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented to the Executive Board in this Report and Recommendation of the President.

Lennart Båge  
President

## SUMMARY OF IMPORTANT SUPPLEMENTARY ASSURANCES INCLUDED IN THE NEGOTIATED LOAN AGREEMENT

(Negotiations concluded on 28 November 2001)

1. **Flow of Funds.** (a) DAR (the Lead Project Agency) shall open and maintain two separate accounts, one in Philippine pesos and the other in United States dollars, for the purpose of channelling loan proceeds from the special account to the project parties. The PFO, each of DAR, Department of Agriculture (DA), Department of Environment and Natural Resources (DENR) and NCIP (together, the Governmental Project Agencies), and the LGUs shall open separate accounts in pesos for the exclusive purpose of project operations, on such terms and conditions as may be set forth in the project implementation manual (such accounts being referred to hereinafter as project accounts).

(b) The Government of the Republic of The Philippines (the Government), in accordance with national budgetary procedures, shall make available to the Lead Project Agency, as required from time to time during the project implementation period to carry out the project: (i) the proceeds of the IFAD loan and (ii) counterpart funds in an approximate aggregate amount in pesos equivalent to USD 3 007 000.

(c) The Lead Project Agency shall make available funds and other resources (including loan proceeds and counterpart funds) to the PFO, for its own use and for downloading to the government project agencies and the LGUs promptly as required to carry out the project in accordance with the project implementation manual, the annual work plan and budget (AWP/B), and the Project Memorandum of Agreement or relevant Municipal Memorandum of Agreement referred to below.

(d) All funds shall be made available to the LGUs under paragraph (c) on a grant basis, and such funds shall not be subject to any form of interest, commission, fee, service or other charge, or to repayment in cash or kind.

2. **LGU Counterpart Funds.** The Lead Project Agency shall ensure that the LGUs make available local counterpart funds from their own resources in an approximate aggregate amount in pesos equivalent to USD 2 222 000 promptly as required to carry out the project during the project implementation period, in accordance with project implementation manual, the AWP/Bs, the Project Memorandum of Agreement or relevant Municipal Memorandum of Agreement.

3. **Operation and Maintenance of Infrastructure.** The Lead Project Agency shall ensure that users, acting through community groups duly formed for such purpose, and LGUs commit to the normal operation and maintenance of all infrastructure financed by the Project; **provided, however,** that the Lead Project Agency shall assume full responsibility for the rehabilitation of irrigation structures financed by the project following damage due to flooding or other natural causes.

4. **Re-deployment of LGU Staff.** The Lead Project Agency shall ensure that LGUs re-deploy staff to work full-time or part-time, as required, on project activities prior to their inception.

5. **Gender Concerns.** The Lead Project Agency shall ensure that women are full participants in, and beneficiaries of, the implementation of the project. To such end, the Lead Project Agency shall ensure that:

- (a) all eligible women in targeted communities are encouraged to become members of the relevant community institution, and community groups formed in said communities primarily consist of women;



ANNEX

- (b) women constitute no less than 50% of community organizers, the executive committee members and officers of community institutions, and the members of the [Multi-Stakeholder Committees]; and
- (c) at least 40% of investments under the Community Infrastructure Fund shall directly benefit women who are managing such investments.

6. **Indigenous Peoples' Concerns.** The Lead Project Agency shall ensure that the concerns of indigenous peoples are given due consideration in implementing the project and, to that end, shall ensure that:

- (a) the project is carried out in accordance with the applicable provisions of Indigenous Peoples' Rights (IPRA), and, without limiting the generality of the foregoing, ensure that the free and prior informed consent (as such term is defined in IPRA of affected indigenous peoples is obtained in implementing all project activities in indigenous peoples' areas;
- (b) any forestry or mining concession granted within the project area shall conform to the applicable provisions of IPRA (including those relating to free and prior informed consent) and provide for participation by concerned indigenous peoples in the planning and the implementation thereof;
- (c) indigenous peoples' cultural rights are duly respected;
- (d) ancestral domain sustainable development and protection plans (ADSPPs) developed under the Project are included in the local and national development plans;
- (e) tribal groups are adequately and fairly represented in all local planning for project activities;
- (f) survey and mapping of certificate of ancestral domain claim (CADCs) under the project conform with the requirements of the Housing and Land Use Regulatory Board (HLURB) to facilitate integration with the LGU Land Use Plan;
- (g) not less than 40% of the investments under the Community Infrastructure Fund directly benefits IP communities;
- (h) NCIP has sufficient funding to exercise its mandate in the project area; and
- (i) by the commencement of the mid-term review, the Department of the Interior and Local Government (DILG) shall issue an administrative order requiring the inclusion of tribal council heads in Local Development Councils; simultaneously therewith or promptly thereafter, DILG issues guidelines and criteria for the selection of representatives to be approved by tribal councils; and such administrative order is fully implemented in the project area within one year and at all times thereafter.

7. **Services provided by LGUs.** The Lead Project Agency shall ensure that LGUs do not charge community institutions fees for services provided in connection with the project.

8. **Staff Recruitment and Tenure.** The Lead Project Agency shall ensure that all project staff are recruited in accordance with competitive and transparent criteria and procedures, agreed by the Lead Project Agency and IFAD, and supervised by a multi-sectoral committee composed of representatives of the Government Project Agencies, national NGOs and civil society, and LGUs or Regional



Development Councils in the project area. The project director shall enter into duty prior to the completion of the project manuals, so as to ensure his participation in their preparation. All staff so recruited, seconded or detailed shall have such qualifications and experience as may be required to perform their terms of reference, as agreed by the Lead Project Agency and IFAD. Staff shall be adequate in numbers as specified in the project implementation manual. The Lead Project Agency shall not remove any project staff except for cause and, in the case of key PFO staff, with the prior consultation of IFAD. For purposes hereof, the term “key PFO staff” means the project director, the finance officer, the community development and gender specialist, and the M&E officer.

