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HUMAN DEVELOPMENT FOR PEACE AND PROSPERITY

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THE WORLD BANK GROUP



Country Office Manila
23rd Floor, The Taipan Place
Emerald Avenue, Ortigas Center
Pasig City, Philippines
Telephone: (632) 637-5855 to 64
www.worldbank.org.ph

Human Development for Peace and Prosperity in the Autonomous Region in Muslim Mindanao

The World Bank
Human Development Sector Unit
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Acronyms and Abbreviations

| | |
|------------|--|
| ARMM | Autonomous Region in Muslim Mindanao |
| CIDSS | Comprehensive and Integrated Delivery of Social Services |
| CMEP | Comprehensive Mindanao Education Program |
| DBM | Department of Budget and Management |
| DepEd | Department of Education |
| DHS | Demographic and Health Survey |
| DOH | Department of Health |
| DSWD | Department of Social Welfare and Development |
| IRA | Internal Revenue Allotment |
| LGC | Local Government Code |
| LGU | Local Government Unit |
| MOOE | Maintenance and other operating expenses |
| NCR | National Capital Region |
| NGO | Nongovernmental organization |
| NSCB | National Statistical Coordination Board |
| ODA | Official development aid |
| PhilHealth | Philippine Health Insurance Corporation |
| PHP | Philippine peso |
| RHU | Rural health unit |
| RLA | Regional Legislative Assembly |
| UNICEF | United Nations Children's Fund |

Selected regions

| | |
|-------------|-------------------|
| Region IX | Western Mindanao |
| Region X | Northern Mindanao |
| Region XI | Southern Mindanao |
| Region XII | Central Mindanao |
| Region XIII | CARAGA |

Acknowledgement

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Executive Summary

Scope and objectives of the study

By almost any measure, the Autonomous Region in Muslim Mindanao (ARMM) has the poorest human development outcomes among the 16 regions in the Philippines. Poverty incidence (63 percent) is twice that for the nation as a whole. Life expectancies for men (55.5 years) and women (59.3 years) are more than 10 years below the national rates. Infant and maternal mortality (at 63 deaths per 1,000 live births and 320 deaths per 100,000 live births, respectively) are 30 percent and 80 percent higher than the national rates. And net primary and secondary enrollment rates (at 82 percent and 39 percent, respectively) are 14 and 33 percentage points lower than the national rates. Any effort to rebuild the society and economy of Muslim Mindanao after decades of sporadic conflict—in fact, any effort to bring sustained peace to Mindanao—must include a component to enhance substantially the prospects for human development in the Region.

This review of human development in ARMM is a key part of the World Bank's program to support the Philippine Government's efforts to renew Muslim Mindanao, as laid out in the Bank's Country Assistance Strategy for 2003–2005 (World Bank 2002). The study documents the state of human development in the Region, explores factors leading to poor human development outcomes, and examines the extent to which public and private sector services have helped mitigate (or exacerbate) these outcomes. The study examines why these human development outcomes are so poor compared with those in other regions in the Philippines and which contributing factors can—or indeed, should—be changed, given available resources and the existing political and social conditions in the Region.

Three factors contributing to the human development lags in ARMM

Three critical factors underpin the substantial disparities in basic education and health indicators between ARMM and the rest of the country—*extreme poverty, conflict, and historical disadvantage*. Data on the distribution of wealth indicate that 64 percent of ARMM households belong to the poorest quintile (20 percent) of all households in the country, and another 22 percent belong to the second poorest quintile. Since 86 percent of all ARMM households are among the 40 percent of poorest households in the country, income transfers within the Region—through which the rich could help the poor—have limited potential for alleviating the conditions of the poor, leaving the Region exceptionally dependent on external resources for economic growth or for human development. Continuing, though sporadic, armed conflict has put significant stress on the delivery of education, health, and social protection services, both on the supply and demand sides. In addition, the Region's long history of independence, separatism, and cultural assertiveness has created deep-seated barriers between the community of Muslims in Mindanao and the rest of the Philippine nation—and has led to an absence of the institutional, human, and social capital that is so essential to human development.

Autonomous governance for human development

The unique circumstances of Muslim Mindanao have drawn unique responses, from the creation of special task forces and commissions in the 1970s to the creation of ARMM

under Republic Act No. 6734 in 1989, and the amendment of that Act by Republic Act No. 9054 in 2001 (the Organic Law). The latter contains detailed provisions that pertain to the governance, regulation, and funding of the human development sectors in the whole Region. Among other things, the Organic Law states that the Region's schools will adopt the basic core courses, minimum curriculum, and textbooks required by the National Government, but will have the prerogative and responsibility to add other courses and instructional materials in keeping with the teaching of Islamic values.

In practice, the ARMM Regional Government has taken little initiative to assert its prerogatives under autonomy. It has focused mainly on seeking budget support from the national legislature or the national chief executive. In addition, there

The human development sectors in the Region clearly are starved of resources, judging by standards prevailing elsewhere in the Philippines.

has been little or no direct assistance from the National Government in capacity building for regional autonomy.

The Regional Government's timidity is understandable given its heavy dependence on the National Government for its financing. The Region's funding comes from two main sources: (a) a Local Fund consisting of revenues from local taxes, fees, and charges, and the Region's Internal Revenue Allotment, set at 35 percent of national internal revenues collected from the Region; and (b) national government budgetary transfers to cover the cost of regional administration and delivery of devolved public services. While the first source is relatively stable and secure, and more predictable, the latter is subject to all the uncertainties and political horse-trading surrounding the annual budget process. Unfortunately, the bulk of regional revenues falls under the latter category, with the Region receiving PHP20 in national government transfers for every PHP1 in the Local Fund.

Central control of the bulk of ARMM expenditures underlines the governance issue of a "de jure" autonomous regional government that has no more real or practical autonomy in deciding the level and allocation of funds intended

for its particular, distinct mandate than other nonautonomous administrative agencies of the National Government. Furthermore, the structure and itemization of the national government budget for ARMM is too detailed and gives no flexibility for management discretion and accountability by ARMM decision-makers. While the Department of Budget and Management is trying to reorient implementing agencies toward results, budget management in ARMM continues to be preoccupied with expenditures for inputs rather than production of output.

In contrast to the Regional Government, local government units (LGUs) within ARMM—including provinces, cities, and municipalities—enjoy relatively more financial autonomy than the Regional Government. In addition to the standard Internal Revenue Allotment, which is derived from total national revenues and which is granted to all LGUs in the country under the Local Government Code, LGUs in ARMM receive a share of national internal revenues collected in the Region. They also have more leeway to make resource allocations in accordance with locally determined priorities. On the other hand, while the Local Government Code, which mandates the devolution of many human development-related functions and responsibilities to local governments, has been in effect nationwide since 1991, the regional version of devolution, adopted in 1995, essentially preserved education, health, and social protection services as regional government responsibilities. The result is almost total neglect among LGU leadership toward these basic needs of their constituencies and correspondingly meager shares of LGU budgets for human development services (1.5 percent of total expenditures among ARMM LGUs as opposed to 21.5 percent among non-ARMM LGUs).

Public expenditures for human development

Per capita spending on human development in ARMM from three major public sources—line departments of the National Government, ARMM Regional Government, and LGUs in ARMM—amounted to PHP1,393 (US\$28) in 2001, which was equivalent to only two-thirds of the level for the rest of the country. Health spending suffers most, with per capita public spending at only 41 percent of that for the rest of the country. Education and social protection expenditures in ARMM were 75 percent of the corresponding levels for the rest

of the country. The human development sectors in the Region clearly are starved of resources, judging by standards prevailing elsewhere in the Philippines.

At the regional government level, human development sector expenditures are heavily weighted in favor of personnel costs, which receive 93 percent of total expenditures in this sector (compared with 85 percent at the national government level). Provinces in ARMM also show a bias in favor of personnel expenditures (90 percent). Overall, municipalities tend to end up filling the gap in the input mix, with their share of maintenance and other operating expenses at 73 percent of their total human development expenditures. There is a strong argument here to question the efficiency and quality of human development services, given the skewed input mix.

