Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 32660-PH

IMPLEMENTATION COMPLETION REPORT
(SCL-45220 TF-26782 TF-23302)

ON A

LOAN

IN THE AMOUNT OF US$27.5 MILLION

TO THE

PHILIPPINES

FOR A

MINDANAO RURAL DEVELOPMENT PROJECT
APL PHASE1

June 28, 2005

Rural Development and Natural Resources Sector Unit
East Asia and Pacific Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 24, 2005)

Currency Unit	=	Philippine Peso (PhP)
PhP1.00	=	US$ 0.0179
US$ 1.00	=	PhP55.636

FISCAL YEAR

Government : January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AFMA	Agriculture and Fisheries Modernization Act
AFMP	Agriculture and Fisheries Modernization Plan
APL	Adaptable Program Loan
BDP	Barangay Development Plan
CAS	Country Assistance Strategy
CFAD	Community Fund for Agricultural Development
CIS	Communal Irrigation Systems
CMBC	Coastal/Marine Biodiversity Conservation
DA	Department of Agriculture
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DOF	Department of Finance
FMR	Farm-to-Market Road
GEF	Global Environment Facility
GOP	Government of the Philippines
IA	Irrigators' Association
IPs	Indigenous Peoples
LGC	Local Government Code
LGU	Local Government Unit
M&E	Monitoring and Evaluation
MDFO	Municipal Development Fund Office
MRDP 1	First Mindanao Rural Development Project
MTPDP	Medium Term Philippine Development Plan
MTR	Mid-Term Review
NEDA	National Economic and Development Authority
NGA	National Government Agency
NGO	Non-Government Organization
NIA	National Irrigation Authority
O&M	Operation and Maintenance
PAD	Project Appraisal Document
PCO	Program Coordination Office
PMO	Project Management Office
POs	Peoples Organizations
RDPAP	Rural Development Planning for Agricultural Development
RFU	Regional Field Unit
SAC	Sub-project Approval Committee

Vice President:	Jemal ud-din Kassum, EAPVP
Country Director	Joachim von Amsberg, EACPF
Sector Director	Mark Wilson, EASRD
Task Team Leader/Task Manager:	Carolina V. Figueroa-Geron, EASRD

PHILIPPINES
MINDANAO RURAL DEVELOPMENT PROJECT
APL PHASE 1

CONTENTS

Project ID: P058842	*Project Name:* PH - MINDANAO RURAL DEV
Global Supplemental ID: P059933 *(Partially Blended)*	*Supp. Name:* PH - COASTAL MARINE
Team Leader: Carolina V. Figueroa-Geron	*TL Unit:* EASRD
ICR Type: Core ICR	*Report Date: June 29, 2005*

1. Project Data

Name: PH - MINDANAO RURAL DEV
L/C/TF Number: SCL-45220; TF-26782
Country/Department: PHILIPPINES
Region: East Asia and Pacific Region

Sector/subsector: Roads and highways (48%); General agriculture, fishing and forestry sector (25%); Sub-national government administration (22%); Water supply (4%); Micro- and SME finance (1%)
Theme: Decentralization (P); Nutrition and food security (P); Other rural development (S); Indigenous peoples (S); Participation and civic engagement (S)

KEY DATES			*Original*	*Revised/Actual*
PCD:	06/25/1998	*Effective:*	03/02/1999	03/13/2000
Appraisal:	05/19/1999	*MTR:*	09/16/2002	09/16/2002
Approval:	12/02/1999	*Closing:*	12/31/2003	12/31/2004

Supplemental Name: PH - COASTAL MARINE
L/C/TF Number: TF-23302

Sector/subsector: Roads and highways (47%); Irrigation and drainage (25%); Sub-national government administration (18%); Water supply (7%); Micro- and SME finance (3%)
Theme: Rural services and infrastructure (P); Decentralization (P)

KEY DATES			*Original*	*Revised/Actual*
GEF Council:	05/07/1999	*Effective:*	03/02/1999	10/03/2000
Appraisal:	05/19/1999	*MTR:*	03/02/2002	04/19/2004
Approval:	12/02/1999	*Closing:*	12/31/2003	12/31/2005

Borrower/Implementing Agency: Government of the Philippines (GOP)/Department of Agriculture (DA) and Department of Environment and Natural Resources (DENR) for the GEF-Funded Component
Other Partners:

STAFF	Current	At Appraisal
Vice President:	Jemal-ud-din Kassum	Jemal-ud-din Kassum
Country Director:	Joachim von Amsberg	Robert V. Pulley
Sector Director:	Mark D. Wilson	Mark D. Wilson
Team Leader at ICR:	Carolina V. Figueroa-Geron	Rahul Raturi
ICR Primary Author:	Carolina V. Figueroa-Geron and Ajay Markanday	

2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

	Rating	Rating (Supplemental GEF)
Outcome:	S	
Sustainability:	L	
Institutional Development Impact:	SU	
Bank Performance:	S	
Borrower Performance:	S	

	QAG (if available)	ICR
Quality at Entry:	S	S
Project at Risk at Any Time:	Yes	

3. Assessment of Development Objective and Design, and of Quality at Entry

3.1 Original Objective:

The long-term Mindanao Rural Development Program (the Program) is designed as a targeted poverty reduction program for the rural poor and indigenous communities of Mindanao, aimed at improving incomes and food security in the targeted rural communities within the 25 provinces of Mindanao. This would be achieved through the implementation of better-targeted agricultural and fisheries-related rural development and biological diversity conservation programs and through improved institutional, technical, management and financial capabilities and systems of participating local government units (LGUs). A series of four Adaptable Program Loans (APLs), each of which is between three to four years duration, was envisaged to cover the Program. The First Mindanao Rural Development Project (MRDP 1), initiated the approaches and processes in engaging LGUs, rural communities and national government agencies (NGAs) in planning, designing and implementing rural development and coastal resources conservation programs.

The MRDP 1 aimed to initiate the program in five selected provinces (North Cotabato, Sultan Kudarat, Agusan del Sur, Compostela Valley and Maguindanao) and 32 municipalities: (i) to implement and refine institutional, financial and community-based planning and management systems for supporting rural development; (ii) to improve LGU capability for agricultural development planning, implementation and monitoring and evaluation (M&E), in partnership with NGAs and local technical institutions; and (iii) to respond to community priorities for key rural infrastructure.

The Project Appraisal Document (PAD) considered that the experience and lessons from the MRDP would be crucial for scaling-up the Program to other provinces in Mindanao under MRDP APL 2, subject to progress in the fulfilment of key triggers agreed with the Borrower (See Additional Information, Section 10). It is in this light that lessons learned from MRDP APL 1, especially in putting in place much-needed structures and processes for the Department of Agriculture (DA) and LGUs to effectively work together, need to be accorded with greater attention and importance.

Assessment of Objectives

The original development objectives were consistent with the Government's strategy for poverty reduction outlined in the Medium-Term Philippine Development Plan (MTPDP), in particular its targeted focus on minorities and supporting growth initiatives in Mindanao. Moreover, the development objectives were strategically linked to the policy framework, sector goals and strategies enunciated in the Agriculture and Fisheries Modernization Act (AFMA), a landmark piece of legislation that underscores: (a) people empowerment and access by the poor to income opportunities, support services and infrastructure; (b) availability, adequacy, accessibility and affordability of food supplies; and (c) rational and complementary allocation of DA and LGU resources to obtain optimal returns to public investments.

As part of the broader APL context, it was envisaged that the realization of sustained long-term rural growth and benefits to disadvantaged communities and minorities would further reinforce Government efforts at consolidating the peace initiative in Mindanao (which had had a long history of conflict). The development objectives were consistent with the then newly-completed Rural Development Strategy Philippines: Promoting Equitable Rural Growth (Report No. 17979-PH, May 29, 1998) developed by the Bank with the Government of the Philippines (GOP) and the Bank's Country Assistance Strategy (CAS Report No. 19137-PH). Finally, the objective of strengthening the capacity of LGUs to plan and implement participatory development, especially through productive engagement with national government agencies, firmly underscored the importance the GOP attached to devolution under the 1991 Local Government Code (LGC).

The long-term objectives of the overall Program and the MRDP first phase APL are clear. It was a targeted program addressing the issue of rural poverty alleviation, set amidst the enabling frameworks of decentralization and the AFMA. Within this broader program development objective context, the MRDP 1 was envisioned to initiate the engagement with national government agencies (the DA and the oversight agencies) , the LGUs and the communities on this long-term agenda, through a learning-by-doing approach, interlinking capacity-building interventions with resources for priority local investments, responding to community needs. The development objectives were valid and realistic, and built on the lessons learned and various implementation experiences within Bank and non-Bank projects at the time.

3.2 Revised Objective:

The development objectives remained unchanged, throughout the life of the project.

3.3 Original Components:

The project had four components (the projected costs shown here included contingency provisions):

(a) Rural Infrastructure (US$ 27.4 million - 66% of the total): The component had four sub components: (i) *Roads:*rehabilitation of 40 kms of provincial and 460 kms of farm-to-market roads (FMRs). For the FMRs, municipalities were allocated specified lump sums and were encouraged to use least-cost designs and options to optimize the length of road rehabilitated, while provincial roads had to meet essential criteria ensuring connectivity to existing all-weather roads. The MRDP 1 also sought commitment from LGUs to undertake routine maintenance, sanctioning those that did not comply, from future investments; (ii) *Communal irrigation:* transition arrangements were to be implemented for LGUs to acquire greater responsibility for communal irrigation development in keeping with the LGC. It was envisaged that the National Irrigation Authority (NIA) would assume the lead role under the project but would work closely with LGUs and decentralized irrigators' associations (IAs) to strengthen local capacity in communal irrigation management, operation and maintenance (O&M). MRDP 1 also aimed to rehabilitate approximately 4,350 hectares of existing communal irrigation systems (CIS) and construct around 850 hectares of new irrigation sub-projects in targeted poverty areas. (iii) *Rural water supply:* rehabilitation of approximately 140 (point source and communal faucet) units in class 5 and 6 (poorest) municipalities; and (iv) *Capacity building in infrastructure management:*training courses in various aspects of infrastructure management were to be provided (e.g., in rural infrastructure development, detailed engineering, contract management, environmental management, physical and financial monitoring and O&M.).

(b) Community Fund for Agricultural Development or CFAD (US $ 6.5 million – 16% of the total). The project aimed to establish a community block grant at the municipal level to finance diverse community-driven development priorities, which were consistent with the DA's priorities for agricultural and fisheries development. The initial fund was for PhP 2.5 million based on a cost share of LGUs (PhP0.5 million), DA (PhP0.5 million) and loan proceeds (PhP 1.5 million). MRDP 1 specifically targeted poor communities, women and indigenous peoples (IPs), with sub-project approval managed by municipal-level, multi-sectoral committees comprising government, the private sector, religious bodies and non-government organizations (NGOs). The specific objectives of the CFAD were: (i) to strengthen decision-making capacity at the community level for the identification, design and implementation of sub-projects; (ii) to ensure that sub-projects financed through the DA's budget better reflect community needs; and (iii) to ensure that resource allocation for development projects at the LGU-level better reflect community priorities. Collectively, these were considered important in underscoring decentralized sector management provided for under the LGC and the AFMA.

(c) LGU Institutional Implementation Support (US $5.4 million - 13% of the total)**:** Under this component, various initiatives were proposed to strengthen local capacity including: (i) support to microfinance institutions to enhance the access of small borrowers to financial services; (ii) support for enhancing rural development planning and resource allocation capacity of LGUs through technical assistance, training and closer links with regional offices of the DA; and (iii) support to local government capacity in procurement and contract supervision, financial management, sub-project preparation and implementation, monitoring and evaluation (M&E) and safeguards compliance and monitoring, In addition, a Program Coordination Office (PCO) was established to provide implementation support to LGUs.