9. **Environmental Concerns.** As part of maintaining sound environmental practices as required by the General Conditions, the Lead Project Agency shall ensure that:

- (a) effective policies and measures will be enforced to safeguard forest and coastal and lake fishery resources and endangered species and, generally, to preserve bio-diversity in the project area;
- (b) any forestry or mining concession granted within the project area shall conform to all applicable laws; and
- (c) the project parties shall maintain appropriate pest management practices under the project and, to that end, the Lead Project Agency shall ensure that pesticides procured under the project do not include any pesticide either proscribed by the International Code of Conduct on the Distribution and Use of Pesticides of the Food and Agriculture Organization of the United Nations (FAO), as amended from time to time, or listed in Tables 1 (Extremely Hazardous) and 2 (Highly Hazardous) of the World Health Organization (WHO) Recommended Classification of Pesticides by Hazard and Classification 1996-1997, as amended from time to time.

10. **Internal Revenue Allotments (IRAs).** The Lead Project Agency shall ensure that timely and adequate IRAs are made in the national budget in order to allow the LGUs to comply with their obligations to make counterpart contributions available for project implementation.

11. **Insurance of Project Personnel.** The Lead Project Agency shall insure the project director and other key project personnel against health and accident risks to the extent consistent with sound commercial practice or (in the case of staff seconded from Government) the government service insurance system.

12. **Audit Coordination.** The Lead Project Agency shall ensure that the relevant audit office resident in each project party undertakes an audit of such project party’s financial accounts for each fiscal year and, as soon as possible and in no event later than four months after the close of such fiscal year, provides its audit report to the audit office resident in the Lead Project Agency (or such other office as may be charged therewith), so as to enable such office to prepare the consolidated audit report on project accounts in a timely fashion.





13. **Conditions Precedent to Withdrawals.** (a) No withdrawals shall be made in respect of expenditures incurred by any province in the project area until:

- (i) a Provincial Project Coordination Office (PPCO) in such province shall have been duly established and become operational; key PPCO staff (including the provincial project coordinator (PPC) and the monitoring officer) shall have been duly recruited and appointed, with the prior concurrence of IFAD; and
  - (ii) the project account to be operated by such province shall have been duly opened.
- (b) No withdrawals shall be made in respect of expenditures incurred by any municipal LGU until:
- (i) such LGU shall have duly adopted a resolution to abide by the provisions of the loan agreement, in form and substance satisfactory to IFAD; and a copy thereof, certified as true and complete by a competent officer of such LGU, shall have been delivered to IFAD;
  - (ii) a memorandum of agreement between such LGU and the Lead Project Agency (each, a “municipal Memorandum of Agreement”) shall have been approved by IFAD in draft; a copy of such municipal Memorandum of Agreement, as signed by the Lead Project Agency and such LGU, substantially in the form so approved and certified as true and complete by a competent officer of the Lead Project Agency, shall have been delivered to IFAD; the signature and performance thereof by the Lead Project Agency and such LGU have been duly authorized or ratified by all necessary administrative and governmental action; and all conditions precedent to the effectiveness thereof shall have been fulfilled;
  - (iii) such LGU shall have duly opened its project account;
  - (iv) such LGU shall have duly established its project management team and appointed the municipal project manager, in cases where such team does not exist; and
  - (v) such LGU shall have been duly designated as an implementing agency for the project for purposes of Section 17 (c) of the Local Government Code of The Philippines.

14. **Credit Reserve Fund.** No withdrawals shall be made in respect of the Credit Reserve Fund. Based on recommendations made by the credit review, as confirmed by the mid-term review and agreed by the Borrower and the Fund, loan proceeds initially allocated to said Fund shall be either (i) reallocated to another category or other categories, which may include a category or categories established or redefined expressly for such purpose, or (ii) cancelled.

15. **Retroactive Financing.** Withdrawals not exceeding in the aggregate the equivalent of USD 500 000 may be made from the loan account in respect of expenditures incurred before the effective date of the loan agreement but after the signature thereof, in respect of vehicles, equipment and materials, training, studies and technical assistance, service contracts and incremental operating costs.

16. **Conditions Precedent to Effectiveness.** The effectiveness of the loan agreement is subject to the fulfilment of the following conditions:



ANNEX

- (a) the PFO shall have been duly established and become operational;
- (b) a project director shall have been duly recruited and appointed, with the prior concurrence of IFAD; and all other key PFO staff shall have been duly recruited and appointed, with the prior concurrence of IFAD;
- (c) the project steering committee (PSC) shall have been duly established;
- (d) the Government shall have duly opened the special account and each of the project accounts (other than those project accounts to be operated by municipal LGUs);
- (e) the project manuals (other than the M&E manual) shall have been approved by IFAD in draft; a copy thereof as adopted by the PSC, substantially in the form so approved and certified as true and complete by a competent officer of the Lead Project Agency, shall have been delivered to IFAD;
- (f) the Government shall have made an initial budgetary allocation of counterpart funds available to the Lead Project Agency sufficient to cover the first project year;
- (g) this Agreement shall have been duly signed, and the signature and performance thereof by the Government shall have been duly authorized and ratified by all necessary, administrative and governmental action;
- (h) a memorandum of agreement among the Ministry of Finance (MOF), the governmental project agencies and the provincial LGUs in the project area (the Project Memorandum of Agreement) shall have been approved by IFAD in draft; the Project Memorandum of Agreement shall have been signed by the Lead Project Agency, the governmental project agencies and such provincial LGUs; a copy of the signed Project Memorandum of Agreement, substantially in the form so approved and certified as true and complete by a competent officer of the Lead Project Agency, shall have been delivered to IFAD; the signature and performance thereof by the parties thereto shall have been duly authorized or ratified by all necessary corporate, administrative and governmental action; and any conditions precedent to the effectiveness thereof (other than the effectiveness of the loan Agreement) shall have been fulfilled;
- (i) the Lead Project Agency and the Fund shall have agreed in writing on the initial project area; and
- (j) a favourable legal opinion, issued by the Department of Justice of The Philippines, or other legal counsel approved by IFAD, in form and substance acceptable to IFAD, shall have been delivered to IFAD