The education system

Although the gap between ARMM and the rest of the country in enrollments has narrowed for primary education since the 1990s, it remains substantial at nearly 20 percentage points between school-age children in ARMM in the poorest quintile and those who are equally poor in other regions. Children begin school later in ARMM and are only about one-half as likely to continue through the elementary grades. The transition to high school is particularly difficult, with a dip in enrollment for children at around the age of 14 years—and the enrollment gap for secondary education appears to be widening. Fewer than 2 out of 10 children who enter grade 1 stay on to complete high school.



The numbers of public elementary and secondary schools relative to population size and student-teacher ratios in ARMM appear to be on a par with the rest of the country, although the relative supply of private schools is smaller. However, there are questions as to whether the schools provide the necessary environment and materials for students to learn and whether teachers are adequately trained and motivated. The ongoing conflict in the Region presents difficult challenges for teachers and school principals to keep students in school. Some students, as well as teachers, are reported to be manifesting psychological stress due to the violence. Armed conflict appears to be causing delays to schooling, possibly of about a year, due to intermittent disruptions to school activities.

On the demand side, the slow economic growth, and the uncertainty and isolation brought about by the conflict make investment in education less attractive. In addition, lower enrollment probability and educational attainment are associated with belonging to a poorer household, having parents with a lower level of education, and belonging to a larger family. A large pool of illiterate or semilliterate adolescents and adults, a vicious cycle of poor schools yielding poor graduates and thus poorly trained teachers, and few opportunities for local resource mobilization to upgrade schools make the challenge even more daunting.

While the needs are great, perceived conflicts between the goals of building a unique Islamic community and of remaining fully integrated in the larger Philippine nation has preoccupied education sector leadership in ARMM and, to a large extent, prevented the Region from addressing the more mundane but very real challenge of saving an education system that has deteriorated during decades of neglect and conflict. Steps must be taken immediately to resolve the ongoing debates on the appropriate goals and institutional forms of the regional education system, both public and private, to allow a real start on education sector reform, improvement, and development.

The health system

Health indicators for ARMM show a region that is far less advanced along the "health transition curve," with levels of life expectancy in the Region today more akin to life expectancy in the Philippines in the late 1960s and with patterns of mortality marked by high prevalence of communicable diseases, as is characteristic of poorer countries in Asia and Africa. This

is no surprise given the high incidence of poverty, which in turn leads to poor nutrition, poor water and sanitation, low literacy, and high fertility, all known correlates of poor health. The ongoing conflict also directly affects health outcomes with trauma/gunshot wounds among the principal causes of death and with acute symptoms of post-traumatic stress disorder apparently present among a large proportion (around 25 percent by one estimate) of the conflict-affected population.

ARMM shows poor, if not the poorest, performance among all regions in the Philippines for common indicators of service coverage including prenatal care, immunization, nutritional supplementation, and family planning services. It would be reasonable to argue that the health system's very low level of funding is causing this poor performance. Indeed, there is a strong argument to call for an immediate increase in health system funding, particularly taking into account the additional burden placed on the system by the challenging service conditions, with large expanses of mountainous areas and extremely remote island locations. But a closer examination of data on health system resources in the Region shows a more nuanced situation. As with education, the ratio of health service personnel to population in the Region appears to be comparable to the rest of the country. Also, although there are fewer hospitals and *barangay* health stations per capita, the number of rural health units per capita is higher than in most other regions. Indeed, it would appear that efforts to use the available limited resources more efficiently, e.g., to deliver a more cost-effective package of basic services using more cost-effective input combinations through a streamlined network of facilities, could help improve health sector performance.

The social protection system

To cope with the psychosocial and economic stresses resulting from the cycles of conflict, the people of ARMM have relied mostly on traditional family and clan support networks. The traditional *datu* system that governs the major ethnic groups in the Region still dominates every aspect of life in ARMM. But over the last century, the *datu* system and the local government have meshed into one system, and traditionally accepted clan-based forms of social protection sometimes carry over in the form of nepotism and corruption under the modern governance system.

Recently, however, a strategic shift from traditional welfare to development of voluntary community networks has started taking place, a shift that is laying the foundations of a solid social protection system that is particularly appropriate for situations of conflict, extreme poverty, and geographic isolation. Programs initiated by the ARMM Department of Social Welfare and Development and led by the community, that identify local priorities through a participatory process and that contribute to building community-based social structures, are the most promising for the Region. The challenge is to find the appropriate balance between the immediate need to provide *relief* and *rehabilitation* between episodes of conflict, and the need to prepare the ground for long-term *social cohesion* and *development*.

Closing the gap in human development outcomes— A strategic framework for the coming decade

This study, puts forward a set of recommended actions to break the cycle of under-performance and delayed development. The effort required is enormous, corresponding to the depth and expanse of the need. But two strategic themes dominate:

- There is ample justification for substantially increasing the level of public expenditures for human devel-



opment in ARMM and this study makes the case for realizing such an increase from a full range of partners, but especially from the National Government, LGU's, and donors. At the same time, the key stakeholders in ARMM governance, particularly the Regional Government, need to demonstrate that there is indeed broad-based will to reform internal governance and regional service performance, which would greatly help secure increased resources. *Hence, one set of recommendations (section 1 of the Annex) revolves around a series of parallel stepwise actions to increase public expenditures for human development and increase regional autonomy in budget management, while increasing transparency and accountability and demonstrating broad-based consensus on key policy directions in human development.*

- There are a number of strategic actions in the individual sectors—education, health, and social protection—that reinforce as well as articulate and amplify the larger message of increased public spending and improved governance for human development. Sectoral agencies in ARMM, with the support of their counterpart agencies at the national level, have ample opportunity to pursue sectoral initiatives that can help the Region in moving out of its systemic constraints. *Hence, a second set of recommendations (sections 2 to 4 of the Annex) revolves around sector-specific measures to clarify sectoral goals and service standards, strengthen management and operational capacities, and undertake selective investments in line with sector-specific priorities.*

The full set of specific recommended actions, including their proposed timing and recommended lead agencies for implementation, is presented in the Annex. These can be summarized, in brief, in terms of five separate but interrelated concrete developments, namely:

1. A medium-term public expenditure framework for ARMM, which outlines an indicative plan for targeted increases in public spending on human development over a three- to five-year period, funded from all sources.
2. A regional policy agenda (backing the expenditure framework), which establishes the framework for human development spending and demonstrates broad-based political consensus on key human development sector policy directions and for greater transparency and accountability in management of staff and other resources.
3. A regional basic education plan, which outlines the basic goals, essential standards, critical improvements, policy on *madaris*, key changes in management and operating systems, funding policies, demand-side programs, and links between tertiary institutions and basic education.
4. A rationalization plan for the regional health network, which provides for models of service delivery, facility investment policies, sources of funding, support systems, and measures to meet special health needs.
5. A social protection program policy centered on community-led development, which uses the experience from successful Comprehensive and Integrated Delivery of Social Services projects and adopts community-based poverty-mapping instruments, such as the minimum basic needs, as its core targeting tool.

The *Annex* calls for participation by all major actors in the Region—national, regional, and local governments; education, health, and social protection officials and staff; civil society and the communities it represents; and external donors and funding agencies—with the lead role belonging to the Regional Government, which must motivate partners to take concerted action. Within the Regional Government, leadership must come from the top, in the Office of the Regional Governor, joined by other parts of the Regional Government in lending support to the three key regional sector agencies.

Finally, *no strategy for human development would be complete without a call for a humane and permanent resolution of the ongoing conflict in the Region.* It is hoped that this study's depiction of the costs of the conflict in terms of losses to human development, particularly for the children of the Region, will serve as one more reminder of why an end to the conflict in Muslim Mindanao must be the overriding objective for all concerned.



1. Scope, Objectives and Methods of the Study

1.1. Scope

Located in the southernmost reaches of the Philippine archipelago, the Autonomous Region in Muslim Mindanao (ARMM) consists of five provinces (Lanao del Sur, Maguindanao, Sulu, Basilan, and Tawi-Tawi) and one city (Marawi City). The Region had a total population of 2.87 million or 3.75 percent of the total national population in 2000 and occupies an area of 13,435 square kilometers or 4.5 percent of the total national land area.