(d) Coastal/Marine Biodiversity Conservation (US $ 1.7 million - 4% of the total): As an integral part of the overall program, and complementing the MRDP objectives, the Global Environment Facility (GEF) provided a grant of US$1.25 million to the GOP to finance the incremental costs of promoting and mainstreaming coastal/marine biodiversity conservation in community development in two coastal area sites in Mindanao (one in Paril-Sangay Protected Seascapes, Sultan Kudarat Province and one in Bongo Island, Maguindanao Province).

3.4 Revised Components:

There were no revisions made to the components as originally designed. However, for the LGU Institutional Implementation Support Component, the Bank and the GOP agreed to focus initiatives on supporting interventions for: (i) strengthening rural development planning and resource allocation; and (ii) enhancing agriculture and fisheries productivity. Hence, from 2001, the component was renamed Rural Development Planning for Agricultural Development (RDPAP).

In addition, on the earlier envisioned sub-component activity for supporting microfinance institutions, the GOP and the Bank agreed during appraisal that this would be provided through a grant rather than supported by loan proceeds. In view of this, in February 2002, a local NGO in Mindanao was able to secure grant proceeds (US$808,460) from the Japan Social Development Fund for a grant project (TF 26782) entitled "Improving Microfinance Access for Barangay and Town-Based Microenterprise Development". The grant aimed to contribute to rural and urban poverty alleviation efforts through the enhancement of the growth of micro-enterprises (particularly, but not limited to, agribusiness) by improving access to micro-finance facilities. The grant project covered 6 of the 32 municipalities covered by MRDP 1. However, after 19 months of implementation (and 50% of grant proceeds were disbursed), the grant was cancelled in September 2003 due to repeated infractions committed by the grant recipient against the provisions of the signed grant agreement (the Project Completion Note for this grant project is in the project files). It should be noted, however, that the deletion of these sub-component activities within the LGU Institutional Implementation Support Component did not affect the attainment of the component objectives nor the overall project objectives, in view of its limited scope and resource allocation, since this is considered as a minor set of planned interventions which would have been good to complement main loan interventions if grant resources could indeed be provided.

3.5 Quality at Entry:

The overall quality at entry of the project is rated satisfactory. The MRDP 1 was an innovative effort by the Bank and the government to more effectively "operationalize" the government's strategic goals related to rural poverty reduction, devolution, targeting minorities and focusing development in an area of considerable socio-political, economic and policy significance. The project's development objectives were consistent with the key pillars of government development and sector policy namely the MTPDP, the AFMA, and the LGC. Indeed, until MRDP 1, although devolution had been under way for some years, little had been done operationally to engage key actors and stakeholders, empower local governments and communities, or establish constructive and complementary engagement between LGUs and NGAs in the development process. To this end, MRDP 1 was pioneering and LGUs were enthusiastic at being copartners in this initiative. Considering that MRDP 1 was a pioneer in defining and operationalizing collaboration between the DA and the LGUs in terms of their structures and processes, management systems and capacities could not have been fully developed prior to project start-up. There was therefore a need for the adoption of a "learning-by-doing" approach.

The development objectives were closely aligned to key thrusts in the Bank's Rural Development Strategy and CAS, while final design was purposively guided by intensive social assessments and stakeholder consultations during preparation, which reflected diverse community and LGU needs and priorities. The PAD was thorough in considering possible risks and incorporating lessons from previous regional and country programs. It was also realistic in recognizing that the required processes and institutional changes were relatively complex and required sustained commitment over time. This *again* is reflected both in design and the flexible, long-term loan instrument chosen, which ensures continuous government and Bank support, simpler transition arrangements between phases and strong focus on learning-by-doing. Finally, the use of an APL was a first in the agriculture sector in the Philippines, as was the use of a program coordination mechanism (through a PCO), rather than the usual project management structure (through a project management office or PMO), which underscored the importance given to the need for institutionalization and sustainability of initiatives under this program. Moreover, as the PCO emphasized the use of regular DA and LGU staff and not consultants (which is a normal practice in other PMOs), it also countered government concerns of transition of projectized structures to its regular programs.

4. Achievement of Objective and Outputs

4.1 Outcome/achievement of objective:

The project outcome and achievement of objectives are rated satisfactory. Below are the envisioned development objectives under MRDP 1 and how they have been achieved (See also Annex 1):

In terms of the development objective of implementing and refining institutional, financial and community-based planning and management systems for supporting rural development, all the participating LGUs (5 provinces and 32 municipalities) adopted local agricultural and fisheries modernization plans (AFMPs) drawn from consultations with communities and local and technical agencies such as the DA, state universities and colleges. To support the institutionalization of local mechanisms for supporting rural development, MRDP 1 helped accelerate this process by testing replicable models for decentralized agricultural development planning and implementation. These included integrating community and LGU priorities into the plans and budgets of the regional DA; decentralized screening and approval of sub-projects through the regional Sub-Project Approval Committee (SAC); establishment of municipal multi-sectoral committees (MSCs) to ensure adequate representation of various sectors in prioritization of local investments; adoption of indigenous peoples (IP) development operational framework; and resettlement action plan framework. These mechanisms or models could very well lead to the Program's sustainability in the target areas. MRDP 1 institutionalized community-based participatory planning by assisting LGUs in the packaging of their Barangay Development Plans (BDPs). More importantly, these BDPs were integrated to higher development plans of the municipal and provincial LGUs and to the DA's Regional AFMPs. The external program evaluation findings showed that this initiative encouraged People's Organizations (POs) to expand their sub-projects and apply the participatory planning, decision-making and problem-solving approaches learned under the program to other development initiatives in their localities. Hence, POs developed enhanced competencies and increased their confidence on sub-project prioritization, preparation, and implementation.

It is worth noting that prior to MRDP implementation, from 1995 to 1999, the provincial and municipal LGU allocations for agricultural and fisheries development-related expenditures were quite low in the five provinces covered by the Program (in 1999, the total allocation was only PhP 40.2 million). During the implementation of MRDP 1, from 2000 to 2004, the municipal LGU allocations, which mostly represent their equity to the program, substantially increased to PhP 101.8 million. Furthermore, Annual Investment Plans (AIPs) of the five participating provinces now indicate a number of promising provisions in terms of allocations for agricultural and fisheries-related development investments. Enhancement of the capacity for resource generation activities were also noted in four out of the five participating provinces.

In terms of improving LGU capability for agricultural development planning, implementation and M&E, in partnership with national government agencies and local technical institutions, MRDP 1 has mobilized DA and other technical and research institutions to support LGUs in establishing a more responsive agriculture and fisheries support delivery mechanism, thereby strengthening linkages between extension demand (as expressed by farmers) and research technology supply. LGU capabilities have also benefitted from the Program's learning-by-doing approach in the areas of rural development planning, financial management, technical/engineering design, procurement and contract supervision, sub-project preparation and implementation, social and environmental safeguards compliance monitoring, and M&E (although to a limited extent, compared with the other skills areas).

In terms of responding to community priorities for key rural infrastructure, MRDP 1 way surpassed its original physical targets, except for rural water supply and provincial roads where there were no takers (please see Annex 1). As a result of the rehabilitation and construction of priority local infrastructure such as FMRs, irrigation, bridges and trails, increases in agriculture productivity were noted and overall rice and corn cropping intensity increased from 198% to 214%. With improved communal irrigation systems, average production per farm roughly doubled. As a result of the availability of irrigation water, the area for irrigated farmland increased from an average of 0.8 hectare to 1.3 hectare after the irrigation sub-projects were made available to the farmer-beneficiaries, thus increasing capacity for production. Moreover, 16% of beneficiaries were able to plant a third crop. Average production per farm increased by 86% (wet season) and by 76% (dry season). The average volume of produce transported increased by 27% during the wet and dry seasons. Equally important, these infrastructure facilities enabled beneficiaries to transport to town a higher quantity of produce at lesser time, cost and effort. Travel time was reduced by an average of 15 minutes. Beneficiaries increased the frequency of their travel to the market from three times to four times a week. Also, general health improved with the new source of water supply. There was a reduced incidence of water-borne diseases. In the external survey done on the Program, it revealed that when the MRDP water supply facilities became available, the incidence of water borne diseases was significantly reduced to 2%. Frequency of occurrence of diseases likewise declined to an average of only once a year.

The development objectives of MRDP 1 still remain relevant to the country's development and sector policies and the Bank's CAS. The Borrower remains firmly committed to expanding the MRDP approach and mainstreaming it to other regular and donor programs. In summary, it was successful in meeting its development objectives for the following reasons:

(i) It was instrumental in introducing vital process change toward institutional and operational devolution and decentralization, while enhancing core rural development skills of LGUs critical for sustaining such a change;

(ii) It involved, empowered and enabled LGUs, communities and minorities (some 37,000 poor households, 47% and 22% of total beneficiaries are women and IPs, respectively), and engendered a strong sense of confidence and ownership among them in planning and managing their own development;

(iii) It introduced a constructive partnership between the DA and LGUs and changed the traditional role of the DA from being an implementing agency to one of facilitating local people and governments to plan and manage development in line with local priorities; and

(iv) It improved access to livelihood opportunities and incomes (compared to average household incomes of around PhP 36,342 per year "without project" those "with project" averaged PhP 76,5934 at full development for representative farmers benefitting from irrigation sub-projects; a rapid rural appraisal indicated that 60% of CFAD beneficiaries reported an increase in income under a "with project" scenario), food security (70% of beneficiaries were able to provide enough food for their families during the Program years, by having three meals a day compared to having one or two meals before MRDP, as well as better road and market access, safer drinking water, higher crop productivity and various income-generating initiatives.

Although the ICR recognizes that the fuller economic impact of physical accomplishments will only become clearer by the end of the second APL (as stated in the PAD), initial results are positive and show a marked improvement in the sense of well-being among beneficiaries (See Annex 3). Overall, the underlying rationale of MRDP 1 was to test devolved and participatory development and poverty reduction processes, from which practical lessons could be drawn in order to scale-up and improve the program in subsequent APLs. To this end, the institutional "know-how" assimilated under APL 1 will make significant contributions to future development efforts in the Philippines under this and other programs.

The project outcome could have been rated highly satisfactory had there not been shortcomings in implementation in the first two years. (See section 5.3).

4.2 Outputs by components:

The overall rating is satisfactory, based on the ratings for components below (see Annex 1 for details on actual physical targets and accomplishments):

(a) Rural Infrastructure. The achievement of component outputs is rated satisfactory. This component was the main investment vehicle under MRDP 1 (approximately 70% of actual cost) and its principal objectives were to provide LGUs and communities the physical and technical means for improving livelihood and food security through better market and health access and productivity gains. By the end of MRDP 1, compared to a target of 460 kms of FMRs, the rehabilitation of 700 kms had been completed. No provincial roads were rehabilitated, however, as municipalities prioritized the rehabilitation of FMRs over provincial roads. MRDP 1 also emphasized the importance of O&M by municipalities and introduced an independent O&M audit system to assess compliance. By the end of MRDP 1, the audit indicated that none of the participating LGUs were rated poor while a number were rated as being good. In addition, around 175.8 linear meters of one-lane bridges were constructed. The area target for rehabilitation of communal irrigation schemes was also surpassed - four new communal irrigation projects were constructed and 39 existing communal irrigation systems were rehabilitated, with a combined total service area of 5,791 hectares, compared to the planned target of 5,000 has. Although the number of water supply systems (28) were less than the targeted number (130), this was attributed to savings being re-directed by LGUs to FMRs. (See also section 5.4). The individual investments (e.g., FMRs, bridges, irrigation and water supply) were in line with the priorities accorded them by municipalities and communities during the social assessment, which were a strong design feature in preparing the component.

From an institutional perspective, communities and LGUs were also provided technical strengthening to improve their capacity for procurement, contract supervision, planning, designing and managing construction and O&M to ensure sustainability. Through training, they were also made more aware of the economic, social and environmental safeguards requirements of feasibility studies and individual investments, rather than just technical aspects. MRDP 1 invested in building the social and environmental safeguards capacities of the DA-PCO, LGUs and communities. This facilitated the preparation of safeguards requirements and approval of investment proposals and improved the quality of safeguards compliance and overall soundness of the investments during implementation. This was important as most LGU technicians were engineers with limited appreciation of these aspects. In fulfilling component objectives, actual physical achievements were impressive. Overall, as a result of these strategic investments, independent ex-post household surveys of beneficiaries indicate that MRDP 1 had generated a stronger sense of accessibility, social inclusion and greater financial well being. As most investments are two years or less old, however, the fuller economic results will only become clearer toward the end of the next APL phase.