## COUNTRY DATA

## PHILIPPINES

<b>Land area (km<sup>2</sup> thousand) 1997 1/</b>	298	<b>GNI per capita (USD) 1999 4/</b>	1 050
<b>Total population (million) 1999 4/</b>	74.3	<b>Average annual real rate of growth of GNP per capita, 1990-98 2/</b>	1.5
<b>Population density (people per km<sup>2</sup>) 1998 1/</b>	252	<b>Average annual rate of inflation, 1990-98 2/</b>	8.5
<b>Local currency</b>	Philippine Peso (PHP)	<b>Exchange rate: USD 1 =</b>	PHP 41
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1980-98 1/	2.5	GDP (USD million) 1999 4/	76 559
Crude birth rate (per thousand people) 1998 1/	28	Average annual rate of growth of GDP 1/ 1980-90	1.0
Crude death rate (per thousand people) 1998 1/	6	1990-98	3.3
Infant mortality rate (per thousand live births) 1998 1/	32	Sectoral distribution of GDP, 1998 1/	
Life expectancy at birth (years) 1998 1/	69	% agriculture	17
Number of rural poor (million) (approximate) 1/	16.6	% industry	32
Poor as % of total rural population 1/	51	% manufacturing	22
Total labour force (million) 1998 1/	31.6	% services	51
Female labour force as % of total, 1998 1/	38	Consumption, 1998 1/	
<b>Education</b>		General government consumption (as % of GDP)	13
Primary school gross enrolment (% of relevant age group) 1997 1/	117	Private consumption (as % of GDP)	70
Adult literacy rate (% age 15 and above) 1998 3/	95	Gross domestic savings (as % of GDP)	16
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita, 1997 3/	2 366	Merchandise exports, 1998 1/	29 496
Prevalence of child malnutrition (height for age % of children under 5) 1992-98 1/	33	Merchandise imports, 1998 1/	29 524
Prevalence of child malnutrition (weight for age % of children under 5) 1992-98 1/	30	Balance of merchandise trade	-28
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 1990-98 1/	3.7	before official transfers, 1998 1/	852
Physicians (per thousand people) 1990-98 1/	0.11	after official transfers, 1998 1/	1 287
Percentage population without access to safe water 1990-98 3/	15	Foreign direct investment, 1998 1/	1 713
Percentage population without access to health services 1981-93 3/	n.a.	<b>Government Finance</b>	
Percentage population without access to sanitation 1990-98 3/	13	Overall budget surplus/deficit (including grants) (as % of GDP) 1997 1/	0.1
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 1997 1/	19.3
Food imports as percentage of total merchandise imports 1998 1/	9	Total external debt (USD million) 1998 1/	47 817
Fertilizer consumption (hundreds of grams per ha of arable land) 1995-97 1/	1 354	Present value of debt (as % of GNP) 1998 1/	66
Food production index (1989-91=100) 1996-98 1/	125.8	Total debt service (% of exports of goods and services) 1998 1/	11.8
<b>Land Use</b>		Nominal lending rate of banks, 1998 1/	16.8
Arable land as % of land area, 1997 1/	17.2	Nominal deposit rate of banks, 1998 1/	12.1
Forest area (km <sup>2</sup> thousand) 1995 1/	68		
Forest area as % of total land area, 1995 1/	22.7		
Irrigated land as % of cropland, 1995-97 1/	16.3		

n.a. not available.

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Report*, 20002/ World Bank, *Atlas*, 20003/ UNDP, *Human Development Report*, 20004/ World Bank, *World Development Indicators database*, 2001

## PREVIOUS IFAD FINANCING

Proj Id	Project Name	Initiating Institution	CI	Lending Terms	Board Approval	Loan Effectiv	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of approved amount)
8	Magat River Multipurpose Project Stage II (Irrigation)	WB IBRD	WB IBRD	I	12 Dec 78	25 Apr 79	30 Jun 85	L - I - 8 - PHI	USD	10000000	1
84	Smallholder Livestock Development Project	AsDB	AsDB	I	17 Dec 81	01 Oct 82	30 Sep 89	L - I - 84 -	SDR	7100000	0.326
108	Communal Irrigation Development Project	WB IBRD	WB IBRD	I	15 Sep 82	29 Mar 83	30 Jun 91	L - I - 108 - PH	SDR	10800000	0.643
196	Highland Agriculture Development Project	AsDB	AsDB	I	03 Dec 86	21 Aug 87	31 Dec 93	L - I - 196 - PH	SDR	3900000	0.775
302	Visayas Communal Irrigation and Participatory Project	IFAD	UNOPS	I	14 Apr 92	25 Aug 92	31 Dec 99	L - I - 302 - PH	SDR	11000000	0.889
486	Cordillera Highland Agricultural Resource Management Project	AsDB	AsDB	HC	06 Dec 95	04 Dec 96	30 Sep 03	L - I - 397 - PH	SDR	6150000	0.221
505	Rural Micro-Enterprise Finance Project	IFAD	AsDB	HC	18 Apr 96	04 Dec 96	01 Mar 02	L - I - 416 - PH	SDR	10150000	0.575
1066	Western Mindanao Community Initiatives Project	IFAD	UNOPS	HC	23 Apr 98	25 Mar 99	31 Dec 05	G - I - 317 - PH	SDR	560000	0.398
1066	Western Mindanao Community Initiatives Project	IFAD	UNOPS	HC	23 Apr 98	25 Mar 99	31 Dec 05	L - I - 474 - PH	SDR	11000000	0.1



## INDICATIVE DYNAMIC LOGICAL FRAMEWORK

NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<p>Goal</p> <p>Reduced vulnerability and enhanced food security of some 58 000 households of selected areas of Caraga and Northern Mindanao.</p>	<p><b>Self-monitoring indicator</b> – At least 60% of the households in the project-related areas report considerable improvements in their livelihoods (by gender, status, ethnicity).</p> <p><b>Social status indicator</b> – The reported social status of 40% of households is considerably enhanced (by gender, status, ethnicity).</p> <p><b>Food security indicator</b> – The prevalence of chronic malnutrition among children less than five years old reduced by 25% in project-related areas (by gender).</p> <p><b>Health status indicator</b> – The reported health status of women and children considerably improved.</p> <p><b>Access to assets indicator</b> – Indigenous peoples provided with secure/restored rights to their ancestral domains.</p> <p><b>Income indicators</b> – (a) % increase in annual average household income (by gender, status, ethnicity); (b) % increase in per capita income (by gender, status, ethnicity).</p> <p><b>Political representation indicator</b> – Representation of indigenous peoples in local councils.</p> <p><b>Gender empowerment index</b> – No. of women reporting increased employment opportunities, increased income, increased access to assets and funds, improved health, greater economic independence, more mobility and decision-making power, reduced violence and discrimination as a result of the project.</p> <p><b>Replication indicator</b> – Government and non-governmental organizations (NGOs) adopt at least two successful models piloted by the project for replication on a wider scale by 2007.</p>	<p>Baseline survey, case studies, mid-term review and terminal impact evaluation.</p> <p>Periodic project reports.</p> <p>Census of population and income.</p> <p>National Credit Council (NCC) nutrition and health surveys.</p> <p>General Appropriation Act.</p> <p>Budget performance reports.</p>	<p>Political and economic stability.</p> <p>Absence of civil strife and violence and continuation of peaceful conditions.</p> <p>No major external economic shocks.</p> <p>No devastation, natural calamities or other <i>force majeure</i>.</p> <p>Acceptance and support for the strategic vision and operational methodology of the project by the implementing agencies and the target beneficiaries.</p>