By almost any measure, ARMM has the poorest human development outcomes among the 16 regions in the Philippines. A child born in the Region today has very limited prospects for a long, productive, and healthy life compared with children in the rest of the country. This child has a substantially higher than average chance of being born to a mother who is not functionally literate and into a family sharing a lower than average income, and of living in a home without access to safe water or a sanitary toilet. The child will have higher chances of dying as an infant and, having survived the first year of life, will be more likely to suffer chronic undernutrition and anemia. The child's chances of enrolling in primary school are lower than elsewhere in the country, and substantially lower for secondary school. And if that child is female, and she lives to become a mother herself, her chances of having an unwanted pregnancy or of dying at childbirth will be higher than in any other part of the country.

Any effort to rebuild society in post-conflict Muslim Mindanao will have to include a component to substantially enhance prospects for human development in the Region. The lack of access to quality social services and the general sense of

exclusion that have built up over decades, even centuries, among the inhabitants of Muslim Mindanao have been key factors in the regional conflict. These very issues that created conditions for conflict, have been only exacerbated by the conflict itself. Service delivery systems, already weak in the past, have been ruptured. Education and health resources—infrastructure, equipment, supplies and, most critically, human resources—have deteriorated. These assets must be restored and enhanced to create an environment where children receive the nurturing and education they need to flourish into wholly fulfilled individuals, where adults are healthy, productive members of society, and where every individual feels part of a society that embraces diversity and respects their own—and others'—traditions and culture.

1.2. Objectives

This review of human development in ARMM is a key part of the World Bank's program to support the National Government's efforts to renew Muslim Mindanao, as laid out in the Bank's Country Assistance Strategy for 2003–2005 (World Bank 2002). The study documents the state of human development in the Region, tracking indicators of education and health outcomes and the existence and nature of social safety nets that prevent families from suffering the worst consequences of poverty and conflict. Using quantitative and qualitative approaches, the study explores factors leading to poor human development outcomes, including economic, social, political, and cultural factors, and examines the extent to which public and private sector services have helped mitigate (or exacerbate) these outcomes. The study attempts to examine why ARMM's human development outcomes are so poor compared

with other regions of the country and which of these factors can—or indeed, should—be changed, given currently available resources and the existing political and social context.

Based on these analyses, the study examines options for a coherent strategy to renew and accelerate human development in ARMM over the next 10 years, in what sequence the strategy should unfold, at what pace and with what resources, as well as who should be the key actors in carrying out this strategy.

This study is addressed, first and foremost, to the *ARMM Regional Government*. This includes all levels of the Regional Government, from the Office of the Governor to all oversight and line agencies, foremost among the latter being the management and field staff of the three human development sector agencies—the departments of Education, Health, and Social

By almost any measure, ARMM has the poorest human development outcomes among the 16 regions in the Philippines. A child born in the Region today has very limited prospects for a long, productive, and healthy life compared with children in the rest of the country.

Welfare and Development. The study's aim is to provide practical and effective recommendations for actions to be taken by the Regional Government over the next five to 10 years, within a consistent longer-term framework for human development. The study also aims to provide strategic support to counterparts in the *National Government*, recommending ways in which the National Government can make the most productive use of the meager but valuable financial resources that it channels to the Region and of the political partnership it is starting to develop with the Regional Government. An equally critical audience are executives of *local government units* (LGUs). The study aims to help these executives define their roles in improving human development outcomes for their constituencies within a complex governance structure and with their limited financial resources and strategic and technical capacities in the three human development sectors. Finally, the study addresses the leadership in *local civil society*, including both traditional and newly emerging agents of change. The study offers guidance

on directions to channel their efforts in a situation where the challenges are enormous and the resources limited.

Looking internally, the study addresses the World Bank itself, recommending ways to ensure that the potentially large infusion of resources that the Bank (and other international partners) can bring into the Region are used efficiently, but in accordance with local priorities and with respect for local traditions. More specifically, the study recommends ways in which the resources to be made available through the World Bank-funded ARMM Social Fund Project—of which a significant part is intended for investments in the three human development sectors—can be put to maximum use to accelerate human development in the Region. Possible further actions to complement the ARMM Social Fund Project and other World Bank-sponsored activities in Muslim Mindanao, as well as those of other international partners, are also highlighted.

The study is organized into seven chapters. This first chapter gives an overview of the scope, objectives, and methods of the study. The second chapter documents the state of human development in ARMM and introduces three critical factors that put the Region at a distinct disadvantage relative to the rest of the country in its efforts to achieve human development—extreme poverty, armed conflict, and historical disadvantage. The study then proceeds in chapter three with a discussion of the Region's experience with autonomous government and explores ways to maximize the opportunities presented by autonomy to accelerate human development in the Region. A review of public sector expenditures on human development in ARMM is included. Chapters four, five, and six take a closer look at the three main human development systems in the Region—education, health, and social protection—in an attempt to discover the key factors that explain ARMM's poor human development outcomes and the impact that each factor has on these outcomes. Each of these three chapters identifies opportunities for improving outcomes, with a particular focus on measures that could bring the human development service delivery systems in the Region to peak performance over the coming years. The seventh and final chapter draws together the previous chapters' recommendations to form an overarching strategy for improved human development in ARMM, proposing a prioritized time frame for implementation of the strategy and identifying specific roles for governments, local communities, and donors. The annex expands on these recommendations, including their proposed timing and recommended lead agencies for implementation.

1.3. Data and methodology

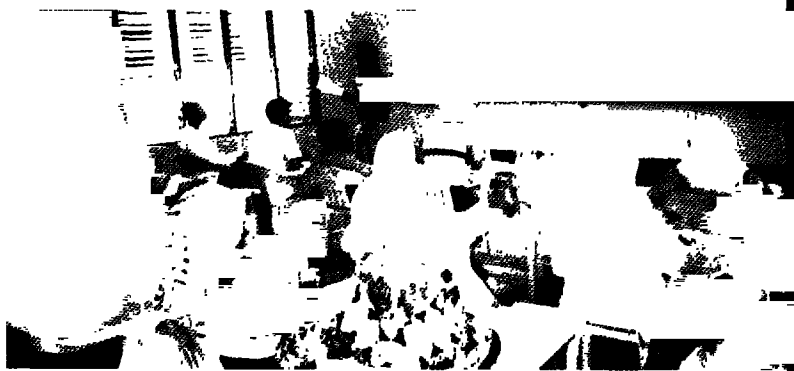
The study employs a range of quantitative and qualitative data and analyses. First, published sources such as past studies and (mainly national) government reports from the relevant government departments were reviewed and analyzed. In addition, this review looked at the economic and political history that underpins the Region's current level of development, its cultural diversity, and the issues related to its state of human development. It is within this historical context that the study assesses the impact of poverty and economic underdevelopment, autonomy, and prolonged conflict on human development indicators.

Second, the study is also based on administrative data, mostly from published, national government sources (but also including unpublished as well as regional sources), that provide information on basic human development outcomes in ARMM and on the availability of education, health, and social protection services. But there is no question that the collection of administrative data has been limited in the amount of detail that the data can provide with respect to various aspects of service delivery. While service facilities tend to have information on many other aspects of delivery, these data are not necessarily compiled at the regional or national levels of government, nor can they be assumed to be accurately reported. For example, in education, data on the physical condition of school buildings and classrooms and the number of community-funded temporary teachers are not readily available; in health, periodic shortages of certain pharmaceuticals in local facilities are noted by rural health workers, but this level of information is not seen in published sources.

As noted elsewhere in this study, ARMM is not a homogeneous region and thus data that permit some level of ethnic and geographic disaggregation within ARMM are important in providing a clearer description and analysis of the Region's problems and resources. Secondary and administrative data are not able to support an analysis of the state of human development as it relates to this diversity and to various socioeconomic factors that affect the economy of the household and the community. In order to identify and understand the barriers to access to basic education and health services, particularly as they vary between Muslim Mindanao and the other regions of the country, the study includes a third approach—analyses of household survey data using multivariate regression methods. Household survey data,

such as those collected in the Demographic and Health Survey (DHS) of 1998,¹ allow an investigation of the systematic links between poverty and different measures of service utilization and human development outcomes. The DHS covered about 10,000 households, of which about 5 percent were located in ARMM and another 30 percent in other Mindanao regions. Of the national sample, about 10 percent of households were Muslim.