(b) Community Fund for Agricultural Development (CFAD). The achievement of component outputs is rated satisfactory. Along with the RDPAP component, the CFAD was the main driver for institutional development, skills transfer and capacity building under MRDP 1. The main objectives of the CFAD were to further the process of devolution under the LGC and promote more effective stakeholder participation under AFMA by financing the priorities of poor communities and targeted groups in line with their needs. Approximately 1,583 income-generating and productivity-enhancing sub-projects and small infrastructure sub-projects (such as foot/motor trails, spill ways, water supply, and hanging bridges) amounting to about PhP198 million, were completed, benefiting at least 37,000 households (for the micro-enterprises) and serving at least 16,000 individuals (for the small infrastructure investments) in all of the 32 participating municipalities. Also, some 17,000 people were organized under 1,500 POs. In terms of incorporation of community priorities into development plans, these were done through preparation of the 439 barangays, 32 municipal and five provincial development plans.

The design of the component was positively influenced by social assessments and consultations with communities. In meeting these objectives, component outputs were notable in: (i) the number of livelihood sub-projects initiated through the community block grants; (ii) targeting the poor, women and IPs; and (iii) establishing a strong sense of participation, empowerment and ownership among beneficiaries in development planning and sub-project prioritization and implementation. MRDP 1 continually incorporated lessons learnt in working with communities and POs to improve their implementation capacities. Nearly 47% of beneficiaries were women (surpassing the PAD target of 30%) and 22% were IPs. The results of the independent ex-post household surveys, which gauged beneficiary perceptions, indicate that almost 70% consider themselves better off, (compared to only 9% at mid term), while a large number, especially women, felt that they understood much better, and were more integrated in, the planning and development processes. In addition to POs, decentralized processes were further entrenched by the establishment and operationalization of local decision-making structures, most importantly the municipal multi-sectoral committees, which include government and civil society representatives; and by the strengthening/operationalization of the Barangay Development Councils (BDCs). These, from the view point of communities and minorities, were instrumental in depoliticizing decision-making and sub-project selection and engendering more inclusive governance.

(c) Rural Development Planning for Agriculture Productivity (RDPAP). This component was formerly entitled the LGU Institutional Implementation Support. The achievement of component outputs is rated as satisfactory. The main component objectives were to integrate development planning and resource allocation processes, improve agriculture and fisheries research and extension support, strengthen participatory planning and information sharing, and in the process, build capacities of LGUs in various aspects related to rural development planning, M&E, research and extension and financial management through learning-by-doing approaches and formal training opportunities.

A total of 1,416 barangay development plans (BDPs), based on community needs, and the analysis of the local resource base and poverty distribution, were integrated into municipal and provincial development plans, covering all participating LGUs. In addition, all but one provincial plan, were integrated into the DA's Regional AFMPs. The component also established expert regional development management teams (RDMTs) and research and knowledge transfer networks in four of the five MRDP 1 provinces, which allowed local farmers the opportunity to download current technologies and research. A total of 73 technical demonstrations were also completed, supporting a key devolved mandate of the LGC. One hundred and one regional DA and LGU participants also successfully completed advanced rural development management courses and were shown by the independent ex post evaluation to have a significantly better understanding of development, planning, management, community participation and M&E issues compared to what they were before MRDP 1. In knowledge-sharing and planning, MRDP 1 successfully initiated integrated processes involving the DA-Regional Field Units (RFUs), NGOs, the PCO, academic institutions and LGUs at provincial and municipal levels in preparing AFMPs and local development plans.

A recognized shortcoming under MRDP 1 was the initial lack of clear operational linkage between what RDPAP was expected to deliver in furthering the decentralized planning process and what was to be done under CFAD. Both, for example, were engaged in developing BDPs, which created confusion and duplication in the beginning, mainly due to weak internal coordination between the two PCO units. In addition, although the situation improved nearer the end, MRDP 1 did not satisfactorily involve the DA RFUs in the integrated planning process during the first half of implementation. Though quite late, the DA RFUs actively pushed/spearheaded the preparation and integration of AFMPs up to the regional level for two consecutive planning periods. On top of this, the DA RFUs provided important inputs in the manualization of the development planning process as well as on AFMA and LGC advocacy, including municipalities and provinces not covered in MRDP 1. Efforts will be made under MRDP 2 to better integrate RFUs right at the beginning of the process. MRDP 1 also did not fully adapt RDPAP training to local circumstances, with the result that some methods and material used were overly complex for communities (e.g., problem tree analysis rather than open brain-storming sessions).

In terms of the LGU capacity building aspects, despite the considerable attention given to the design of the M&E system in project design, the full operationalization of the system was not done. This was mainly because of resource constraints – both in terms of financial resources and the quality of M&E staff, especially at the LGU levels. The planned community-based M&E system was not operationalized, the baseline data (although extensive) was not fully encoded until the last year of implementation, and the project MIS, in most cases, was not able to provide immediate and critical inputs for management decision-making. Moreover, the MTR and terminal evaluation exercises were not adequately funded, despite the planned budgetary allocations, which resulted to evaluations which could have been of much better quality. These pitfalls in the operationalization of planned M&E interventions are a recurrent failing among development projects, and not unique to MRDP. Hence, under MRDP 2, M&E efforts would need to be adequately funded and prioritized, better focused and the systems further simplified and more operational, rather than allowing them to become over-ambitious and ineffective.

On balance, however, despite the abovementioned recognized shortcomings on the initial lack of clear operational linkage between RDPAP and CFAD in furthering the decentralized planning process, and on the LGU capacity building efforts for M&E, these were insufficient to affect the overall satisfactory rating for the component.

(d) Coastal/Marine Biodiversity Conservation. This component aimed to (i) conduct resource assessment surveys, (ii) apply a participatory planning and management process for identification and development of protected areas, (iii) to strengthen local marine resources surveillance by coastal communities linked to existing enforcement agencies, (iv) provide resources for the M&E program, and (v) assist in the development of alternative income-generating activities. As of the last review mission in February 2005, implementation progress continues to be made toward achieving the objectives and outcomes under this component. Due to the 10-month delay in grant effectiveness and the effect of the Mindanao conflict in the project areas in late 2000, the activities under this component are still on-going and the grant closing date was extended for two years (from December 2003 to December 2005). In view of this, the evaluation of the implementation of this grant-funded component is excluded from the scope of this ICR. A separate Implementation Completion Memorandum (ICM) will be prepared for this component by June 30, 2006, which will spell out implementation lessons learned which would be useful for the preparation of the next GEF support under MRDP 2. It should also be noted that the Department of Environment and Natural Resources (DENR) coordinated the implementation of this component, in parallel with the coordination of implementation being done by the DA with the three other components of MRDP 1. Substantial lessons had been learned in this implementation experience, hence, both the DENR and the DA had concluded that it would be better to have one integrated implementation coordination mechanism for all the components to maximize synergy among the various components; the MRDP 2 implementation coordination arrangements will be structured as such.

4.3 Net Present Value/Economic rate of return:

The economic benefits of MRDP 1 were generated mainly from: (i) the rehabilitation of FMRs with consequent savings in travel time and lower vehicle operating costs; (ii) higher farm productivity and cropping intensity from communal irrigation schemes; (iii) greater availability of potable water, a reduction in time in collecting water and the lower incidence of water-borne diseases; and (iv) income generating activities through the community fund. MRDP 1 also had significant non-quantifiable benefits in creating social capital through skills transfer and capacity-building of LGUs and communities, as well as in developing institutional mechanisms to facilitate change within the framework of devolution.

In recalculating the economic returns, the approach used in the PAD was adopted as it was still considered appropriate. The economic rate of return (ERR) of the main investments for the Implementation Completion Report (ICR) have been re-estimated at 17% for FMRs, 25% for communal irrigation and 16% for communal spring development. The ERR for different livelihood activities financed through the Community Fund (CF), however, could not be calculated due to lack of sufficient data for the "with"- and "with-out" project situations, as well as the inherent difficulties in estimating direct costs and benefits for a wide range of diverse, community demand-driven (CDD) sub-projects.

For the project as a whole, the ERR is estimated at 17%and the net present value (NPV) at PhP 224.3 million at an opportunity cost of capital (OCC) of 12%. This includes the cost of institutional support under RDPAP but excludes the CFAD component which accounts for 15% of project costs. The results are generally in line with PAD estimates and continue to demonstrate that MRDP 1 is economically viable by component or as a whole. No sensitivity analysis was undertaken as the estimates for quantifiable benefits were conservative and substantial unquantifiable benefits were not taken into account in the ERR calculation (See Annex 3 and Working paper on Financial and Economic Analysis).

4.4 Financial rate of return:

The use of financial analysis only applies to specific interventions that generated direct monetary returns to beneficiaries or institutions. For the irrigation sub-projects, financial rate of return analysis does not apply to individual schemes or the sub-component as a whole as these investments are not considered “profit-earning entities”. However, analysis was undertaken to ascertain the impact of the MRDP on incomes and showed a significant improvement. Compared to average household incomes of around PhP 36,342 per year “without project” those “with project” averaged PhP 76,5934 at full development for representative farmers. These estimates are in line with the results of the evaluation study and the M&E reports prepared by the PCO (based on "before-" and "after-" project situations). For CFAD, there was insufficient data to undertake project-wide household income analysis. However, a rapid rural appraisal indicated that 60% of participating farmers reported an increase in income “with project”. FMR and water supply components do not qualify for financial analysis.

The future fiscal impact of the project for the national budget will be minimum as national level counterpart funds have already been absorbed as part of annual budget financing. On the part of the LGUs, there will be further fiscal demands to cover O&M costs for FMRs and irrigation systems. Irrigators’ Associations (IAs) could be expected to share increasingly in O&M costs, linked to incipient increases in agriculture production and income that have been independently recorded through ex post surveys. It is likely that LGUs and beneficiary communities will be able to meet these financial commitments, given the interest of beneficiaries in MRDP 1 and the new ways local governments are introducing measures to generate revenues. In addition, a positive fiscal impact can be expected from MRDP 1 as a result of improved rural development planning, increased community participation, and new and better ways of allocating fiscal resources by LGUs in supporting rural development priorities.

4.5 Institutional development impact:

Institutional development was at the heart of MRDP 1 objectives and design and its impact has been substantial. Set within a strong political economy context, the Program has been effective in establishing a critical institutional trajectory towards more devolved and participatory rural development planning and execution (please see specific examples of this in Section 4.1). Although progress in the initial stages was slow and considerable confusion existed in the respective roles of LGUs and NGAs, MRDP 1 ultimately established strong institutional mechanisms in support of its objectives. The experience under MRDP 1 will, moreover, provide important lessons for scaling-up under MRDP 2. The strong emphasis on participatory engagement backed by capacity-building and knowledge transfer, has provided an invaluable sense of ownership in the development process and a confidence among stakeholders that they have a "say" in how fiscal and other resources are used. This sense of empowerment transcends various levels.

Through MRDP 1, poor communities, vulnerable groups like women and indigenous peoples' communities, are able to express and develop higher levels of awareness about their conditions, through their active and deliberate involvement in developing their local BDPs, which in turn form the basis of municipal and provincial plans. They also benefit from the inputs provided by the municipal and provincial planning experts during the planning process, resulting in the identification of more rational and sustainable sub-projects. Hence, the municipal and provincial stakeholders are assured of the responsiveness and complementation of municipal and provincial intervention plans. Moreover, given the importance of these constituents, the political capital from their active engagement has become of significant importance to public servants in LGUs and provides the basis for more open and accountable government. This signals a notable shift away from the earlier situation before MRDP 1 where development processes and projects were politicized and lacked transparency.