NARRATIVE SUMMARY	PERFORMANCE INDICATORS	MEANS OF VERIFICATION	CRITICAL ASSUMPTIONS
<p><i>Purpose</i></p> <p>Community institutions of marginalized and vulnerable households in some 270 <i>barangays</i> empowered to plan, execute and monitor diverse activities for sustainable productivity enhancement of their natural resource endowment and for expanding livelihood opportunities with a view to achieving food security, increased incomes and the integration of marginalized groups.</p>	<ol style="list-style-type: none"> <li>1. Viable, self-reliant and empowered community institutions established in not less than 75% of selected settlements (<i>sitios</i>) by 2007 with: <ul style="list-style-type: none"> <li>• 60% of the target households consuming at least the minimum recommended caloric, protein and vitamin food intake;</li> <li>• livelihood opportunities improved for at least 60% of the population;</li> <li>• communicable diseases reduced by 30%;</li> <li>• at least 85% of eligible children (boys and girls) attending compulsory education;</li> <li>• over 60% of women reporting benefits and enhanced role in livelihood decisions by 2007.</li> </ul> </li> <li>2. At least 60% of members of community institutions reporting confidence in and ability to access resources from service providers.</li> <li>3. In non-tribal areas, community development plans prepared, implemented and monitored by at least 60% of community institutions by PY5.</li> <li>4. In tribal areas, at least 70% of Certificates of Ancestral Domain Claims (CADCs) surveyed and affirmed and with an ancestral domain sustainable development and protection plan (ADSPP) prepared.</li> <li>5. 50% of the ADSPPs are integrated and funded under local and national plans and budgets.</li> <li>6. At least 60% of tribal groups represented in local councils.</li> </ol>	<ol style="list-style-type: none"> <li>1. Initial baseline survey, periodic evaluations and case studies.</li> <li>2. Mid-term review at the end of PY3.</li> <li>3. Terminal impact evaluation.</li> <li>4. Census of population and income.</li> <li>5. National Credit Council (NCC) health and nutrition survey.</li> <li>6. Budget and performance reports.</li> <li>7. Annual reports of LGUs and line agencies.</li> <li>8. NCIP reports.</li> <li>9. General Appropriation Act.</li> </ol>	<ol style="list-style-type: none"> <li>1. Effective support services and sustained facilitation from local government units (LGUs), national government agencies, NGOs and other civil-society institutions.</li> <li>2. Willingness of the target communities to adopt new technologies, improve skills and undertake complex activities.</li> <li>3. Effective management and coordination of project.</li> <li>4. Full and effective implementation of Indigenous Peoples' Rights Act (IPRA), including the rehabilitation of the National Commission for Indigenous Peoples (NCIP).</li> <li>5. Enabling meteorological regime.</li> </ol>
<b>OUTPUTS</b>			
<b>Community Institutions and Participatory Development</b>			
<ol style="list-style-type: none"> <li>1. Community institutions of indigenous people, poor upland farmers, agrarian reform beneficiaries, poor fisher families and women established.</li> </ol>	<ol style="list-style-type: none"> <li>1. About 250 community institutions established by PY4.</li> <li>2. About 350 self-help groups (SHGs) of women and other user groups and resource management groups established by PY4.</li> <li>3. At least 65% of the SHGs have functioning savings and credit operations within a year of their establishment.</li> <li>4. A trained community organizer (CO) deployed in every <i>sitio</i> covered by the project within a year after inception of project activities in that <i>sitio</i>.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Records maintained by the groups/ NGOs/LGUs.</li> <li>❖ Periodic reports collected and compiled by the provincial project coordination office (PPCO) and the project facilitation office (PFO).</li> <li>❖ Supervision reports.</li> <li>❖ Studies and assessment reports within and outside the project.</li> <li>❖ Accounts and audit reports of</li> </ul>	<ol style="list-style-type: none"> <li>1. Strong and sustained facilitation by the partner NGO and support by the LGU and the national government agency (NGA).</li> <li>2. Willingness of the target communities to work together as a group.</li> <li>3. Spirit of community development and vision for long-term social advancement and economic development accepted and internalized</li> </ol>