Lastly, research for the study included rich qualitative fact-finding through interviews and meetings with the various communities of stakeholders within the Region and with national leaders, and through site visits by the study team. Site visits took place over a period of one week during January 2003. These interviews, meetings, and site visits helped elaborate on the impact both of the prolonged conflict in the Region and of



autonomy, and they point to areas for policy dialogue and changes toward a coherent human development strategy in the Region. The conflict and resulting security risks have discouraged data collection in the past, contributing to scarce and sometimes spotty data. ARMM's status as a high-security risk area has limited the extent of study team visits in the field. Teams were able to travel only to Zamboanga and Cotabato cities and their immediate surrounding areas. Every effort has been made to come as close as possible to the principal subjects of the study. Consultations with individuals with first-hand experience or direct responsibility for ARMM activities have been an essential part of the study. These consultations have made the fact-finding undertaken for the study that much more valuable in shedding light on specific issues in human development in ARMM.

¹ The Demographic and Health Surveys (DHS+) program is the third consecutive worldwide project initiated by the US Agency for International Development (USAID) to provide data and analysis on the population, health, and nutrition of women and children in developing countries. In the Philippines, the survey was conducted in 1993 and 1998.



2. Challenges of Human Development in ARMM

2.1. Worst human development indicators in the country

good place to begin a review of human development in ARMM is how it measures up to the Millennium Development Goals (MDGs) introduced at the United Nations Millennium Summit in 2000. The MDGs pertain, among others, to targets relating to poverty, enrollment rates in primary education, gender equality in enrollment rates at the primary and secondary levels, under-five child mortality rate, and the maternal mortality ratio. While the Philippines as a whole performs relatively well, ARMM is far from meeting the basic goals for education, health, and gender equality.

Table 2.1 gives a picture of the extent to which ARMM falls behind the rest of the country. Among the indicators of the status of human development in ARMM are:

- In 2000, the incidence of poverty in ARMM was almost twice that for the nation as a whole—62.9 percent of the population could be considered poor compared with 34.0 percent for the country as a whole.² The other regions of Mindanao fell between these two numbers, but poverty incidence in ARMM was strikingly higher than in those other regions. Moreover, the average annual household income in ARMM was only 57 percent of the national average.
- Life expectancy was 59.3 years among women and 55.5 years among men, more than 10 years less than the national average in 2000. Life expectancy has improved for

Table 2.1 MDG and other indicators of human development in ARMM

| MDG or other indicator | ARMM | Whole Country | Rank among 15 regions |
|--|--------|---------------|-----------------------|
| Incidence of poverty, by population, 2000 (%) | 62.9 | 34.0 | 16 |
| Average household income, 2000 (PhP) | 81,519 | 144,039 | 15 |
| Life expectancy among women, 2000 (years) | 59.3 | 71.6 | 15 ^b |
| Life expectancy among men, 2000 (years) | 55.5 | 66.3 | 15 ^b |
| Infant mortality, 1995 (per 1000 live births) | 63 | 49 | 14 ^b |
| Maternal mortality, 1995 (per 100,000 live births) | 320 | 180 | 15 ^b |
| Net enrollment rate in primary education, 2001 (%) | 82.0 | 96.4 | 15 ^b |
| Net enrollment rate in secondary education, 2001 (%) | 39.2 | 72.2 | 15 ^b |

a A rank of 1 indicates the most desirable outcome
 b Shows rank among 15 regions, no data available for Region XIII

Sources:
 On poverty and income: National Statistics Coordination Board web site (www.nscb.gov.ph)
 On life expectancy and mortality: National Statistical Coordination Board, *2002 Philippine Statistical Yearbook*
 On enrollment: Department of Education, Culture and Sport, *Annual Report, 2001*

both women and men but ARMM's life expectancy numbers for women and men are 10 years and eight years less, respectively, than the lowest numbers for the other regions of Mindanao. (These figures refer to medium assumption of moderate fertility and mortality declines.)

- Infant mortality has declined in ARMM as well. The most recent data, for 1995, show the rate dropping from 74 in 1990 to 63 per 1,000 live births. This is a faster reduction than that for the country as a whole, but the rate is still 30 percent higher than the national rate and is the second highest among all regions.

² These poverty estimates are taken from the National Statistical Coordination Board (NSCB) web site (www.nscb.gov.ph) and are estimated using the NSCB's approved changes in methodology as of February 2003. They therefore differ from the estimates published in the NSCB *2002 Philippine Statistical Yearbook*. They also differ from official World Bank estimates. The NSCB uses estimates of income to define poverty (income approach). The World Bank estimates poverty incidence using consumption data (consumption approach), yielding an incidence of 60.7 percent in ARMM and 27.5 percent in the country as a whole. ARMM ranks poorest among all regions using either methodology.

- Maternal mortality has also fallen in ARMM from 377 per 100,000 live births in 1990 to 320 in 1995, but this rate remains about 80 percent higher than the national rate—and, interestingly, about double the rate in Central Mindanao. It is, in fact, the highest among all regions.
- ARMM does better in terms of basic education than in health, but there are significant gaps nonetheless. Between 1990 and 2001, the net enrollment rate in primary education for the country as a whole rose from 84.6 percent to 96.4 percent. In 2001, the primary net enrollment rate in the different regions of the country exceeded 90 percent, except in Western, Southern, and Central Mindanao and in ARMM—and among the four regions, this rate was lowest in ARMM, at 82 percent. The gap among the regions is larger at the secondary level: the net enrollment rate was only 39.2 percent in 2001 in ARMM as compared with more than 50 percent in other Mindanao regions and 72.2 percent for the country as a whole.
- The gross patterns and trends in human development indicators mask important differences *within ARMM* itself, as there are significant differences among the provinces comprising ARMM.

2.2. Extreme poverty, armed conflict, and historical disadvantage

The MDG indicators illustrate the vast challenges that must be addressed in improving human development in ARMM and the urgency of tackling them. The substantial disparities in basic education and health indicators between ARMM and other regions in Mindanao as well as between ARMM and the rest of the country can be explained in the light of three critical factors that, together, contribute significantly to the Region's human development lags:

- The Region as a whole is much poorer than other areas. Critically, the poorest segments within the Region suffer from extreme poverty, making it more difficult for households and communities to meet the needs for basic services and seriously limiting the Region's ability to respond to those needs.
- Continual, though sporadic, *armed conflict* in the Region has put significant stress on the delivery of edu-

cation and health services, both on the supply and demand sides.

- The Region's *political and economic history* has been marked by exclusion and instability, leaving it with limited institutional and human capital on which to build the foundations for accelerated human development.

These three factors influence outcomes in education, health, and social protection in different ways. Each factor is introduced briefly here as a general background for subsequent discussions in later sections of this study.

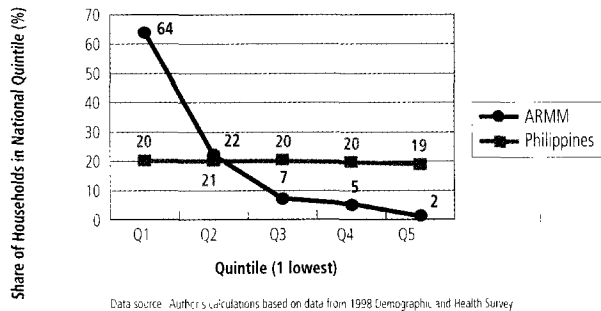
2.2.1. Extreme poverty

The level of poverty determines the ability of households to assume direct or indirect costs of schooling and health care, to help prevent household members from falling ill or dropping out of school and having to fall back on household reserves during times of crisis. In addition, a community's level of economic development determines households' ability to maximize expected returns to human development investments. It also determines the extent to which society or its representative government can respond to the needs of the poor.