The technical, financial and management training has equipped LGUs better to understand planning and financial processes, the principles of fund and resource allocation and the importance of O&M in sustaining investments. LGUs now recognize that public investment projects that have strong local support (i.e., prioritized by them) can be more effectively used to generate local revenues (through taxation and levies) than previous practices. MRDP 1 also had considerable institutional development impact by introducing and establishing a workable institutional model for local/national government engagement (through the integration of the community and LGU development plans into the DA's AFMPs essential for effective devolution. In addition, strong linkages were also forged between provincial and municipal LGUs in the pursuit of a common rural development agenda for prioritizing, financing and implementing local investments. Lastly, using a program coordination mechanism instead of the usual PMO, gave LGUs the ultimate responsibility for planning and implementing investments rather than the DA, which instead coordinated, facilitated and provided technical support. (See project files on working paper on Institutional Development).

5. Major Factors Affecting Implementation and Outcome

5.1 Factors outside the control of government or implementing agency:

Conflict in Mindanao was a major impediment to implementation especially during the period 2000-2002 when the previous peace accord was broken. This substantially affected the crucial early stages of the project, which required careful management and oversight (especially in introducing and establishing new institutional principles). Although maintaining peace and order still remains a recurrent problem in some areas, LGUs report that MRDP 1 has gone some way to mitigating these by offering previously disenfranchised people and minorities more opportunities to participate in, and benefit from, development.

Social capital is observed to have improved, especially in conflict-affected and /or influenced areas. The introduction of participatory development projects is considered by many as an essential requirement for peace-building efforts.

5.2 Factors generally subject to government control:

At project start-up, there was considerable political pressure on the implementing agency to appoint certain personnel to head and staff the PCO. They were neither technicians nor core DA and LGU staff and had limited understanding of the overall design and development objectives of the program. In addition, they had inadequate skills in project management and integration. In view of this, trust with communities and LGUs was not built right at the beginning and important procedures and systems (especially financial, accounting and project management) were not properly implemented. The systems for coordination were not installed; communication and responsible feed-back were almost absent, leading to confusion and misperceptions that eroded LGU confidence in the PCO during the first two years. However, it is likewise to the credit of DA senior management that the situation was addressed after the Mid-term Review (MTR), and MRDP 1 slowly but decisively took the right decisions to bring the program to operate again according to expectations. In terms of disbursements, implementation was also adversely affected by cumbersome delays in liquidations due to the inappropriate fund tranching scheme adopted earlier in the implementation of the project which was then changed in 2002 based on implementation experience.

5.3 Factors generally subject to implementing agency control:

The DA could have been more proactive in the early project years in resolving known staffing deficiencies, at various levels, instituting much-needed systems, and operational guidelines, and generally improving project direction and performance. An example would be in the area of financial management (FM) performance. Although the FM system was well designed and adequate for the project needs, the FM performance was dismal in the first half of implementation (financial management performance had been rated as unsatisfactory during the said period) - this was mainly due to the poor quality of FM staff at the PCO level, exacerbated by the lack of program coordination oversight and followthrough to ensure proper linkage between the technical and financial management aspects of coordinating and managing implementation. As a result, only 19% of the loan was disbursed by mid term, by which time, key financial and management systems had not been properly managed and few local users were trained, had access to, or understood these.There was also a discernible lack of effective overall program coordination and oversight by the PCO, which was characterized by frequent changes in senior staff who had poor concept and vision of the Program's development objectives. This also resulted in an ad hoc and unintegrated approach to implementing the different components. Consequently, there was a missed opportunity of building trust with LGUs early in the process and gradually gearing them to take the lead in development planning and management in a more integrated approach. To the credit of DA senior management and intensive Bank supervision, however, corrective measures were rapidly introduced after the MTR through greater involvement of senior management in the DA and the implementation of major changes and improvements in the staffing of the PCO. From 2002, the PCO Director (*current)* led the formulation of "catch-up" plans with the LGUs, instituted task forces to oversee and coordinate different project components and took an active lead in integrating processes and building trust with LGUs. This effort was done under the pro-active oversight of a senior DA official (who was assigned by the DA Secretary as accountable for turning around project implementation from unsatisfactory to satisfactory). This was seen as a significant and critical turning point in improving subsequent implementation performance leading to the satisfactory completion of MRDP 1.

5.4 Costs and financing:

At appraisal, total project costs were estimated at US$41.26 million with IBRD loan proceeds of US$ 27.50 million. The actual project costs are estimated at US$ 27.82 million, of which the APL proceeds financed US$19.92 million and contributions from the government (not including the in- kind contribution from beneficiaries) US$7.23 million. There was considerable under-disbursement for the water supply sub-component and savings were re-allocated to FMRs, which exceeded the PAD estimates significantly in terms of physical targets. It should be noted that actual project costs in local currency terms are fairly close to the PAD estimates. However, the project costs in US dollar terms are noticeably lower than the PAD estimates as a result of the deprecation of the Peso (from 40 PhP/US$ at appraisal to a weighted average of 54 PhP/US$ during implementation – a 35% decline). For the same reason, a total of US$6.96 million of loan proceeds were cancelled as government counterpart funding was fixed in local currency. The dismal disbursement performance of MRDP 1 in the first three and a half years of its implementation was mainly caused by the unexpected war/conflict in Mindanao in the first 18 months of its implementation coupled with poor program overall coordination support in the first two years, and inadequate skills and capacities of PCO and LGU staff in financial management, procurement and program management. Detailed project costs and financing are outlined in Annex 2.

6. Sustainability

6.1 Rationale for sustainability rating:

Sustainability of the achievements is rated as likely. The MRDP program is positively changing the direction of interaction between the LGUs and the national government and introduced crucial institutional momentum to support effective and participatory devolution in support of the LGC and the AFMA. As a result, there is a strong sense of ownership and buy-in from various stakeholders and a growing confidence that local priorities can be mainstreamed into public investment planning and implementation. LGUs feel much better equipped technically to make effective financial and resource allocation decisions based on the needs of their constituents. This has added greatly to their sense of confidence as partners (with national government) and also improved governance and accountability. In addition, to ensure sustainability in physical structures. LGUs, through training, have recognized the importance of meeting recurrent O&M expenditure and are introducing innovative revenue-generating mechanisms such as tolls and taxes. They are also lobbying strongly that fund flows through the Municipal Development Fund Office (MDFO) are improved, to reach end-users more directly to overcome problems and delays experienced in the first phase.

Budgetary resources for agriculture-related expenditures and O&M of MRDP 1-financed investments have been put into the LGU annual plan and budget for 2005, despite MRDP 1's closure in December 2004. These collectively underscore the growing sense of LGU empowerment. Sustainability in meeting development objectives is also ensured as MRDP 1 was only the first (*learning)* phase of a long-term adaptable Program which has consistent commitment of both the government and the Bank, and the possibility of continued long-term inclusion in the Program serves as an incentive for LGUs and communities to continue the track of institutional reform they have started in MRDP 1. For the next phase of MRDP, the challenge of operationalizing the new LGU-national government financing framework would have to be taken up to ensure that LGUs and the DA continue the partnership that they have started under MRDP 1 in pursuing common sectoral development objectives within the decentralization framework. The lessons learned and implementation experience under MRDP 1 will provide a sound foundation and rationale for arriving at an operational approach to this next challenge.

6.2 Transition arrangement to regular operations:

MRDP 1 went a considerable way to begin orienting national and local governments toward meeting the goals of the LGC and the AFMA. To this end, MRDP 1 served as the vehicle for beginning a long-term process for operationalizing devolution processes for the delivery of frontline agricultural support services which should have been part of regular operations since the enactment of the Code in 1991. Hence, the initiatives started under the MRDP 1 and the succeeding phases of the Program continue to have the strong backing and commitment of local governments and the DA, who both express a strong desire to mainstream the MRDP concept further to non-project communities (through LGU funds) and other donor- and regular-funded programs and projects of the DA. The use of a PCO (using regular DA staff and LGU staff) rather than a PMO (using consultants) also ensured a regular and non-projectized structure requiring transition. Given the importance of this implementation experience, the DA will use the regular structure of its RFUs in Mindanao in carrying out the implementation of the next phase APL. This then ensures greater integration and mainstreaming of the gains and initiatives started under MRDP 1 to both project and non-project areas under MRDP APL 2.

7. Bank and Borrower Performance

Bank

7.1 Lending:

The Bank's performance in preparation and appraisal of the project is rated satisfactory. Frequent, in-depth and detailed consultations were held with the borrower and key government oversight agencies – i.e., the National Economic Development Authority (NEDA), Department of Budget Management (DBM) and Department of Finance (DOF). These discussions ensured that the design of the overall MRDP program responds to, and is consistent with national goals and priorities (particularly the LGC and AFMA). In agreement with the oversight agencies and the DA, the program design was structured in a way that allowed approaches to be tested and lessons learned in each phase for sequential scaling-up. At the same time, importance was given to ensure that the program design was consistent with the newly adopted rural development strategy of the Bank and the CAS at that time. Strong technical support, involving various disciplines, was provided by the Bank to the Borrower in undertaking relevant social assessments and consultations with communities and LGUs, and overall, in preparing the program.

Particularly for the social assessments, a key feature of project preparation, the Bank provided adequate guidance to the Borrower for conducting a thorough social assessment process among the communities, the LGUs and the participating national agencies. Such a process actually drove program design and laid the foundation for the deep engagement, ownership and participation of the communities and the LGUs, even before actual implementation, and especially so during the initial years when there was conflict in some of the Program areas and during the time when there were substantial delays in Program start-up and implementation. In many ways, this process was seen as an attractive and new feature in the Philippines - and the NEDA actually encouraged other agencies and donors to adopt a similar approach. In addition, the appraisal process was thoughtful in considering pertinent lessons from other Bank operations in the Philippines and the region as a whole; recognized that complex institutional issues would need time to evolve under a long-term APL approach; and rightly reflected on the possible risks involved.

7.2 Supervision:

Bank supervision is rated as satisfactory. Although the AFMA and the LGC had been enacted several years prior to the commencement of the MRDP, much remained to be done to further the goals of modernization and devolution in the agriculture sector. This required key actors in the Bank and government to provide sustained impetus to further the process in meeting project objectives. Bank supervision was the crucial catalyst in maintaining momentum, providing sound technical support and being proactive in addressing issues and problems in working closely with the Borrower and various actors. This was particularly important during the initial years when implementation was unsatisfactory and the DA and LGUs had to be continuously and constructively engaged to resolve major impediments. Indeed, supervision provided the critical link between and among the LGUs, the DA and the oversight agencies in highlighting problems and agreeing on remedial steps and actions. As a result, changes were continually introduced, especially after the MTR when the Borrower made significant modifications in the PCO staffing, which had hitherto been a major reason for poor performance. The rating is also supported by the fact that supervision continued to play a pivotal role, despite a deteriorating peace and order situation in large parts of the Program area for considerable periods, which restricted movement and access to beneficiaries. Considerable efforts were also made to retain the same technical personnel/skills mix on review missions in the interest of continuity, while supervision reports were comprehensive in detailing implementation performance and required agreed actions. With hindsight, however, supervision should have given greater emphasis to ensuring that financial, project management and M&E systems were given more focus, attention, and priority, especially in the first few years of implementation, to ensure that key users were fully conversant with their application and operationalization of the said systems.

7.3 Overall Bank performance:

Overall Bank performance was satisfactory. The Bank has maintained close contact with the implementing partners and provided necessary direction and sustained support through regular supervision, as well as follow-throughs in between review missions and as requested by the Borrower.

Borrower

7.4 Preparation:

The performance of the Borrower in project preparation is rated as satisfactory. The DA's PCO worked closely with the project preparation consultants and the Bank team in project preparation, which (unusually) was complemented by involving staff from the oversight agencies: NEDA, DBM and DOF. Preparation by the Borrower was further strengthened by involving Provincial Governors (to ensure LGU buy-in and ownership right from the start) and strong concurrence that the program had to have a client-driven design based on the participation of communities. The acceptance by the DA and the LGUs of the use of social assessments in design and preparation was new and bold, as was the concept of using a PCO which transferred implementation and fund responsibility directly to LGUs. With hindsight, however, the Borrower could have done better in some aspects of preparation. For example, more attention could have been paid to sensitizing DA regional/field officials and staff to the goals of the Program, particularly those related to decentralized functions and fostering stronger relations with LGUs. During preparation, DA staff were also not made fully aware of the distinction between a PCO and PMO structure, which resulted in subsequent confusion and exacerbated problems of a weak PCO in the initial project years.