	<p>5. 80% of community facilitators, SHG/community institutions leaders trained and effectively operating.</p> <p>6. At least 50% of the executive committee of the community institutions and user groups and all members of SHGs are women.</p> <p>7. Not less than 30% of the institutions consist exclusively or have a majority of indigenous people.</p> <p>8. 70% of advocacy work conducted successfully and resolved in a transparent manner.</p> <p>9. Relevant LGU and NGO staff provide capacity-building assistance and operate satisfactorily.</p>	the institutions.	<p>by all stakeholders.</p> <p>4. Transparent and effective operation and management of the grant fund.</p> <p>5. Transparent selection of NGOs.</p> <p>6. Effective integration of NGOs in the overall management and coordination system.</p>
<p>2. Community institutions and sub-groups empowered to plan, implement and monitor activities for their development.</p>	<p>1. Community development plans prepared, activities prioritized, budget prepared within two years of establishment of community institutions.</p> <p>2. Not less than 75% of the community institutions capacitated to negotiate their entitlements with LGUs and other agencies by the time the development plan is prepared.</p> <p>3. At least 75% of the CIs acquired financial management skills to manage community investment fund within a year of their establishment.</p> <p>4. All agrarian reform communities and not less than 50% of the indigenous peoples with claims over ancestral domains acquire secure tenure over the lands held by them by 2007.</p>	<ul style="list-style-type: none"> <li>❖ Records maintained by cooperating institutions (CIs)/LGU/NGOs/NCIP and the Department of Environment and National Resources (DENR).</li> <li>❖ Periodic reports prepared by the PPCO/PFO.</li> <li>❖ Supervision reports.</li> <li>❖ Assessment of the project by the Government and other institutions.</li> </ul>	<p>1. Strong and sustained facilitation by the NGOs/LGUs.</p> <p>2. The project implementation team is responsive and sensitive and is equipped with skills and knowledge required for facilitating the preparation of community plans and supporting their implementation and monitoring by the community.</p> <p>3. Communities are fully geared to acquire the skills and knowledge required to prepare, implement and monitor participatory resource management plans.</p> <p>4. CIs are sensitive to the needs and requirements of women and indigenous people.</p>
<b>Community Institutions and Participatory Development</b>			
<p>3. Planning coordination, extension and management systems improved in 36 municipalities for effective support to the community institutions.</p>	<p>1. Quality and efficiency of support services provided by the municipalities improved as perceived by not less than 75% of the community institutions by 2007.</p> <p>2. Changes effected in the priorities and policies of the LGUs, demonstrated by the deployment of extension staff in the project <i>barangays</i> and timely release of counterpart funds within PY1.</p> <p>3. CIs facilitated to prioritize and budget for a number of subproject s and agreements reached between CIs and LGUs for execution and monitoring the performance of these subprojects.</p> <p>4. LGU staff trained, oriented and motivated.</p> <p>5. Operation manuals and systems for effective functioning of LGUs established.</p>	<ul style="list-style-type: none"> <li>❖ Progress reports and monitoring and evaluation (M&amp;E) reports.</li> <li>❖ LGU records, accounts and reports.</li> <li>❖ Individual subproject progress reports.</li> <li>❖ Interim impact assessment report.</li> <li>❖ Line agency field and periodic reports.</li> <li>❖ LGU budgets.</li> <li>❖ Public opinion surveys.</li> </ul>	<p>1. Continued and effective government decentralization and fiscal devolution.</p> <p>2. LGUs adopt responsible and prudent procedures to fund and implement community development plans.</p> <p>3. LGUs receive funds allocation – internal revenue allotment (IRA) – from the central government.</p> <p>4. LGUs adopt planning procedures and recruit staff where necessary and indicated by the PFO.</p> <p>5. Overall LGU cooperation and enthusiasm.</p>





<b>Community Investment</b>			
<p>4. Critical needs of the community for drinking water, access roads and irrigation fulfilled, with community assuming responsibility for planning, implementation, operation and maintenance.</p>	<ol style="list-style-type: none"> <li>1 About 200 km of <i>barangay</i> roads and tracks rehabilitated, resulting in enhanced access to inputs, services and markets by 2007.</li> <li>2 More than 2 000 households provided with potable drinking water, resulting in the reduction of water-borne disease incidence by 50% and reduced work burden on women by PY6.</li> <li>3 Basic services provided to at least 60% of IP habitations by 2007.</li> <li>4 Wide range of livelihood, interventions, resulting in increased food security, provided to at least 50% of indigenous peoples participating households.</li> <li>5 About 80% of targeted 280 ha of hitherto rainfed areas acquired irrigation, resulting in intensification and diversification of cropping systems leading to enhanced food production and higher income accrual for at least 50% of the participant households by 2007.</li> <li>6 CIs assume ownership of operation and maintenance of infrastructure.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Records of the CI/NGO/LGU/PFO.</li> <li>❖ Records of irrigators' associations.</li> <li>❖ Periodic surveys.</li> <li>❖ Workload analysis of women.</li> <li>❖ Supervision reports.</li> <li>❖ Progress reports.</li> </ul>	<ol style="list-style-type: none"> <li>1. LGUs provide the required counterpart funds.</li> <li>2. Effective technical backstopping from the LGUs and the national government agencies.</li> <li>3. CIs acquire the capacity to plan, execute, operate and maintain assets.</li> <li>4. Adequate extension support is provided by LGUs, ackstopped by the Department of Agriculture (DA).</li> </ol>
<p>5 Viable microfinancial services established with women at the centre of activities.</p> <p>NOTE: This sub-component will only be implemented if warranted as a result of a study on the credit situation to be conducted in PY3.</p>	<ol style="list-style-type: none"> <li>1. At least 50% of SHGs within two years of establishment are eligible for microfinance and other credit facilities.</li> <li>2. 75% of the SHGs have functioning savings and credit activity within a year of establishment.</li> <li>3. At least 25% of the SHG members avail themselves of microfinance service within a year of establishment of the SHG.</li> <li>4. At least 10% of the SHGs have obtained production grant at the end of first year of establishment and 60% by the end of PY6.</li> <li>5. Over 20% of the defunct cooperatives revived, strengthened and linked to financial institutions by PY4.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Records maintained by the SHGs.</li> <li>❖ Periodic reports of the NGO/LGU/PFO and the Land Bank of The Philippines (LBP).</li> <li>❖ Accounts and audit reports.</li> <li>❖ Reports of LBP and the People's Credit and Finance Corporation (PCFC).</li> </ul>	<ol style="list-style-type: none"> <li>1. NGOs have the capacity to nurture SHGs.</li> <li>2. Women are responsive and enthusiastic about collective action, self-reliance and micro functional operations.</li> <li>3. LGU provides equity contribution to SHGs based on the functional dynamism of the SHGs.</li> <li>4. Financial institutions are proactive and respond to the needs of the principal clients of the project and re-engineer their systems and procedures accordingly.</li> </ol>
<b>Natural Resource Management</b>			
<p>6 Capacity of the LGUs and communities to plan and execute integrated watershed management interventions enhanced</p>	<ol style="list-style-type: none"> <li>1. Watershed management plans prepared for all selected LGUs by the end of PY4, following the provisions of IPRA, when applicable.</li> <li>2. 50% of targeted watershed taken up for comprehensive management before the end of PY4.</li> <li>3. Comprehensive whole farm plans prepared for sustainable productivity enhancement of the lands owned by the target households through participatory process within two years of the establishment of</li> </ol>	<ul style="list-style-type: none"> <li>❖ LGU records and watershed management plans.</li> <li>❖ Field surveys, case studies, evaluations.</li> <li>❖ Reports of PFO/NGAs/LGUs/NGOs.</li> <li>❖ Reports of the CIs.</li> </ul>	<ol style="list-style-type: none"> <li>1. LGUs/NGOs/NGAs have the capacity to prepare and execute watershed management plans with the participation of the community institutions.</li> <li>2. LGUs and other partner agencies are sensitive to the need for natural resources conservation.</li> <li>3. LGUs and the national government</li> </ol>