As mentioned earlier, poverty incidence in ARMM is higher than in any other region in the country. In fact, data from NSCB's *2000 Family Income and Expenditures Survey* show that poverty incidence increased by seven percentage points in only three years, from 55.6 percent in 1997 to 62.9 percent in 2000. Poverty also increased for the country as a whole, but from a lower level and at a slower rate (from 33.0 percent in 1997 to 34.0 percent in 2000). For ARMM, poverty incidence in 2000 was high even in urban areas (51.0 percent), though still lower than it was in rural areas (68.2 percent), in contrast to the rest of the country where urban poverty, at 18.6 percent, was 30 percentage points lower than rural poverty, at 48.8 percent. Finally, as a measure of the degree of deconcentration in the distribution of income, the Gini coefficient from the same survey data was the lowest in the country in ARMM (0.33 versus a national Gini coefficient of 0.45).

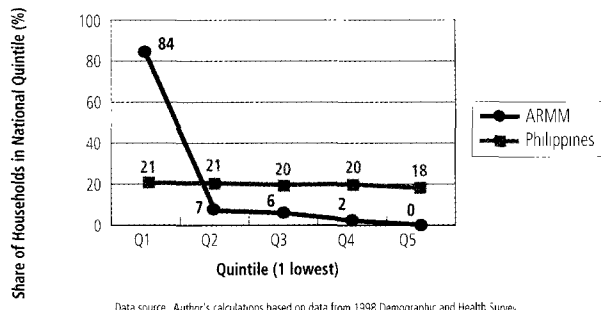
Data on the distribution of households by wealth groups from the 1998 DHS give further evidence of the breadth and depth of poverty in the Region. Using national wealth quintiles estimated from the survey as a benchmark for comparison, figure 2.1 shows that as many as 64 percent of households in ARMM had measured wealth *below* within the equivalent range for the poorest 20 percent in the country as a whole.

Figure 2.1 Distribution of households in national wealth quintile



Data source: Author's calculations based on data from 1998 Demographic and Health Survey

Figure 2.2 Distribution of urban households in national urban wealth quintile



Data source: Author's calculations based on data from 1998 Demographic and Health Survey

Another 22.1 percent of households in ARMM fell within the second lowest national wealth quintile, leaving fewer than 15 percent of ARMM households with measured wealth falling within the range of wealth of the 60 percent least poor households in the country. Figure 2.2 shows striking results for urban households in ARMM, which appear to be considerably poorer than their counterparts in other urban areas in the country. As many as 84.4 percent of urban households in ARMM fall within the lowest national urban wealth quintile.

All the above data indicate that households in ARMM are not only very poor on average; they are for the large part "equally poor." This means that there is little room for income transfers within the Region through which the rich could help the poor, leaving the Region exceptionally dependent on external resources for economic growth or for human development.

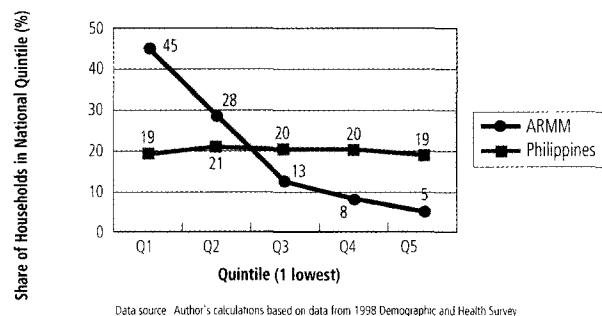
2.2.2. Armed conflict

Mindanao was the southern frontier of the Philippines during much of the first 100 years of the Philippine republic.

Previously, the outer reaches of Muslim Mindanao had gone through a history of independence and warfare against the Spanish colonizers before cultivating a delicate balance of resistance and collaboration toward the American colonizers who, with greater military power than Spain, were more successful at integrating them into the larger Philippine nation. Emerging from the Second World War with little damage compared with the devastation in the rest of the Philippines, Mindanao in 1948 had a population of 2,943,324, with Muslims being a minority (32 percent) of that population (Santos 2000, cited in Barandiaran 2002). Through the 1950s and 1960s, Mindanao enjoyed relative peace, except for intermittent but localized rebellions such as Kamlon's Sulu uprising in 1951–55. Throughout most of the 1950s, there was largely spontaneous and unmanaged in-migration, attracted by the 90 percent of Mindanao's area classified as public land (Abinales 2000, pp. 96–97). Then large-scale, armed conflict in Mindanao began with local encounters between Muslim and Christian paramilitary units, which quickly led to a much wider conflict between a rapidly organized Bangsa Moro (Muslim Nation) Army and the urgently mobilized Armed Forces of the Philippines, from 1973. By 1990, after several decades of high in-migration and almost two decades of armed conflict, Mindanao's population accounted for 23.5 percent of the national population, and Muslims had shrunk to 19 percent of that (Barandiaran 2002, Santos 2000).

The conflict in the Region continues to this day, though it is largely sporadic in nature (Barandiaran 2002, Danguilan-Vitug and Gloria 2000). A particular community may see no outbreak for several months then suddenly be subject to fire-fights or large-scale hostilities—the community could evacuate, return, and evacuate again, or receive evacuees from other

Figure 2.3 Distribution of rural households in national rural wealth quintile



Data source: Author's calculations based on data from 1998 Demographic and Health Survey

communities. Significant hostilities occurred in the Region or its surroundings in early 2000, in late 2001, and again early this year (just weeks after the study team's visit to the Region). Between major outbreaks, smaller or smaller incidents occur, attributed to guerrilla warfare tactics adopted by separatist groups aiming for a secular Bangsa Moro state or an Islamic state, personal and familial grudges and rivalries, or kidnaping for profit (UP 2002).

Armed and violent conflict makes the delivery of services even more difficult because of the disruption it produces. The threat of death or injury as a direct consequence of the conflict affects those providing the services, while the psychosocial impact of the trauma affects individuals' mental health and society's ability to return to steady productive activity. The impact on children is especially problematic,

affecting their ability to learn in school and threatening their chances for long-term psychosocial stability. Conflict also exacerbates poverty, with incomes of conflict-affected communities declining considerably following armed hostilities (World Bank 2003), further deepening the cycle of conflict, poverty, and poor human development outcomes. The conflict and the lawlessness associated with the Region present it as a high investment risk, affecting its ability to muster national resources and build public trust. Further, the conflict in Mindanao is a serious obstacle to increased investment flows from abroad into the country as a whole. Concern for

Households in ARMM are not only very poor on average; they are for the large part “equally poor.” There is little room for income transfers within the Region through which the rich could help the poor, leaving the Region exceptionally dependent on external resources for economic growth or for human development.

this constraint on countrywide economic growth—i.e., the eagerness to reap the benefits of the “peace dividend”—is a main driver of the National Government's peace efforts in the Region.

2.2.3. Historical disadvantage⁵

Its long history of independence, separatism, and cultural assertiveness has created deep-seated barriers between the community of Muslims in Mindanao and the rest of the Philippine nation. The price this community has paid has been exclusion and alienation. Consciously or unconsciously, national authorities responsible for guiding and supporting the Philippines through decades of development have tended to neglect Muslim Mindanao. More fundamentally, the underpinnings of nationhood that define the Region's ties to the rest of



⁵These trends in Muslim leadership and the context of historical development of Mindanao were derived from a reading of Abinales (2000), which provides an account of the period from the American colonial era to the eve of the martial law, and from Dangulan-Vitug and Gloria (2000), which offers an account of the period from around the late 1960s to the late 1990s.

the country continue to be questioned on both sides, obstructing the Region's ability to participate fully in the progress and development enjoyed by the rest of the country.