7.5 Government implementation performance:

The government's performance during project implementation is rated as satisfactory. The government (at the both the national and local levels, as well as the oversight agencies and the DA) were supportive of the Program's objectives as they furthered key policy goals under AFMA and the LGC. In addition, the Program focus on Mindanao was endorsed by the specific issuance of an executive order (EO) which allocated funds directly to the DA regional field unit in Davao for preparation and implementation.

This strongly supported the principles of devolution and decentralization of funds. NEDA and DBM also strongly endorsed an approach which did not involve expendable project structures such as PMOs which in the past had significant problems of facilitating transition to regular program after project closing. Moreover, the government strongly signalled its continued commitment to the project's rationale and goals by electing to use the APL as a long term loan instrument.

7.6 Implementing Agency:

The implementing agency's performance is rated as satisfactory. Although MRDP 1 initially had significant problems (due principally to a weak PCO), this was recognized by the DA, which, with Bank supervision support introduced a number of corrective measures after the MTR in late 2002. Key management changes were introduced, such as the appointment of an experienced DA Director to head the PCO, increasing the number and improving the quality of PCO staff, revamping financial, management and M&E systems, improving project outreach and maintaining counterpart budget commitments despite Department-wide cuts. More importantly, at this time, a dedicated DA senior official was appointed to oversee project implementation, who provided regular and sustained guidance to ensure that the Program was put back on a satisfactory track. All these resulted in a significant turn-around in implementation performance, from being unsatisfactory to satisfactory. Of equal importance was the significant improvement in the image of the Program among beneficiaries and LGUs who were strategic partners in implementation.

Notwithstanding the initial poor performance, by the end of MRDP 1, all project objectives were on track, there was strong buy-in and commitment by key stakeholders and, therefore, implementation performance is rated as satisfactory on balance.

7.7 Overall Borrower performance:

Overall Borrower performance is rated as satisfactory, consistent with the ratings above.

8. Lessons Learned

- **Complex institutional change needs careful design, preparation & long term commitment** by government and the Bank. Project design and preparation were thoughtful and measured, consistent with policy, and positively reflected the aspirations of diverse stakeholders. This engendered strong political and social ownership from the outset, which, backed by a flexible long-term loan instrument (a proposed series of four APLs, over 12-15 years), ensures continued commitment to sustaining key participatory and decentralized processes through learning-by-doing. Considerable time is needed to facilitate gearing-up of institutions to understand and adopt new processes and changes. MRDP 1 was well designed in interpreting the needs and ways for meeting the objectives; however, a longer time for institutional preparation of LGUs and the DA could have been factored in and a longer project implementation schedule could have been drawn up, instead of the original four years for each phase. Hence, the closing date for MRDP 1 had to be extended for a year in order to allow full completion of the activities which had started to pick up after all the initial implementation constraints and the necessary preparation and gearing up of participating institutions had been achieved.

- **A learning-by-doing approach is the best way to operationalize and facilitate devolution**. MRDP 1 provided an operational model on how a national sectoral agency like the DA can facilitate devolution of functions and responsibilities to LGUs as per the LGC. It proved that LGUs and the DA can be effective, equal partners in achieving national sectoral goals of food security, higher incomes, and agribusiness development within a mutually enriching incentive-based, decentralized environment. Building on the substantial capacity-building efforts under MRDP 1, strategies for MRDP 2 for capacity building would have to be even more practical, action-oriented and incentives-based. Also, capacity building interlinked with investment resources for local priority needs is the key for enabling and triggering change of institutional behavior among LGUs and the DA in order to forge the transition into a decentralized framework.

- **Well defined and constructive partnership between national government agencies and local governments is key to effective devolution**. MRDP 1 was successful in operationalizing the intent of the LGC and the AFMA by devolving project planning and implementation responsibility away from a national implementing agency (i.e. the DA) to LGUs and communities. This was innovative and established a workable model for NGA-LGU partnership from which important lessons can be learnt for scaling-up future projects. Examples of lessons include the critical importance of clearly defining and delineating the institutional roles of a national agency like the DA vis-à-vis the LGUs.

- **Strengthening grass roots organizations, local governments and communities is vital to meaningful participatory and integrated development**. Through MRDP 1, stakeholders developed a strong sense of confidence that they could integrate and be effective drivers in the development process. This sense of empowerment also promoted better governance and accountability in local development planning as it became less politicized and more constituent-driven.

- **Using regular government personnel, instead of contracted personnel provides for greater institutionalization of project initiatives**. By using a program coordination mechanism (using regular staff from the DA and the LGUs) rather than the usual project management structure (using contracted staff outside of government), MRDP 1 was able to ensure that initiatives started under the Program are integrated within existing institutional mechanisms and processes within the DA and the LGUs.

- **Operationalization and usefulness of a well-designed M&E system are hinged on adequacy of budget, good quality staff and high level of prioritization.** It is not enough that considerable attention is given to the design of the M&E system in project design and preparation. Full operationalization and usefulness of the M&E system and the MIS are directly linked with the level of priority accorded on this activity and equally, with the adequacy of financial resources and good quality staff, especially so, that M&E activities are almost always given lesser priority compared with other more concrete project interventions. It would also be better to directly link M&E efforts to governance, transparency, and accountability mechanisms to better ensure usefulness and sustainability.

- **Disbursements and FM aspects are better facilitated if there is a tight and sustained operational linkage and oversight between technical implementation and financial management, done by qualified staff right at the beginning of implementation.** It is important for both qualified financial management and technical staff to be fully on-board, right at the beginning of implementation, and be well coordinated on their operational strategies and actions in order to ensure timely physical implementation coupled with adequate absorption of available financial resources.

9. Partner Comments

(a) Borrower/implementing agency:

The DA submitted a summary of their project completion report which can be found in Annex 8.

(b) Cofinanciers:
Not applicable.

(c) Other partners (NGOs/private sector):
Not applicable.

10. Additional Information

The identified triggers for moving on to APL 2 were fulfilled a year before the MRDP 1 closed in December 2004. The identified and agreed triggers were:

- Project Preparation to be initiated once 60 percent of the APL 1 has been disbursed. Social Assessment of the next group of provinces, which express interest in participating and meet eligibility criteria, to be completed.
- APL 2 to be approved by the Bank once 80 percent of APL 1 is disbursed, and the balance is substantially committed.
- Institutional arrangements for implementation tested out and adapted based on experience; multi-sectoral committees for the community funds operating satisfactorily.
- Overall satisfactory performance, using the evaluation made for the MTR as a basis for assessment
- APL 2 loan to be approved once 80% of APL 1 loan is disbursed and the balance is substantially committed

Annex 1. Key Performance Indicators/Log Frame Matrix

Outcome / Impact Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
Institutional financial and community-based planning and management systems implemented and refined for supporting rural development within targeted agricultural and fishing communities, in 5 to 6 provinces, covering at least 30 municipalities - At least 50% of participating LGUs (provincial and municipal) adopt agricultural development plans, which also incorporate outcome of consultation process with communities, and local and national technical agencies.	All participating LGUs (5 provinces and 32 municipalities) adopted local agricultural and fisheries modernization plans (AFMPs), drawn from consultations with communities and local and technical agencies.	All participating LGUs (5 provinces and 32 municipalities) adopted local agricultural and fisheries modernization plans (AFMPs), drawn from consultations with communities and local and technical agencies.
Improved LGU capability for agricultural development planning, implementation and M&E, in partnership with national government agencies (DA) and local technical institutions - DA budgetary allocations under AFMA/national agricultural development plans for the participating LGUs integrated into the latter's respective financial and investment plans.	Annual Investment Plans of the 5 participating provinces indicate a higher amount of provisions for budgetary allocations for agricultural and fisheries development investments. In addition, allocations for agricultural development investments among the participating 32 municipalities increased from Php 40.2 million (in 1999) to Php 101.8 million (by 2004)	Annual Investment Plans of the 5 participating provinces indicate a higher amount of provisions for budgetary allocations for agricultural and fisheries development investments. In addition, allocations for agricultural development investments among the participating 32 municipalities increased from Php 40.2 million (in 1999) to Php 101.8 million (by 2004)
Responding to community priorities for key rural infrastructure leading to (i) Increase in agricultural productivity, (ii) increase in household incomes in targeted communities with at least 75% of the direct beneficiaries of the project improving their incomes by the end of MRDP APL 2.	Overall cropping intensity increased from 198% to 214%, average production per farm increased by 86% (wet season) and by 76% (dry season)	Overall cropping intensity increased from 198% to 214%, average production per farm increased by 86% (wet season) and by 76% (dry season). For representative farmers benefitting from irrigation sub-projects, compared to average household incomes of around PhP 36,342 per year "without project" those "with project" averaged PhP 76,5934 at full development . A rapid rural appraisal indicated that 60% of CFAD beneficiaries reported an increase in income under a "with project" scenario.

Output Indicators:

Indicator/Matrix	Projected in last PSR[1]	Actual/Latest Estimate
Roads rehabilitated -460 kms. of farm-to market roads and 40 kms of provincial roads	700 kilometers of farm-to-market roads were rehabilitated and 175.80 linear meters of one-lane bridges were constructed	700 kilometers of farm-to-market roads were rehabilitated and 175.80 linear meters of one-lane bridges were constructed
Rehabilitation and construction of communal irrigation subpreojects - 3500 hectares constructed and 1,500 hectares of new communal irrigation systems	4 new communal irrigation projects were constructed and 39 existing communal irrigation systems were rehabilitated with a combined total service area of 5,791 hectares.	4 new communal irrigation projects were constructed and 39 existing communal irrigation systems were rehabilitated with a combined total service area of 5,791 hectares.
Rural Water Supply Systems - develop 130 new spring water systems	28 units of potable water systems were constructed	28 units of potable water systems were constructed
Enhanced infrastructure O&M by LGUs and communities - increase in LGU budgets for maintenance; imprsub-projects,on of road networks	LGU annual budgets have consistently included sub-projects.for maintenance of MRDP 1 infrastructure subprojects, since this is a prerequisite for the next years' program for new subprojects. Independent infrastructure O&M audit system to assess compliance was established. By the end of MRDP 1, the audit indicated that none of the participating LGUs were rated as poor, while a number of LGUs were rated as good.	LGU annual budgets have consistently included allocations for maintenance of MRDP 1 infrastructure subprojects, since this is a prerequisite for the next years' program for new subprojects. Independent infrastructure O&M audit system to assess compliance was established. By the end of MRDP 1, the audit indicated that none of the participating LGUs were rated as poor, while a number of LGUs were rated as good.
Annual disbursement of PhP 2.5 million each in 32 municipalsub-projectsFAD subprojects	Funding of 1,583 micro-enterprise and small infrastructure subprojects amounting to about PhP 198 million, were completed, benefiting at least 37,000 households (for the micro-enterprises) and serving at least 16,000 individuals (for the small infrastructure investments such as foot/motor trails, spill ways, water supply, and hanging bridges serving at least 16 thousand individuals) in all of the 32 participating municipalities.	Funding of 1,583 micro-enterprise and small infrastructure subprojects amounting to about PhP 198 million, were completed, benefiting at least 37,000 households (for the micro-enterprises) and serving at least 16,000 individuals (for the small infrastructure investments such as foot/motor trails, spill ways, water supply, and hanging bridges serving at least 16 thousand individuals) in all of the 32 participating municipalities.
LGU staff and communities trained (formally and informally) on rural development planning, implementation, M&E and financial management	Some 17,000 people were organized under 1,500 peoples' organizations. At least 500 LGU staff have been trained on rural development planning, implementation, M&E and financial management and procurement.	Some 17,000 people were organized under 1,500 peoples' organizations. At least 500 LGU staff have been trained on rural development planning, implementation, M&E and financial management and procurement.
Rural Development Plans formulated and developed	Total of 1,416 barangay development plans, based on community needs, analysis of local resource base and poverty distribution, were integrated into municipal and provincial development plans, covering all participating LGUs. In addition, all provincial plans, except one, were integrated into the DA's Regional AFMPs.	Total of 1,416 barangay development plans, based on community needs, analysis of local resource base and poverty distribution, were integrated into municipal and provincial development plans, covering all participating LGUs. In addition, all provincial plans, except one, were integrated into the DA's Regional AFMPs.
On-farm demonstrations established	Total of 73 technical demonstrations were completed	Total of 73 technical demonstrations were completed

[1] End of project

Note: The PAD indicators in the log-frame were not adequately defined on quantitative increases in some respects. (e.g. increases in budget flow to LGUs and level of productivity increase) The main measurable indicator was income, which as indicated in the PAD will still be fully evaluated at the end of MRDP APL 2.