	community institutions in at least 50% of the <i>barangays</i> . 4. Resource management plans prepared and implemented for special areas such as Dinagat Island, Mainit Lake, coastal clusters of Surigao del Sur province before PY6		agencies have the capacity to equip the communities with skills required for preparation and implementation of whole farm development plans	
7	Appropriate farming system technologies identified, developed, adapted, tested with farmers and widely disseminated.	<ol style="list-style-type: none"> <li>1. Over 25% of the gross cropped area of the project beneficiaries under improved cropping system within four years of entry.</li> <li>2. Over 20% of the upland farmers diversified their cropping systems with increased yields within five years of inception.</li> <li>3. Improved on-farm water management measures and double cropping adopted by over 30% of the farmers with access to irrigation by the end of PY4.</li> <li>4. Over 20% of the coconut/banana systems diversified with a range of fruit trees, improved coconuts, coffee, abaca, etc., within five years of entry.</li> <li>5. Over 50% of homesteads adopt intensive cropping systems by the end of PY4.</li> <li>6. 70% of the area under slash-and-burn agriculture stabilized and fallow cycle lengthened by at least a year by 2007.</li> <li>7. On-farm participatory research implemented by agricultural trainers (ATs) and community institutions with appropriate technical support.</li> <li>8. Over 30% of the households report improved productivity of livestock within three years of entry.</li> <li>9. Specific indicators for the performance of different farming systems developed with community participation by the end of second year of entry.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Baseline survey, periodic monitoring and evaluation.</li> <li>❖ Crop yield and agriculture surveys.</li> <li>❖ Reports of the Department of Agriculture (DA), Department of Agrarian Reform (DAR) and DENR.</li> <li>❖ Impact evaluation and mid-term evaluation.</li> </ul>	<ol style="list-style-type: none"> <li>1. Field trials find a wider and more flexible range of appropriate and profitable extension packages acceptable to farmers.</li> <li>2. The extension and research functionaries provide sustained support to the community institutions.</li> </ol>
8	Proven efficient fishery enterprise options adopted by over 1 500 fisher families	<ol style="list-style-type: none"> <li>1. Comprehensive fisheries resource management plans prepared and implemented by over 25% of target fisher households.</li> <li>2. Proven fishery enterprise options (cage, niche, seaweed, crab) adopted by some 1 000 households.</li> <li>3. Sustainable fisheries policies and strategies adopted and implemented by coastal LGUs by PY 4.</li> <li>4. Household income of fisher families increased by at least 20% by PY 6.</li> </ol>	<ul style="list-style-type: none"> <li>❖ Provincial and LGU reports.</li> <li>❖ FRS and community field extension worker (CFEW) records.</li> </ul>	<ol style="list-style-type: none"> <li>1. Fisheries regulations are imposed and enforced by DENR and LGUs.</li> <li>2. Pilot trials and demonstrations are successful.</li> <li>3. New enterprises and techniques are feasible and profitable.</li> </ol>
<b>Socio-Economic Support Services and Studies</b>				
9	Effective Government and private advisory, research and counselling services for all enterprises provided and effective marketing information system installed.	<ol style="list-style-type: none"> <li>1. About 1 000 small farm and non-farm enterprises established by PY6.</li> <li>2. Credit provided to at least 50 cooperatives to establish farm, fisheries and non-farm enterprises by PY6.</li> </ol>	<ul style="list-style-type: none"> <li>❖ LGU and PFO reports.</li> <li>❖ Reports of the cooperatives and the LBP.</li> </ul>	<ol style="list-style-type: none"> <li>1. The executing agencies provide sustained support in close association with the appropriate private-sector agencies.</li> </ol>

			2. LBP and PCFC are proactive in providing credit to the target households.
10 Health and nutritional status of indigenous participant communities improved.	<p>1. Comprehensive health plan for indigenous peoples prepared, 270 <i>barangay</i> health workers trained, 1 000 functional literacy courses conducted and four mobile clinics established and expected to effect the following:</p> <ul style="list-style-type: none"> <li>• incidence of malnutrition among children below five years of age, pregnant and lactating mothers reduced by 30% by PY6;</li> <li>• incidence of water-borne diseases decreased by 25% by PY6;</li> <li>• incidence of Bilharziasis reduced by 20% in the villages surrounding Lake Mainit by PY6;</li> <li>• consciousness regarding health, hygiene and sanitation improved in the project area as measured by increased demand for health services and improved surveillance, registration and consumption of medicines, etc.</li> </ul> <p>2. A framework for a sustainable drug supply system for the municipalities prepared.</p> <p>3. Improved coordination and assistance by NCIP to tribal communities with the provision of vehicles and operating budgets at provincial level.</p>	<ul style="list-style-type: none"> <li>❖ Baseline survey and the periodic monitoring and evaluation reports.</li> <li>❖ Case studies.</li> <li>❖ Impact evaluation and mid-term review.</li> <li>❖ Health surveys.</li> <li>❖ NCIP reports.</li> </ul>	<p>1. The existing health delivery system has the intrinsic capacity to respond to the needs of the community with specific inputs.</p> <p>2. The <i>barangay</i> health workers have the potential to provide preventive and promotive health services with capacity- enhancement inputs.</p>
<b>Support Fund for Indigenous Peoples</b>			
11 Indigenous peoples tribal council heads members of local development councils (LDCs).	<p>1. Media material on IPRA produced and disseminated and information campaigns on IPRA carried out.</p> <p>2. Orientation training of tribal leaders on the role of LDCs in the development of ancestral domains conducted.</p> <p>3. Indigenous peoples coalition groups promoted and represented at various levels of governance.</p> <p>4. LGU and national agencies' staff trained and oriented on IPRA and development concerns of indigenous peoples.</p> <p>5. Administrative order requiring inclusion of tribal council heads in local development councils issued by DILG.</p>	<ul style="list-style-type: none"> <li>❖ Reports of NGO and of NCIP/PPCO/PFO.</li> <li>❖ DILG reports.</li> <li>❖ Publication of General Appropriation Order in the Gazette.</li> </ul>	1. LGUs are responsive to tribal representation in councils and to integrating their plans and budgets. LGUs/DILG agree to implement IPRA.
12 Ensured security of tenure of indigenous peoples.	<p>1. 100 indigenous peoples sent on cross visits.</p> <p>2. Innovative participatory surveys, mapping of perimeters and current land uses of selected CADCs successfully undertaken in conformity with the requirements of the Housing and Land Use Regulatory Board (HLURB).</p>	<ul style="list-style-type: none"> <li>❖ Reports of qualified partner NGO.</li> <li>❖ Reports by NCIP/ DNER/PPCOs/PFO.</li> <li>❖ Progress reports and monitoring and evaluation (M&amp;E) reports.</li> </ul>	<p>1. Boundary conflicts on CADs/CALTs successfully resolved.</p> <p>2. DNER adopts methodology.</p> <p>5. NCIP becomes fully operational and able to prepare ADMPs, issue CADCs and affirm ADSPPs.</p>