The provinces and peoples of ARMM also lack some of the critical factors that would unify them internally as a society. Made, over time, from five original territories constituting what was called "Moro Province" or Mindanao-Sulu under the colonial administration (Davao, Zamboanga, Cotabato, Lanao, and Sulu), today's ARMM is less homogeneous as a region than is generally assumed. Basilan province was carved out of Zamboanga in 1973. Maguindanao province is one of the five provinces that were spun out of the original Cotabato territory. Lanao del Sur came from Lanao. The original Sulu territory became Sulu province in 1917, from which a separate Tawi-Tawi province was formed. Hence, except for Sulu and Tawi-Tawi, the ARMM provinces were formed from different territories, each having had quite different colonial and postcolonial administrative experiences (Abinales 2000, pp. 17-44; Casino 2000, pp. 68-72). In addition, these five provinces are home to as many as 13 ethnolinguistic groups, the major ones being the Maguindanaoans of the old Cotabato Province, the Maranaos in Lanao, and the Tausugs in the Sulu archipelago (Casino 2000, pp. 23-64). Abinales (p. 3) notes that "Muslim communities shared little aside from Islam. They spoke related but mutually unintelligible languages and differed socially and politically in significant ways."

These broad historical trends in the Region, substantial demographic shifts over the past century, and major institutional initiatives have shaped the qualities and features of ARMM's institutional and human capacity to meet its current human development challenges. What would normally constitute the web of relationships that together form the social capital on which human development efforts are built remains at a primitive stage. While family ties are strong, organized support systems such as community-based associations, people's organizations, and indigenous nongovernmental organizations (NGOs) have failed to emerge in the large numbers observed in the rest of the country. That family and clan rivalries continue to factor prominently in the conflict demonstrates the extent of the challenge that remains.

These historical underpinnings also influenced and produced the level of human capital that the Region now has to work with. For example, the current cohort of Muslim lead-



ers obtained reasonably good basic education during the relatively peaceful 1950s and 1960s, and survived the armed conflicts of the 1970s and 1980s, to become the most respected professionals, persons of authority, and opinion makers of their communities today. But as these leaders age and retire, those in the generations now under the age of 30 are bound to succeed into positions of responsibility in their localities. These younger generations, however, may have been severely disadvantaged by the limited opportunities for good basic health and education during the last three decades of conflict and turmoil in their localities. Without the stabilizing influence of significant improvements in the welfare of these populations, it is difficult to find durable sources of sustainable communal harmony.



3. Autonomous Governance and Public Financing for Human Development

The unique circumstances of Muslim Mindanao have led to the present arrangement embodied in the grant of autonomy for the group of five provinces and one city that constitute ARMM. Autonomy gives the governance structures of the Region the ability to define its path to peace and prosperity, subject to explicit legal standards and guided by the people's shared values and aspirations expressed through their elected leaders. Human development in ARMM is obviously influenced by the mandate of autonomy and its practice thus far. Consequently, this chapter first reviews the nominal scope, legal underpinnings, and practical implications of regional autonomy. It then assesses whether the political autonomy enjoyed by the Region is backed by a corresponding managerial and financial autonomy. Moving from the general financing of autonomy to the specific financing of human development in ARMM, the chapter takes a closer look at one of the major defining factors in the response of the various levels of government to the human development needs of the people of ARMM, i.e., the levels, patterns, and sources of public spending on education, health, and social protection services. The chapter ends with a set of recommendations for establishing a public finance and public administration framework appropriate to the exercise of regional autonomy in pursuit of better human development outcomes.

3.1. Legal and organizational structures of autonomy

3.1.1. Legislation for autonomy

ARMM, as a political-administrative entity, is the product of several policy and institutional approaches attempted by the

National Government to end decades of war between Philippine central authorities and Muslim insurgents in the southern Philippines. Just before the declaration of martial law in 1972, the Philippine Congress created a Commission on National Integration and a Mindanao Development Authority as key national agencies focused on the development of the south. During the martial law period, which started in 1972 and ended in 1986, the National Government created a Presidential Task Force for the Reconstruction and Development of Mindanao and later a Southern Philippines Development Administration to carry out an ambitious development agenda despite armed conflict in the Region. The Tripoli Agreement of 1976 sought to settle the conflict between the National Government and Muslim insurgents—who were led by the Moro National Liberation Front, the main organization of the insurgents—by providing for political autonomy of Muslim Mindanao within the territorial integrity and constitutional legal processes of the Philippines.

Since this landmark agreement, the main arena of the National Government's institutional responses to settling the armed conflict in the south has been the definition and operationalization of various versions of regional autonomy for southern localities with predominantly Muslim populations. The initial version of regional autonomy offered by the Marcos administration (1965–86) was the creation in 1977 of two administrative regions (Regions IX and XII) composed of 10 provinces, which voted for autonomy at a government-sponsored plebiscite. The version of autonomy from the Aquino administration (1986–92) was the creation in 1989 of ARMM under Republic Act No. 6734, under which four provinces voted for autonomy at another plebiscite. It should be noted

that the Moro National Liberation Front did not take part in either the Marcos nor Aquino efforts toward regional autonomy.

The latest version of autonomy, which came as a direct consequence of the 1996 peace treaty between the National Government and the Moro National Liberation Front, was defined under Republic Act No. 9054. This amended the earlier 1989 Law and became effective in 2001. Five provinces and one city voted in another plebiscite to form the new ARMM. While these various versions of regional autonomy were being introduced, local governments at provincial, city, municipal, and *barangay* levels, including those in ARMM, had assumed their respective expanded functions and authorities under the Local Government Code (LGC) of 1991, Republic Act No. 9054—the Organic Law of the current version of ARMM—contains detailed provisions that pertain to the governance, regulation, and funding of the human development sectors in the Region. The 1991 LGC, however, mandates the devolution of many human development-related functions and responsibilities of the National Government—notably health and social protection services—to provinces, cities, municipalities, and *barangays* that involve far more than what is mandated by the ARMM Organic Law.

Several provisions of Republic Act No. 9054 pertain to the human development sectors. For example, Article III, Section 3, states: "The Regional Government shall adopt a policy on local autonomy whereby regional powers shall be devolved to local government units particularly in the areas of education, health, human resources, science and technology, and people empowerment. Until a law implementing this provision is enacted by the Regional Assembly, Republic Act No. 7160, the Local Government Code of 1991, shall continue to apply to all provinces, cities, municipalities, and barangays within the autonomous region." The Regional Government passed its own replacement of the LGC in 1995 (Muslim Mindanao Autonomy Act No. 25), which essentially preserved education, health, and social protection services as basic services delivered by the Regional Government while allowing provincial, city, and municipal governments to deliver, in parallel, health and social protection but not education services.

In another example of the provisions of Republic Act No. 9054 relating to the human development sectors, specifically education, Article XIV, Section 1 stipulates that the ARMM Regional Government will be responsible for existing schools,

and universities within its area of autonomy, and that the Region's education system will function as a subsystem to the national education system, following the same structure, but with emphasis on the autonomy of the subsystem. The Organic Law states that the Region's schools will adopt the basic core courses, minimum curriculum, and textbooks required by the National Government, but will have the prerogative and responsibility to add other courses and instructional materials in keeping with the teaching of Islamic values.

3.1.2. Implementation of regional autonomy

In practice, the Regional Government has taken little initiative to assert its prerogatives under autonomy. Bacani and Ambolodto, authors of an annotation of the Organic Law of Muslim Mindanao in 2002, note that since the 1989 passage of the first ARMM law, jurisprudence on autonomy in the southern Philippines has been almost nonexistent. Only two cases on regional autonomy have been decided by the Philippine Supreme Court. The Supreme Court has merely affirmed the legality of administrative actions by a regional body and the constitutionality of the first Organic Law. The Supreme Court has not even decided if the Regional Government created under the law is merely a form of decentralization of administrative powers or a decentralization of political power by the National Government. As the two authors further observe, "in other decentralized systems of government...legal questions are frequently raised before the courts on the interpretation of constitutions and organic laws regarding powers that are reserved for the central government and those that may be exercised by the states...A growing body of jurisprudence on the extent of the powers and authority of the autonomous government is sign of a robust and dynamic autonomy" (p. xvi). From the standpoint of this limited jurisprudence, therefore, regional autonomy has not only had a short history but also a relatively neglected one.