Annex 2. Project Costs and Financing

Project Cost by Component (in US$ million equivalent)

Component	Appraisal Estimate US$ million	Actual/Latest Estimate US$ million	Percentage of Appraisal
A. Rural Infrastructure Improvement	24.14	18.88	78
B. Community Funds for Agricultural Development	6.06	3.66	60
C. Institutional Support	4.67	4.33	93
D. Coastal/Marine Biodiversity Conservation (funded by GEF; still on-going)	1.55	0.67	43
Total Baseline Cost	36.42	27.54	
Physical Contingencies	1.91		
Price Contingencies	2.65		
Total Project Costs	40.98	27.54	
Front-end fee	0.28	0.28	100.00
Total Financing Required	41.26	27.82	

Project Costs by Procurement Arrangements (Appraisal Estimate) (US$ million equivalent)

Expenditure Category	ICB	Procurement Method[1] NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	11.90 (9.50)	12.65 (10.91)	0.50 (0.00)	25.05 (20.41)
2. Goods	0.00 (0.00)	0.70 (0.60)	1.71 (0.66)	0.00 (0.00)	2.41 (1.26)
3. Services	0.00 (0.00)	0.00 (0.00)	3.28 (2.23)	0.00 (0.00)	3.28 (2.23)
4. Community Funds	0.00 (0.00)	0.00 (0.00)	6.97 (3.06)	0.00 (0.00)	6.97 (3.06)
5. Operating Costs	0.00 (0.00)	0.00 (0.00)	1.72 (0.26)	0.00 (0.00)	1.72 (0.26)
6. Front-end Fee	0.00 (0.00)	0.00 (0.00)	0.28 (0.28)	0.00 (0.00)	0.28 (0.28)
Total	0.00 (0.00)	12.60 (10.10)	26.61 (17.40)	0.50 (0.00)	39.71 (27.50)

Note: This excludes proceeds from the CMBC GEF Grant, which is still on-going and will close on December 31, 2005.

Project Costs by Procurement Arrangements (Actual/Latest Estimate) (US$ million equivalent)

Expenditure Category	ICB	Procurement Method[1] NCB	Other[2]	N.B.F.	Total Cost
1. Works	0.00 (0.00)	6.13 (4.91)	12.75 (10.14)	0.00 (0.00)	18.88 (15.05)
2. Goods	0.00 (0.00)	0.74 (0.67)	0.00 (0.00)	0.00 (0.00)	0.74 (0.67)

3. Services	0.00 (0.00)	0.00 (0.00)	2.52 (1.47)	0.00 (0.00)	2.52 (1.47)
4. Community Funds	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	3.66 (2.17)	3.66 (2.17)
5. Operating Costs	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	1.07 (0.28)	1.07 (0.28)
6. Front-end Fee	0.00 (0.00)	0.00 (0.00)	0.28 (0.28)	0.00 (0.00)	0.28 (0.28)
Total	0.00 (0.00)	6.87 (5.58)	15.55 (11.89)	4.73 (2.45)	27.15 (19.92)

Note: This excludes proceeds from the CMBC GEF Grant, which is still on-going and will close on December 31, 2005.

[1/] Figures in parenthesis are the amounts to be financed by the Bank Loan. All costs include contingencies.

[2/] Includes civil works, goods and services to be procured through national shopping, consulting services, services of contracted staff of the project management office, training, technical assistance services, and incremental operating costs related to (i) coordinating and managing the project, and (ii) project funds to local government units.

Project Financing by Component (in US$ million equivalent)

Component	Appraisal Estimate			Actual/Latest Estimate			Percentage of Appraisal		
	Bank	**Govt.**	**CoF.**	**Bank**	**Govt.**	**CoF.**	**Bank**	**Govt.**	**CoF.**
A. Rural Infrastructure Improvement	20.41	4.64		15.05	3.83		73.7	82.5	
B. Community Funds for Agricultural Dev.	3.06	3.91		2.17	1.49		70.9	38.1	
C. Institutional Support	3.75	3.66		2.42	1.91		64.5	52.2	
D. Coastal/Marine Biodiversity Conservation (funded by GEF, still on-going)	1.25	0.30		0.67	0.10		53.6	33.3	
Front-end Fee	0.28			0.28			100.0		

a/ Actual expenditures under Government does not include in-kind contribution of the beneficiaries. Actual/Latest estimates for CMBC under Bank and Government represent expenditures under the on-going GEF grant, as of June 28, 2005. Two loan cancellations were made as a result of foreign exchange savings which accrued with the devaluation of the peso. Total cancellations amounted to US$6,956,000. The exchange rate at the time of appraisal in November 1999 was US$1=PhP40. By project closing in December 2004, the exchange rate was already US$1=PhP54.

Annex 3. Economic Costs and Benefits

The analysis presented in this Annex reassesses the ERR calculated in the PAD using updated prices, actual project costs and the latest projections of benefits from different project components. The approach is based on key assumptions and models used in the PAD and changes have only been made where better, more current, estimates were available. The project costs and physical achievements, for example, were based on project office records and were cross checked with various supervision reports. The financial and economic data for the analysis were collected by the project authorities in 2004 and were verified by an external evaluation team. The analysis was conducted in constant 2004 prices. Further details are given in a working paper on Financial and Economic Analysis to be found in the project files.

Project Benefits:

The economic benefits of the project were mainly from: (i) the rehabilitation of farm-to-market roads (FMRs) and consequent savings in travel time and lower vehicle operating costs; (ii) higher farm productivity and cropping intensity from communal irrigation schemes; (iii) improvements in the availability of potable water, the reduction in time collecting water and the lower incidence of water-borne diseases; and (iv) income-generating activities through the CFAD. The project also had significant non-quantifiable benefits in creating social capital through skills transfer and capacity-building of LGUs and communities.

The assumptions, models, key data and results for financial and economic analysis, by component, are indicated below.

Farm- to-Market Roads (FMRs) The quantifiable benefits were the savings in vehicle operation costs and in beneficiary travel time. Additional *non-quantifiable* economic and social benefits include: (i).improved access to input-output markets; (ii) reduced transport time in haulage; (iii) improved access to education, health, communication and other technical and economic services – mostly located in towns.

The benefits are based on the following assumptions and parameters:

(i) Traffic Count: Traffic count (including pedestrians, bicycles and draft animals) had been completed on five selected FMRs (see Table 1C of working paper on Financial and Economic Analysis, for details). The counts were conducted on market and non-market days. On average, there were 164 vehicles per day (vpd) on a market day, which is more than three times the baseline average of 50 vpd. During non-market days, there were 121 vpd, representing a 236% increase from the baseline count of only 36 vpd;

(ii) Weighted Average Day: Given the fact that traffic numbers vary between market and non-market days, weighted averages were used by assigning a weight of 1/7th for the weekly market day and 6/7th for non-market day, the six remaining days of the week. The resulting weighted average daily traffic count for the five roads was 127 motorized vehicles;

(iii) Vehicle Operating Cost: Analysis of the per kilometer cost associated with operating each type of motorized and non-motorized vehicle traveling on rural roads in the Philippines is conducted by the Department of Public Works and Highways (DPWH) and tabulated by the NEDA on a regular basis. Vehicle operating costs on rural roads by type of vehicle was obtained from the Project Management Office-Feasibility Studies of the DPWH; and

(iv) Value of Time Savings. The household survey conducted for the evaluation of the rural roads showed an average savings of 0.26 hour of travel time among the beneficiaries as compared to the baseline. The survey further revealed that 54% of the respondents reported a decrease in travel time by using the road. The analysis assumed an average daily wage rate of PhP 120 per day in computing the value of the time saved.

Communal Irrigation: The benefits were from: (i) an overall increase in the area of land under irrigated crops (i.e., an overall increase in cropping intensity) and (ii) more reliable and timely availability of water which would have a positive impact on yields.

Following the conservative approaches adopted at PAD stage, the areas from which the benefits derived were estimated as follows:

(i) under the project's rehabilitation program, unimproved irrigation systems would be upgraded to fully functional improved systems. However, costs and benefits were reassessed for the incremental area **only** and not over the area of the entire scheme; and

(ii) under new construction, farmers currently relying on rain water to irrigate their crops were assumed to have a constant supply of water through the construction of a communal irrigation system. Therefore, costs and benefits are assessed over the entire scheme. Although there were additional benefits from crop diversification (shifting to higher-value crops such as vegetables), these were not taken into account in analysis in line with the approach at PAD stage.

Improvement of Water Supply Systems. The economic analysis for this sub-component considered that the only benefits came from savings in time fetching potable water as these could alternatively be used for income-generating activities by the beneficiary households. The savings in time generated from the household survey was 36 minutes per day per household. Since water fetching is usually done by women and children, the assumed wage rate was PhP 100/day and only half of the time savings converted into economic price by using 0.6. Non-quantified benefits include increases in beneficiary household productivity as a result of the availability of water as an input for household activities and other social benefits, and avoidance of waterborne diseases.

CFAD Sub-projects. The CFAD financed demand-driven sub-projects which are consistent with DA's program and priorities for supporting agricultural and fisheries development to address the diverse priorities of communities. Sub-projects under the CFAD comprised a broad spectrum of activities undertaken with the direct participation and financial contribution of beneficiaries. Specific projects of CFAD include raising animals, crop production, pre- and post-harvest facilities, agro-forestry, aquaculture and livelihood/ nonagricultural production activities. Roughly half the participants cited that they benefited from new farming technologies introduced by the Program. The most important were: goat breeding, and the adoption of improved land preparation and production. Many (42%) also cited an increase in knowledge of new techniques through training-seminars, focus group discussions and (most especially) cross-site visits. Other participants reported benefits from other activities including the promotion of food safety, and the proper budgeting and handling of home finances. It can also be noted that a significant proportion (close to 14%) of CFAD beneficiaries disclosed having been employed and/or generated additional income from their participation.

However, given the diversity of size and types of eligible sub-projects described above, the Financial Internal Rate of Return (FIRR)/Economic Internal Rate of Return (EIRR) calculations for the component would only have been meaningful had data been available to match exactly the benefits and costs by major types of sub-projects to construct cash flow or sufficiently representative sub-project models. This would have enabled an extrapolation of the FIRR/ERR by major sub-project types. Unfortunately, such data were not available either from the M&E system or from the external evaluation study to allow ex-post cash flow analysis. Therefore, no attempt could be made to recalculate the FIRR/EIRR for this component.

Project Costs:

The project costs and physical achievements were based on PCO records and were further crossed checked with the various supervision reports. Unit costs for irrigation rehabilitation and new construction and for FMR rehabilitation are generally in line with PAD estimates. Incremental costs for crop production are not included in the sub-projects as they are treated as part of the recurrent costs borne by the farmers, and O&M costs for both FMRs and irrigation systems are included as recurrent cost in the economic cash flow analysis.