	<p>3. Survey and mapping data typed and kept in NCIP vault with duplicate records with tribal councils.</p> <p>4. CALTs/CADTs titles successfully issued.</p>			
13	<p>Integration of Ancestral Domain Sustainable Development and Protection Plan with local and national development plans and budgets</p>	<p>1. ADSPPs prepared with the participation of indigenous peoples for at least 70% of the declared and surveyed CADCs ;</p> <p>2. At least 50% of ADSPPs integrated in local and national plans and budgets.</p>	<p>1. Municipalities and other LGUs willing to cooperate with project/partner NGO.</p> <p>2. Sufficient funds budgeted for implementation of ADSPPs.</p>	
<b>Project Management</b>				
14	<p>Efficient, responsive and cost-effective project services to community institutions provided.</p>	<p>1. PFO and project offices established at the provincial and municipal levels before inception of project activities.</p> <p>2. Competent NGOs contracted to provide sustained participatory facilitation to the community institutions.</p> <p>3. Efficient technical services provided through in-house experts and experts contracted to provide specific services.</p> <p>4. Effective MIS established before the end of PY1.</p> <p>5. Sustained capacity-building inputs provided to the extension staff whose efficiency is enhanced through provision for mobility.</p> <p>6. Systems and procedures established through project implementation manual to ensure streamlined delivery of support services and to promote transparency and accountability.</p> <p>7. Not less than 30% of the staff are women to ensure adequate support to women.</p> <p>8. Participatory processes become an integral part of development interventions of the Government as demonstrated by the attitude and work culture of the agencies.</p>	<ul style="list-style-type: none"> <li>❖ Reports of different implementing agencies.</li> <li>❖ Management Information System (MIS).</li> <li>❖ Project implementation manual and manual for the operation of community investment fund (CIF).</li> </ul>	<p>1. Municipalities and other LGUs cooperate with project and take advantage of project services.</p> <p>2. LGUs accept principles of cost recovery and improved travel and other allowances for LGU staff, service contract systems, performance criteria and improved management systems.</p> <p>3. Project management staff at all levels are properly recruited, trained and operating satisfactorily.</p> <p>4. Sufficient funds are budgeted and released for project implementation</p>



## ORGANIZATION AND MANAGEMENT

1. The Project Facilitation Office (PFO) will: (i) provide national and interregional/provincial coordination with other projects and technical, administrative and management support to the Provincial Project Coordination Office (PPCO); (ii) resolve conflicts among key project stakeholders; (iii) liaise with IFAD and other donors working in the project area; (iv) process major procurement of goods and services in cooperation with the six provinces and the multisector committee; (v) design and establish a monitoring and evaluation (M&E) and beneficiary impact assessment system for the project, satisfactory to IFAD, within six months of loan effectiveness, and operate the system; (vi) update the project implementation, community investment and M&E systems manuals as necessary; (vii) arrange for external evaluations of the project (mid-term and completion); and (viii) operate the project account. In addition, the PFO will undertake a series of yearly tasks related to planning, budgeting, accounting and reporting including consolidation of project annual workplans and budgets (AWPBs).
2. A project steering committee, headed by the Department of Agrarian Reform (DAR), will comprise the Department of Agriculture (DA), the Department of Budget Management (DBM), the Department of Environment and Natural Resources (DENR), the Department of Interior and Local Government (DILG), the Department of Finance (DOF), the Land Bank of The Philippines (LBP), the National Commission for Indigenous Peoples (NCIP), the National Economic and Development Agency (NEDA) and the People's Credit and Finance Corporation (PCFC) as members. Its tasks will include: (i) provision of policy guidance in respect of government policy; (ii) provision of interdepartmental coordination where the PFO is unable to resolve issues; (iii) endorsement of AWPBs and progress reports; and (iv) forwarding to IFAD for approval the second priority group of *barangays* eligible for project assistance, based on clear and transparent criteria and with due consideration on the *barangays* in CADCs.
3. At the regional level, the Regional Development Council will review, on a quarterly basis, the implementation of the project, together with all other development activities and provide operational guidance for its streamlined implementation.
4. At the provincial level, the Provincial Project Coordination Office (PPCO) will provide technical assistance to the municipal local government units (LGUs) and coordinate all project activities in the province, ensure that project activities are coordinated with those of the other donor agencies operating in the province, endorse the AWPBs prepared by the municipalities and non-governmental organizations (NGOs) prior to their consolidation and subsequent submission to the PFO and review, endorse and consolidate the semestral and annual progress reports prepared by the municipalities and NGOs. The Provincial Development Council will oversee project implementation along with all other development activities in the province.
5. At LGU level, in each project municipality a project management team, comprising key officials under the overall supervision of the mayor, will implement project activities in accordance with the AWPB. One staff member will be assigned to the project as the municipal project manager, who will assist the mayor in coordinating all activities relating to the project. In addition, the municipal planning and development coordinator, in conjunction with the multisectoral committee, will review the feasibility of the proposals submitted by the *barangays*, monitor project progress and submit progress reports to the PPCO. The Municipal Development Council will review the performance of the project every month. The captains of participating *barangays*, at least one representative from each of the community institutions, self-help groups (SHGs), indigenous groups and the network NGOs will attend these meetings.
6. At the *barangay* level, the *Barangay* Development Council (BDC) will monitor and facilitate the implementation process. A project implementation team comprising the NGO staff, the BDC and the DAR development facilitator will be responsible for supporting the target communities in the implementation of different activities.