The key organs of political governance created for the autonomous Region have not been consistently vigorous and assertive champions of autonomy. The Regional Legislative Assembly (RLA) of ARMM has passed laws mostly about local rather than region-wide concerns. Regional laws on economic development or government revenue generation have been few. The Regional Governor has spent much of his efforts seeking the support of the national legislature or the national chief executive, as the bulk of resources for the Region have remained dependent on what is allocated and released under the national budget.

Yet as the two above-mentioned authors state, "...the Organic Law...governs the political, social, and economic life of the inhabitants of the autonomous region. It is not an ordinary statute since it was ratified by the inhabitants of the autonomous region just as the Constitution was ratified by the sovereign Filipino people." There is, therefore, a great need for "... creativity and bold initiatives on the part of the autonomous government in asserting its autonomy and in upholding the primacy of the Organic Law over national laws."

The transition to regional autonomy has been poorly managed by the National Government since 1989. There has been little or no direct assistance in capacity building for regional autonomy. While budget support for ARMM has varied over the years, a stable, secure, and substantial multiyear financial support plan has not been put in place. The formula-based allocation of national government resources reserved for ARMM, over which the Region has discretion, is miniscule in comparison with annual budget transfers to ARMM allocated under the National Government's annual General Appropriations Act that is subject to the discretion of the President and Congress. Notably, unlike the Internal Revenue Allotment (IRA) formula for LGUs in the country, which is computed on the basis of national revenues, the ARMM revenue allotment formula is based on revenues from the Region, clearly a less stable source of funds. In addition, the ARMM formula leaves no room for cross-subsidization from other wealthier regions, unlike the general IRA formula.

Political facilitation for ARMM at the highest levels has been provided mainly to secure ARMM support for a succession of national administrations rather than to strengthen the capacity, effectiveness, and authority of the Regional Government over the Region's development. Formation of a strong ruling coalition within the Region, a necessary condition for effective exercise of the autonomous powers granted under the Organic Law, has not been a major concern of the national or regional authorities.

The absence of a ruling political coalition in ARMM makes the passage of regional laws and compliance with such laws by the Region's LGUs difficult; at the same time, the Region's influence at the top, in the national Congress and on national executive bodies, is also weakened. Even the Region's executive agencies are hampered by the patronage demands of, for example, regional legislators during the confirmation of political heads of regional departments or of LGU heads in the appointment or deployment of regional

civil servants in the localities, such as provincial health officers and education division superintendents. While substantial nominal legal powers have been granted by law to ARMM, the lack of a consolidated political leadership within the key organs of regional power makes such powers impossible to wield effectively for the Region's benefit.

3.1.3. Current regional organizational profile

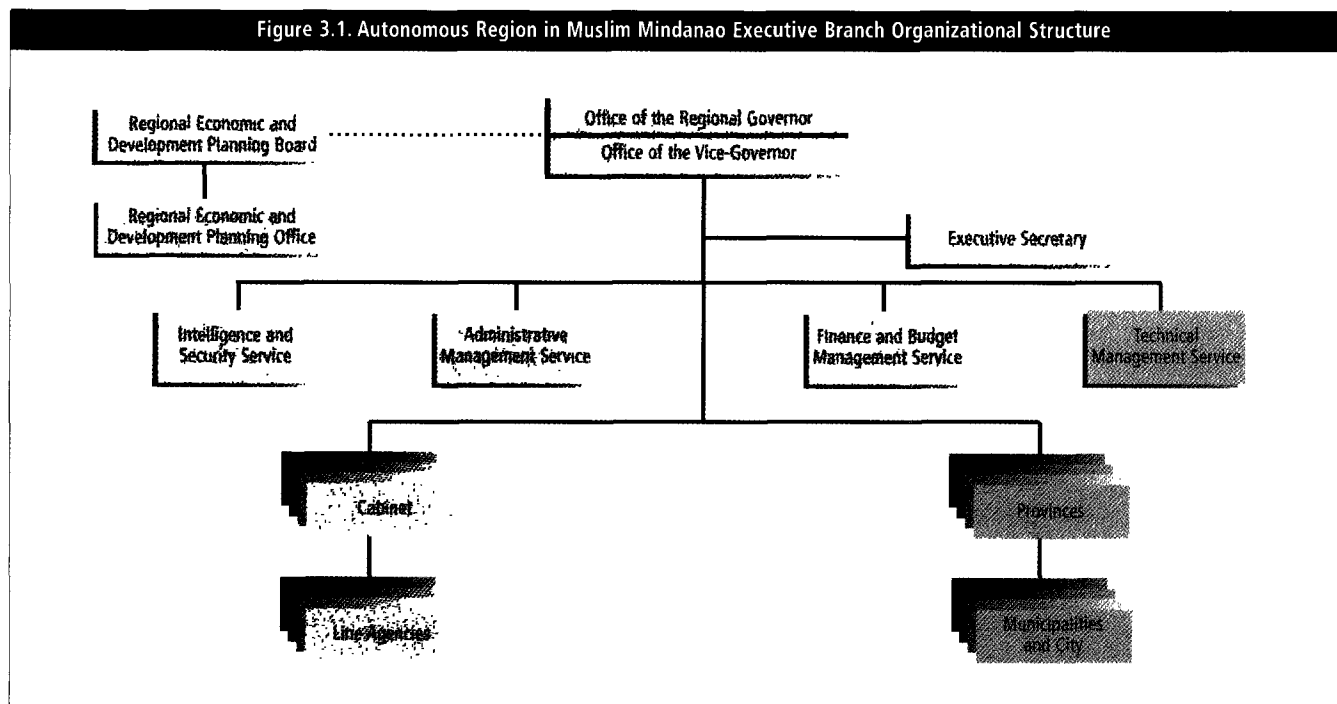
The current ARMM Regional Governor assumed office in 2002 after having won the first elections for the expanded ARMM under Republic Act No. 9054. There are 30 cabinet members led by an Executive Secretary. The Regional Government is made up of 25 agencies that include a counterpart office for virtually every national government agency. In total, the regional organization employs 21,974 personnel, including staff working at regional offices in Cotabato City (i.e., outside ARMM) as well as field personnel assigned in the five provinces and one city that constitute the Region.

As part of its organs for exercising autonomous political powers of government, ARMM has an RLA that has the power to pass legislation with local as well as region-wide application and enforcement. The RLA comprises 23 elected representatives from eight legislative districts.

Development plans, programs, and projects of the ARMM Regional Government are approved by the Regional Economic and Development Planning Board. As provided under Article XII, Section 10, the Board is chaired by the Regional Governor with membership consisting of all provincial governors and city mayors in the Region, the Speaker of the Regional Assembly plus two other assembly persons, and five private sector representatives selected according to a process defined by the RLA. This body, which had been ignored by previous regional governors, was revived in 2002 and an Executive Committee currently meets quarterly. The Regional Economic and Development Planning Office serves as the technical staff of the Board.

Much of the work in implementing policies, programs, and projects and in delivering basic public services in the Region is carried out by the Executive Department, which has a regional organization structured according to sectoral departments as well as autonomous local organizations under each respective provincial, city, and municipal government. The schematic structure of the regional executive branch is outlined in figure 3.1.

Figure 3.1. Autonomous Region in Muslim Mindanao Executive Branch Organizational Structure



3.2. Public sector financing in ARMM

3.2.1. Sources of financing for the Regional Government

As the above discussion on regional autonomy suggests, the ARMM Regional Government has a dual nature as (a) a special type of local government with political powers assigned to it by the National Government, and (b) a special type of national government agency with a specific local development mandate. In keeping with this dual nature, the resources that flow into the Regional Government come primarily from two sources: (a) the Local Fund consisting of local revenues similar to those of local governments, such as proceeds from ARMM taxes, fees, and charges, and the Region's share of national internal revenues; and (b) national government budgetary transfers to cover the cost of regional administration and delivery of public services devolved to the Regional Government. At present, the national government transfers vastly outweigh the Local Fund.

Local Fund. The Regional Government is vested with the power to create its own sources of revenues and to levy

taxes, fees, and charges. It also receives 35 percent of national internal revenues—the IRA—(0.35 IRA) from the Region.¹ These two sources constitute the bulk of revenues generated annually by the Regional Government and are held by the Regional Treasurer in the Local Fund. The Local Fund is allocated to programs and projects endorsed by the Regional Economic and Development Planning Board to the RLA.