Actual project costs in local currency terms are fairly close to the PAD estimates. However, the project costs in US dollar terms were noticeably lower than the PAD estimates as a result of the sizeable (35%) deprecation of the Philippine Peso against the US dollar (i.e., from PhP40: US$1 at appraisal stage to a weighted average of PhP54: US$1 during implementation). For the same reason, a total of US$6.96 million of loan proceeds was cancelled as the government counterpart funding was fixed in local currency. The dismal disbursement performance of the project in the first three and a half years of its implementation (18 months against PAD schedule) was mainly caused by the unexpected war/conflict in Mindanao in the first 18 months of its implementation, coupled with poor project coordination support in the first two years, and inadequate skills and capacities of PCO and LGU staff on financial management, procurement and project management. Detailed project costs and financing are outlined in Annex 2.

Economic Rate of Return Analysis:

Based on revised project costs/benefits, the economic rate of return (ERR) of the main investments at the time of the preparation of the ICR are re-estimated at 17% for FMRs, 25% for communal irrigation, and 16% for communal spring development. The ERR for different livelihood activities financed through CFAD, however, could not be calculated because of the lack of sufficient data. For the project as whole, the ERR is estimated at 17 % and the net present value (NPV) at PhP 224.3 million at an OCC of 12%. This includes the cost of institutional support under RDPAP but excludes the CFAD component which accounts for 15% of project costs. The results are generally in line with PAD estimates and continue to demonstrate that the project is economically viable, whether analyzed by component or as a whole,. No sensitivity analysis was undertaken as the estimates for quantifiable benefits were very conservative and substantial nonquantifiable benefits were not taken into account in the ERR calculation (The models used in the analysis and other details are provided in the working paper on Financial and Economic Analysis).

Annex 4. Bank Inputs

(a) Missions:

Stage of Project Cycle	No. of Persons and Specialty (e.g. 2 Economists, 1 FMS, etc.)		Performance Rating	
Month/Year	Count	Specialty	Implementation Progress	Development Objective
Identification/Preparation				
11/15/1998	*9*	TTL (1); SS (1); RIE (1); OO (1); YP (1); IS (1); SR FMS (1); FMS (1); PS (1)		
Appraisal/Negotiation				
03/19/1999	*11*	TTL (1); SS (1); RIE (1); OO (1); SR FMS (1); PS (1); FMS (1); IS (1); YP (2); PA (1)		
06/15/1999	*8*	TTL (1); SS (1); RIE (1); OO (1); SR FMS (1); PS (1); IS (1); YP (1)		
08/27/1999	*5*	TTL (1); OO (1); LEGEA (1); LOAG (1); YP (1)		
Supervision				
09/24/1999	*7*	TTL (1); SS (1); RIE (1); OO (1); IS (1); FMS (1); CS (1)	S	S
02/18/2000	*8*	TTL (1); SS (1); URBAN TRANSPO. SPEC. (1); RIE (1); OO (1); AE (1); PS (1); IS (1); FMS (1)	HS	HS
08/02/2000	*4*	TTL (1); PS (1); CD/AES (1); RDPS (1)	S	S
06/16/2001	*7*	TTL (1); SS (1); OO (1); PS (2); CD/AES (1); FMS (1); RIE (1)	S	S
01/30/2002	*6*	TTL (1); OO (1);SS (1); PS (1); FMS (1); RIE (1)	U	S
09/30/2002	*9*	TTL (1); PS (1); FMS (1); ES (1); CD/AES (1); RDPS (1); RIE (1); SM (1); SS (1)	U	S
05/20/2003	*6*	TTL (1); PS (1); FMS (1); ES (1); RDPS. (1); RIE (1)	S	S
11/18/2003	*9*	TTL (1); PS(1); FMS (1); CD/AES (1); RD(1); PS (1); RIE (1); M&E S (1); PDS (1); ES (1)	S	S
06/08/2004	*7*	TTL (1); PS (1); CD/AES (1); RIE (1); RDPS (1); InS (1); FMS (1)	S	S
11/26/2004	*8*	TTL (1); FMS (1); CD/AES (1); RIE (1); RDPS (1); PS (1); InS (1); ES (1)	S	S
ICR				

03/08/2005	*3*	FAO TTL (1); FAO Economist (1); InS (1)	S	S

Legend: TTL - Task Team Leader; SS - Social Scientist; RIE - Rural Infrastructure Engineer; OO - Operations Officer; IS - Irrigation Specialist; FMS - Financial Management Specialist; CS - Coastal Specialist; AE - Agricultural Ecologist; PS - Procurement Specialist; CD/AES - Community Development /Agricultural Enterprise Specialist; RDPS - Rural Development Planning Specialist; ES - Environment Specialist; SM - Sector Manager; PDS - Project Development Specialist; M&E S - Monitoring & Evaluation Specialist; InS - Institution Specialist; YP - Young Professional; SR FMS - Senior FMS; PA - Program Assistant; FAO - Food and Agricultural Organization; N/A - Not Applicable; HS - Highly Satisfactory; S - Satisfactory; U - Unsatisfactory

(b) Staff:

Stage of Project Cycle	Actual/Latest Estimate	
	No. Staff weeks	US$ ('000)
Identification/Preparation	95	451.50
Appraisal/Negotiation	20	*
Supervision	120	252.88
ICR	6	24.52
Total	241	728.90

*Cost already included in the Identification/Preparation stage

Annex 5. Ratings for Achievement of Objectives/Outputs of Components

(H=High, SU=Substantial, M=Modest, N=Negligible, NA=Not Applicable)

	Rating	*Rating (Supplemental GEF)*
☒ *Macro policies*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Sector Policies*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Physical*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Financial*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Institutional Development*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Environmental*	○ *H* ○ *SU* ● *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
Social		
☒ *Poverty Reduction*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Gender*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Other (Please specify) Inclusion of Marginalized Groups/IPs*	● *H* ○ *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☐ *Private sector development*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☒ *Public sector management*	○ *H* ● *SU* ○ *M* ○ *N* ○ *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*
☐ *Other (Please specify)*	○ *H* ○ *SU* ○ *M* ○ *N* ● *NA*	○ *H* ○ *SU* ○ *M* ○ *N* ○ *NA*

Annex 6. Ratings of Bank and Borrower Performance

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HU=Highly Unsatisfactory)

6.1 Bank performance	*Rating*	*Rating (Supplemental GEF)*
☒ *Lending*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*
☒ *Supervision*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*
☒ *Overall*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*

6.2 Borrower performance	*Rating*	*Rating (Supplemental GEF)*
☒ *Preparation*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*
☒ *Government implementation performance*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*
☒ *Implementation agency performance*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*
☒ *Overall*	○ *HS* ● *S* ○ *U* ○ *HU*	○ *HS* ○ *S* ○ *U* ○ *HU*

Annex 7. List of Supporting Documents

(In the Project Files)

Working Paper on Financial and Economic Analysis (Including electronic models)
Working Paper on Institutional Development
Project Completion Report on MRDP 1 (prepared by the Government)
Project Completion Note on JSDF Grant on Improving Microfinance Access for Barangay and Town-Based Microenterprise Development (TF26782)
Project Appraisal Document for MRDP 1 dated November 8, 1999
1997 Agriculture and Fisheries Modernization Act
1991 Local Government Code
Various Supervision/Review Mission Aide Memoire

Additional Annex 8. Partner Comments

DEPARTMENT OF AGRICULTURE
MINDANAO RURAL DEVELOPMENT PROGRAM
EXECUTIVE SUMMARY OF MRDP 1 PROJECT COMPLETION REPORT

The Mindanao Rural Development Program (MRDP) is a twelve-year program (2002-2012), which is divided into 4 phases under World Bank's Adaptable Program Loan (APL) mechanism. Each APL is consisting of three (3) years. The project is executed by the Department of Agriculture and implemented by the participating Local Government Units with loan assistance from the World Bank. The various national line agencies, academe and Non-Government Organizations (NGOs) operating within the area of coverage were also actively involved as partners in the implementation. APL 1 started operation in year 2000 and was supposed to be completed on June 2003. However, this was extended to December 31, 2004.

This Project Completion Report (PCR) of the Mindanao Rural Development Program (MRDP) – LN 45220 PH incorporates the findings and recommendations of the Terminal Evaluation and in addition, the result of the rapid assessment for the Community Fund for Agricultural Development (CFAD) component.

Although MRDP Operation started in 2000, preparation activities started in 1998 through 1999. Social Assessment and piloting of project components were done in Libungan, Cotabato Province and Senator Ninoy Aquino, Sultan Kudarat Province using funds from the concerned provincial and municipal LGUs and matching funds from the Department of Agriculture-Regional Field Unit of Region XII.

In Year 2000, the implementation was formally started in five municipalities of Cotabato and 6 municipalities in Sultan Kudarat. In the same period, the Program simultaneously conducted preparation for the 21 municipalities in the Provinces of Agusan del Sur, Compostela Valley, Maguindanao and additional 4 municipalities in the Province of Cotabato. In year 2001, implementation period for the 21 additional municipalities and 3 provinces took place.

Financial Report

The project was able to disburse a total of PhP 1.45 billion or 95% against the appropriated amount of PhP 1.53 billion. Overall fund release for the Rural Infrastructure Component is PhP 1.02 billion or 96% against the appropriated amount of PhP 1.06 billion. For CFAD, the total fund release is PhP 197.84 million or 98% of the total appropriated amount of PhP 201.46 million. For Institutional and Implementation Support, the total fund release as of May 15, 2005 is PhP 233.93 million or 87% of the total appropriated amount of PhP 268.76 million. In terms of disbursement and expenditures, MRDP has an availment rate of 96%, obligated the amount of PhP 1.47 billion as against the appropriated amount of PhP 1.53 billion.

In 2001, the actual utilization of the Project was a low twelve percent (12%). The catch up plan prepared to facilitate the fast tracking of activities largely contributed to the increase of the utilization rate by forty-one percent (41%) in 2002. Other factors like the proactive support and close monitoring of the project by the DA National Office and World Bank hastened the implementation process. Consequently, MRDP has achieved high performance in its last two years (2003 and 2004).

Physical Accomplishment

Given the MRDP's goal to alleviate poverty in the five (5) provinces, it has pursued its objectives through the implementation of the interrelated components. The complementation and integration package of developmental interventions facilitated the attainment of these objectives. The holistic and integrated approach in delivering these interventions have indicated positive result in attaining the Program's over-all objective of addressing the multifaceted needs of target beneficiaries.

Consistent with the goal of the Program to institutionalize community-based planning, it has assisted the Local Government Units (LGUs) in the packaging of 1,416 Barangay Development Plans (BDPs) via a community –based participatory planning. The BDPs were integrated to higher development plans of the Local Government Units and to the Department of Agriculture's Development Agenda. The project also assisted the LGUs in the establishment of 73 sites of Technology Demonstration Farms, where about 371 technologies were demonstrated for the farmers to learn and adopt in their respective farms.

The project has also accomplished the following: (a) rehabilitation of 699.7 kilometers of farm to market roads; (b) construction of 175.80 linear meters of one-lane bridges; (c) construction of 4 new communal irrigation projects and rehabilitation of 39 existing communal irrigation systems with a combined total service area of 5,791 hectares; (d) construction of 28 units of potable water systems; and (e) establishment of 1,583 micro-enterprise and small infrastructure projects.

Initial Project Results and Impact

To determine the initial result and impact of the project, an evaluation was conducted. This was to ascertain whether the sub-projectss implemented have contributed in making the people's lives better. Initial results and impacts are given below:

Rural Development Planning for Agricultural Productivity (RDPAP)

The various capacity building interventions implemented under Rural Development Planning for Agricultural Productivity (RDPAP) has bared positive results in providing the farmers and fishermen the needed support and opportunities to improve their productivity. The Program's intervention in strengthening the role of local development councils in rural development planning & resource allocation had produced a synergetic effect on the CFAD & Rural Infrastructure component interventions, thus achieving the objective of an increased agricultural productivity.

Prior to MRDP implementation, from 1995 to 1999, the provincial and municipal LGU Allocation for Agricultural Development was very low in the five provinces covered by the Program. In 1999, the total allocation was only 40.2 million pesos. Upon the implementation of MRDP, from 2000 to 2004, the MLGU Allocation, which mostly represents their project equity substantially increased to 101.8 million pesos.