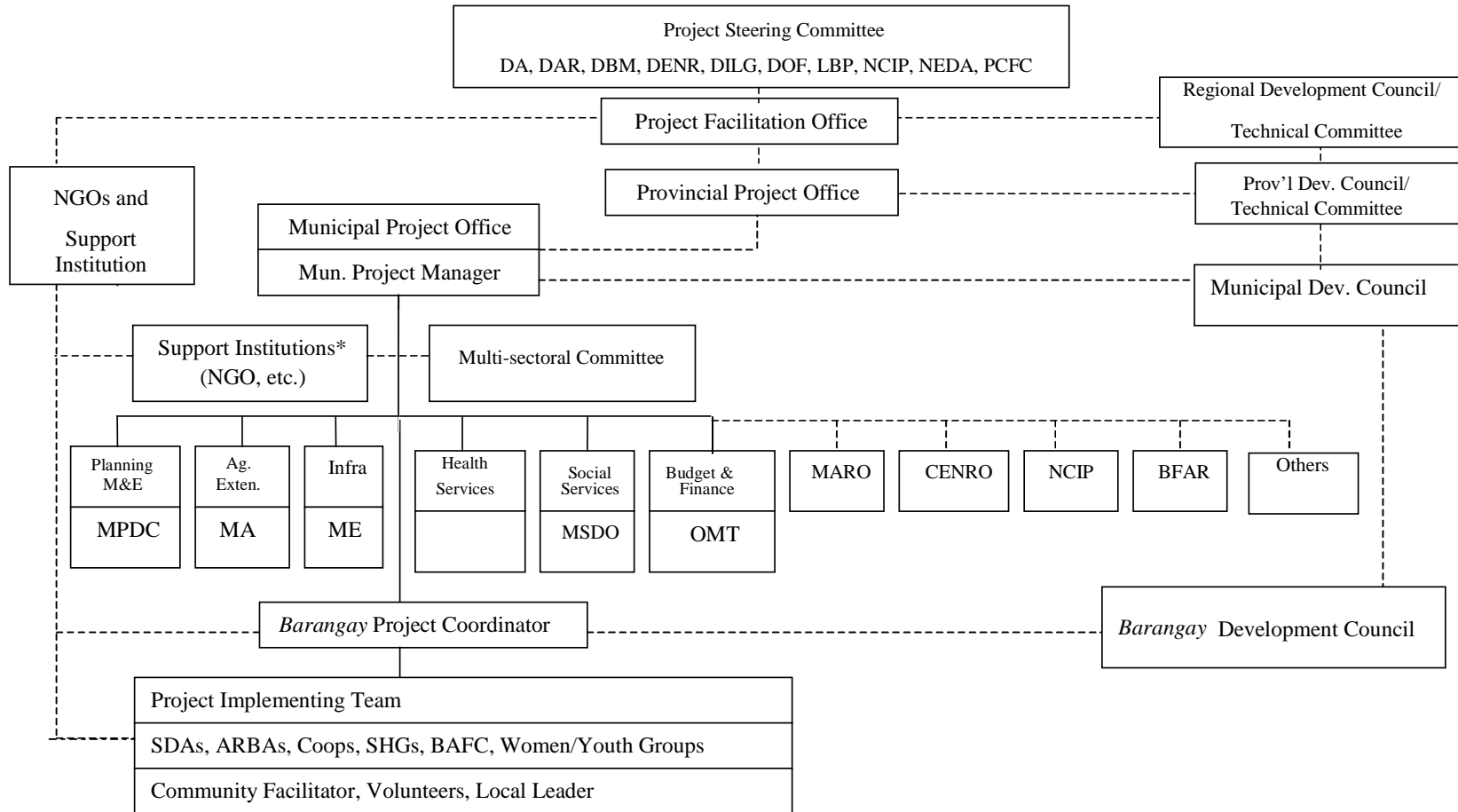
APPENDIX IV

7. A multisectoral committee (comprising representatives from the LGU, community institutions/beneficiary groups, local religious and civic leaders, PFO, NCIP and network NGOs) assisted by the PFO, will select NGOs on a competitive and transparent basis. Priority will be given to local NGOs that fulfil the criteria for specific tasks. The selection process will have three stages: (i) a prequalification process that will include consultations with NGOs, which will result in a long list of qualified NGOs selected by themselves from among their ranks; (ii) shortlisting of prequalified NGOs based on their technical proposal; and (iii) competitive bidding following IFAD procurement procedures (i.e. local shopping or local competitive bidding depending on the size of the contract). The multisectoral committee, which will be involved in each step of the process, will prevent any group from having undue pressure and influence in the decision-making process.

8. **Monitoring and evaluation.** The project's M&E system will include:

- a management information system to monitor the financial and physical progress at different operational levels to enable remedial action where needed, enhance the capacity of LGUs to monitor poverty alleviation initiatives effectively and provide feedback to the national agencies.
- A participatory monitoring system operated by the community institutions to enable them to assess the performance of different project interventions and explore local solutions to problems, and seek assistance from the LGUs and other relevant entities.
- A baseline survey to be undertaken to gather for each project municipality information that is unavailable from the published data – including indicators of community empowerment, gender mainstreaming, poverty, agriculture, livestock and fisheries, rural infrastructure, basic social services, LGU capacity, compliance with the Indigenous Peoples' Rights Act (IPRA) and integration of national programmes with the local plans. This survey will provide a sound database for future assessment of project impact.
- A system to be established to evaluate the process and impact of the project with specific focus on household food security, livelihood opportunities, community empowerment, emphasizing women and the indigenous population, as well as other health and socio-economic indicators. To ensure objectivity, independent and competent institutions will perform the evaluation.

# ORGANIZATION AND MANAGEMENT



## MUNICIPAL IMPLEMENTATION STRUCTURE