Annual Investment Plans (AIPs) of the five participating provinces, now indicate a number of promising provisions in terms of allocations for agricultural and fisheries development. Enhancement of the capacity for resource generation activities were noted in the following provinces: (a) in the AIP of the Province of Cotabato (Tax Information and Education Campaign and Awards and Incentives for Best LGU for Real Property Tax Collection); (b) in the LGU revenue collection in Sultan Kudarat for Other Taxes (transfer tax on sale property, privilege tax, annual fixed tax on delivery trucks, tax on printing and publication, professional tax, franchise tax, mining tax, amusement tax and sand and gravel/quarry tax) and in Operating/Miscellaneous Revenue (hospital fees and charges); and (c) in the LGU Revenue Generation from Quarrying and Natural Resources Extraction in Compostela Valley, Cotabato and Sultan Kudarat and Agusan del Sur.

The Program has assisted the LGUs in establishing a more responsive agriculture and support delivery mechanisms by strengthening their linkages with the research institutions.

Institutional Development Intervention

The program also helped in the devolution/decentralization of the agricultural sector management areas to the LGUs and beneficiaries. The LGUs have become the stewards of technological transfer and project implementation to the beneficiaries. In turn, the beneficiaries have become proactively involved in the project planning, decision-making process and implementation. Findings showed initiative of the People Organizations (POs) to expand their sub-projects, participatory planning and decision-making and problem solving through frequent meetings and consultations. POs and their members participated in the development of the BDPs. The PO and beneficiaries developed enhanced competencies from capability building and project management experience. Involvement in capacity building organized for the POs and beneficiaries slowly increased their confidence in interacting with others in the community as they managed their projects.

MRDP has also made progress in accelerating the process of decentralizing the agricultural support services planning and implementation. Tried and tested replicable models which have been responsive to the concerns in decentralized agricultural sector. Planning and implementation had been initiated and initially institutionalized. These include among others initially integrating LGU initiatives into the plans progress and budgets of the Department of Agriculture, as well as decentralized screening and approval of sub-projects through the regional Sub-project Approval Committee (SAC), etc. These mechanisms or models could very well lead to the program's sustainability in the target areas.

Community Fund for Agricultural Development (CFAD)

The Program has provided adequate economic enterprise in the remote villages serving at least 37 thousand poor households. The livelihood projects implemented and now giving additional income to the beneficiaries include: Crop Production, Agro Forestry; Livestock/Poultry Production, Integrated Farming System; and Pre-/Post Harvest Facilities.

Small Infrastructure projects such as: foot/motor trails, spill ways, water supply, and hanging bridges serving at least 16 thousand individuals were also implemented.

Household survey results conducted by external evaluators showed that the annual nominal income of beneficiaries increased to PhP 30,607 from PhP 21,387 nominal income before MRDP or forty-three percent (43%) increase. Sixty two percent (62%) of CFAD beneficiaries claimed higher nominal income after their involvement in the project. The household interviews also revealed that majority (70%) of beneficiaries were able to provide enough food for their families during the program years. Beneficiaries mentioned having 3 meals a day compared to having one or two meals before MRDP and were able to offer some snacks to guests like boiled bananas and corn. This could also be confirmed in the result of the social assessment done prior to the program start.

Women Participation

The Program has reinforced discussions that brought consciousness among the different stakeholders on the important role of women in community development. The discussion of issue was brought to the level of local policy making bodies and Chief Executives, which ensures sustainability. MRDP has consciously involved the women sector in the implementation of the various projects The sector has gained more access to the resources and become active contributor to the family's income as a result of MRDP implementation arrangement. Almost a half (47%) of the beneficiaries are women. The sector has actively participated in the project development cycle. Furthermore, livelihood projects under the CFAD offered new employment and business prospects to the beneficiaries.

Indigenous People

The purposive targeting of the Indigenous Peoples (IPs) as beneficiaries of various sub-projects has enhanced the meeting of the Program's objective to actively involve the sector in economic activities. This has evolved into making them active partners in the pursuit of the Program's over-all objective. Direct IP beneficiaries total to seven thousand six hundred seventy nine (7,679) or 21.9% of the total direct beneficiaries.

Rural Infrastructure

The Rural Infrastructure (RI) contributed to the increase in agriculture productivity through the construction and rehabilitation of farm-to-market road, bridges and trails. These infrastructure facilities enabled beneficiaries to transport to town higher quantity of produce at a lesser time, cost and effort. The average volume of produce transported increased by twenty-seven percent (27%) during the wet and dry season. Travel time was reduced by an average of 15 minutes. Beneficiaries increased the frequency of their travel market from three times to four times a week.

Moreover, the enhanced irrigation system provided beneficiaries added income and higher productivity in crop production. Average production per farm roughly doubled as a result in area planted by about 64% with the available irrigation project. Household survey showed that more than a half (60%) of RI beneficiaries cited an increase in income after MRDP. Before MRDP, annual income of beneficiaries averaged at PhP 84,210. After MRDP, annual income in nominal term increased to thirty-five percent (35%).

Due to availability of irrigation water, irrigated farmland area increase from an averaged of 0.8 hectare to an average of 1.3 hectare after the irrigation project was made available to the farmer-beneficiaries, thus increasing capacity for production. Likewise, overall cropping intensity increased albeit slightly from one hundred ninety-eight percent (198%) to two hundred fourteen (214%). Moreover, sixteen percent (16%) beneficiaries were able to plant a third crop on an average of 0.2 hectare farm. Average production per farm increase of eighty-six (86%), and close to 6.4 metric ton during the dry season or an increase of seventy-six percent (76%).

Gross incomes from crop production increased by sixty-three percent (63%). Before MRDP, annual nominal income was only PhP 51,000. With the use of the irrigation facility, annual nominal income increased to PhP 83,000.

General health improved with the new source of water supply. There was lesser incidence of water borne diseases. In the survey, it revealed that when the MRDP water supply project became available, incidence of water borne diseases was significantly reduced to 2%. Frequency of occurrence of diseases likewise declined to an average of only once a year.

Operation and maintenance

On the other hand, regular monitoring of LGUs implementation of project's operations and maintenance (O&M) and material testing and quality control, through O&M audit and advocacy visit/inspection from project to project has resulted to increased awareness of LGUs on the importance of institutionalizing effective and efficient O&M system for sustainable infrastructure utilization as required in the Memorandum of Agreement executed by and between the program and the LGUs.

Social safeguard

Another important achievement of the Program is the issuance of Social Clearances to LGUs as part of the Social Safeguard Policy of MRDP. The development processes employed by the Program advocated the respect for the dignity, human rights, and cultural uniqueness of the people involved/affected by the projects. Hence, a survey of the Project Affected People (PAP) was conducted prior to the implementation of all infrastructure sub-projects to ensure social acceptability of the project top the community.

Coastal and Marine Biodiversity Conservation (CMBC)

The CMBC had successfully implemented its seven (7) sub-components namely: i) stakeholders capacitation, ii) environment and natural resources information, iii) degraded ecosystems rehabilitation, iv) resource conservation, v) resource use and other regulatory services, vi) policy formulation, planning and advocacy, and vii) environmental hazards management.

The component has established marine sanctuaries in the municipalities of Parang, Maguindanao covering 6 barangays in Kalamansig, Sultan Kudarat covering the barangays of Paril and Sangay. It has also developed and carried out sub-projects to enhance alternative income generation activities for coastal communities, and has strengthened the community-based surveillance of coastal resources and capacity of communities and regulators in the enforcement of marine resources regulations through the provision of goods and consultants' services and training. Further, CMBC also assisted in the development of skills of communities and government staff ion marine bio-diversity conservation methods through the provision of consultant's services and training.

APL1 Implementation Lessons

Lessons learned during the overall implementation of the project are worth considering in the future APLs of the program and with other similar undertakings. The weaknesses in this project can subsequently be prevented while its strengths duplicated in order to achieve the ultimate goal of developing the countryside, reducing poverty and increasing the income of our farmers and fisherfolk.

The MRDP provided important lessons that will be valuable in he APL 2. Major learnings common to all components included the following:

First, the strong will and commitment of the implementing officials and agencies like the World Bank, Department of Agriculture, MRDP-PCO, Local Government Units, NIA, and other concerned agencies was manifested by the timely implementation of the rural infrastructure component. Projects were carried out despite the perceived peace and order problems in Mindanao and the difficulties in accessing the project sites.

Second, creativity and innovation were used in the different projects. Despite of the perceived peace and order problems and lack of resources, the different components were able to adapt to the needs and priorities of the communities. The various development approaches and strategies such as: (1) participatory planning processes; (2) integrated programs; (3) decentralization of functions; (4) demand/community driven projects; (5) convergence of multi-sectoral committees; (6) social preparation; (7) social mobilization; and (8) institutionalization of the various stakeholder organizations and groups were instrumental in the success of the Program.

These approaches led to the community's strong leadership, commitment and involvement in project implementation. Noteworthy examples include the successful implementation of the Local Barangay Development Plans in MRDP and non-MRDP sites led to significant agricultural productivity since the LGUs implement priority sub-projects aimed at improving the local agricultural economy based on these plans. Through the convergence of MRDP implementers and other stakeholders, Multi-Sectoral Committees under CFAD prioritize sub-projects towards intended beneficiaries (poorest, IPs and women). Also under CFAD, the Participatory Barangay Development Planning exercise increased their knowledge for purposive planning and project management was also strengthened. The participatory processes of the POs led to community empowerment and gender equity (more women were involved in the projects).

Third, capacity building was implemented to guarantee the technology transfer and sustainability of the different sub-projects. Noteworthy examples were RDPAP's Rural Development Management Course (RMDC), Techno Demo Farms, Cross Visits and the other components' training and technical assistance to the communities. Major results of these capacity building programs were the implementation of various CFAD and rural infrastructure sub-projects and the BDPs.

Fourth, the coordination and collaboration from the provincial level down to the beneficiaries involving the various sectors greatly benefited the harmonious and congruent delivery of services especially in institutional support, appropriate technology, monitoring and evaluation of the projects. A significant outcome of this process led to the maturity and growth of many POs.

Fifth, the capability skills of the LGUs were greatly in the following: participatory governance, project development and management system. The valuable result of their expanded roles led to demand driven projects and a stronger partnership between LGU and the communities.

The implementation structure particularly of the CFAD sub-projects highlighted the LGUs' expanded role as the implementers. The Agricultural Technicians also designated as Municipal Facilitators, facilitated the community organizing and extension works in the Barangay level. They helped manage and train the duly organized POs in various livelihood and food security programs.

Recommendations

Define the planning model, standardize procedures and guidelines, institutionalize the roles and functions of stakeholders in the planning process.

Strengthen the stakeholders' capacity building to sustain the program and its projects through establishment and adoption of an appropriate Training Needs Assessment (TNA) system/stakeholders analysis, transform the system into training and development management manual, develop program calendar for the system and incorporate into the MRDP DA Work and Financial Plan.

There is a need for a timely organization and engagement of institutional structures and support mechanisms (LGUs, DA and other support institutions)

Although significant capacity building intervention were undertaken, strategies, however, have to be even more practical, experiential and action oriented for technology transfer and adaptability and responsiveness to the communities' needs.

Improve certain standards for Project implementation procedures to prevent misunderstanding, sub-standard work, additional cost and to conserve time.

Even with the present coordination system, there is still a need to further strengthen convergence and collaboration in planning implementation and monitoring and evaluation to attain more agricultural productivity with lesser resources.

Support sustainability mechanisms like funding, communication channels, and logistical support on all MRDP components.

Reinforce the monitoring and evaluation systems particularly at the LGU levels to efficiently respond to projects' problems and needs.

Ensure operationalization of the Management Information System (MIS), which will include its subcomponents like the Baseline MIS, Operations and Financial MIS, Process and Results Monitoring and Evaluation System and Impact Evaluation System at the LGU levels to provide accurate and timely data, in order for stakeholders to immediately resolve critical problems and see the immediate benefits of the sub-projects.