The Local Fund of ARMM reached PHP175.7 million in 1997, coinciding with the first year of the peace agreement between the National Government and the Moro National Liberation Front. For 1998–2001, the level remained modest—between PHP103 million and PHP130 million annually—although the Local Fund started growing each year by small increments when the amended ARMM Organic Law set the IRA share of ARMM at 35 percent. The Regional Treasurer estimates that the ARMM revenues for 2002, consisting largely of the regional IRA, would give the Regional Government PHP270 million in programmable funds for 2003 (table 3.1).

¹ As provided under Republic Act No. 6734 and amended under Republic Act No. 9054, national internal revenues collected in the Region are shared as follows: 35 percent goes to the Regional Government's Local Fund, 35 percent is shared among the LGUs in the Region (at 45, 35, 20 percent among the province, municipality, *barangay*, or 50, 50 percent between the city and *barangay*), and the remaining 30 percent goes to the National Government.

Transfers from the National Government. National government transfers to ARMM are appropriated annually as part of the national government budget that is formulated by the Department of Budget and Management (DBM), endorsed by the President to Congress, for enactment under the annual General Appropriations Act. These national government transfers are meant, in the language of the General Appropriations Act, "For general administration and support services, support to operations, and operations, including locally funded and foreign-assisted projects of the Autonomous Regional Government in Muslim Mindanao." Preparation of the ARMM budget is governed by a set of guidelines issued by DBM to all agencies at the start of the budget calendar and this is brought down to a level for each agency that fits an aggregate limit of total spending for the entire National Government.

A number of important points should be noted in comparing this part of the ARMM expenditures financed by budget transfers from the National Government with similar spending by the National Government for other regions that do not have an autonomous government. First, the ARMM portion of the General Appropriations Act includes the costs of the regional elected chief executive and the RLA; they both perform political functions that do not exist in other regions of the country. Second, the regional line departments of ARMM perform much more extensive functions than their counterpart

regional administrative offices of national agencies in other regions. Third, the public services already devolved to local governments elsewhere in the country (such as health, social protection, and agriculture extension) are still being performed by the ARMM Regional Government even with the RLA's adoption of a regional LGC in 1995. Fourth, public services that have not yet been devolved to local governments elsewhere (such as education, public works and highways, and the environment) are also being performed by the ARMM Regional Government. All these mean that ARMM costs tend to be higher than those in other regions.

Despite these key features that make ARMM regional government operations unique, and more expensive, the preparation of the ARMM budget under the General Appropriations Act is governed by general standards and restrictions that are intended to apply to the budgets of all other national agencies or departments. Rigid national government standards on limits for estimating expenditure items, enforcing ceilings on budgetary allocations, and imposing cuts or reserves apply to the ARMM budget as they do to other national agencies' budgets.

For the period 1999–2001, the Regional Government had under-programmed its expenditures by about 18 percent of its budgetary appropriation. This indicates that absorptive capacity may have been a problem for the Regional Government, although the Region's budget performance for 2002 appears to have eliminated this constraint.

There has been a reduction in the ARMM budget in real terms since 1998. It has grown by only 10 percent over its level in 1998 or an annual average growth rate of only about 3 percent, a rate lower than the inflation rate. The budget for capital outlays, which is the main source of funds for infrastructure,

Table 3.1 ARMM Local Fund
(PHP millions)

| | |
|------|-------|
| 1993 | 23.1 |
| 1994 | 26.5 |
| 1995 | 26.9 |
| 1996 | 41.1 |
| 1997 | 175.7 |
| 1998 | 104.8 |
| 1999 | 103.0 |
| 2000 | 121.8 |
| 2001 | 130.0 |
| 2002 | 270.0 |

Source: Office of the Regional Treasurer, ARMM

Table 3.2 Government expenditures in the ARMM Regional Government (PHP millions)

| Year | ARMM expenditures | | | Total | National budget appropriation ^a |
|-------------------|-------------------|----------|-----------------|----------|--|
| | Salaries | MOOE | Capital outlays | | |
| 1998 | 2,848.60 | 540.60 | 1,551.30 | 4,940.50 | 4,083.80 |
| 1999 | 3,072.40 | 752.10 | 545.80 | 4,370.30 | 5,250.00 |
| 2000 | 3,434.80 | 554.60 | 678.40 | 4,667.80 | 5,632.50 |
| 2001 | 3,894.30 | 572.30 | 514.00 | 4,980.60 | 5,612.50 |
| 2002 | 3,997.60 | 708.40 | 696.50 | 5,402.50 | 5,402.40 |
| 2003 ^b | 4,115.80 | 1,001.70 | 467.90 | 5,585.40 | 5,585.40 |

Note: MOOE = Maintenance and other operating expenses
^a National budget appropriation reflects actual budget for ARMM to include carry over funds from previous year and to exclude reserves and unreleased allotments as reported by DBM in the National Expenditure Program
^b Expenditures and appropriation for 2003 are taken from the President's budget proposal, which had yet to be enacted by Congress as of March 2, 2003
Source of data on ARMM expenditures: Office of the Regional Governor, ARMM

has remained virtually stagnant at a low level for the last five years. Salaries have consistently taken up a large share of the budget with more than 70 percent of the total, compared with only 35 percent on average for the National Government. The most serious deficiency appears to be in the budget for maintenance and other operating expenses (MOOE), which comes to about 14 percent of total ARMM expenditures, while the average for the National Government is 55 percent.

In 2002, the two main sources of funding for total ARMM regional government expenditures consisted of PHP5,400 million in national government transfers and PHP270 million in the Local Fund (which consists mainly of the regional IRA), at a ratio of 20:1. This makes ARMM expenditures heavily dependent on national government transfers, which themselves are subject to expenditure limits and restrictions imposed on national government agencies. As it stands now, regional government expenditures appear much too personnel-intensive and probably deficient in other current operating expenses. It might be that ARMM regional government operations rely too much on hiring people rather than on buying goods and services compared with typical national government agencies. As the typical local government also tends to have higher shares of personnel expenses in total expenditures, it could be argued that the ARMM spending pattern mimics too closely that of typical local governments even when ARMM funding comes largely from the National Government.

The indicative directions for the Regional Government are clear. It will need to contain further increases in its personnel expenditures through the adoption of alternative methods of implementation that involve a more productive balance between personnel and other operating inputs. This will be a slow incremental process because the future annual increases in funding, even if exclusively allocated for nonpersonnel expenses, will take some time to cumulatively effect a significant change in the overall pattern of expenditures. And given the need to add teachers and health workers as the population increases, it might be impossible to avoid completely any additional personnel expenditures.

Of more immediate impact on overall efficiency might be a more consistent focus on increasing government worker productivity through supervision, redeployment, retraining, and judiciously targeted increases in MOOE that best complement personnel efforts in delivering more benefits to the Region's poorest. Even more potentially useful would be for the

Regional Government to undertake a review to identify non-performing or under-performing human resources, as a prelude to substantive civil service reform.

Careful and selective use of foreign-assisted projects to provide vital material inputs, training, equipment, and capital goods that best complement available personnel would also be an area of potential benefit. Recently issued executive orders granting more power and responsibility for programs and projects to the Regional Government, including foreign-assisted projects (Executive Orders 125 and 125-A), open up greater opportunities for the Regional Government. Technical and material assistance from national government agencies might also be a major source of complementary inputs for ARMM so that its relatively large workforce can be made more productive. The National Government should consider deliberate and planned inclusion of targeted resources earmarked for material or technical assistance to ARMM activities and services, as part of regular budgets of national government agencies, consistent with the agencies' mandates. Inclusion of these inputs from national agencies will complement current efforts of ARMM to deliver better public services in the Region.

In the end, however, the best support that the National Government can provide to ensure rapid and stable development in ARMM entails providing the Regional Government with appropriate levels of direct funding and the corresponding flexibility to use such funding in accordance with local priorities. This befits an autonomous government, and would help ARMM build institutional capacity to use these resources responsibly.

3.2.2. Budget process for regional government expenditures

Central control of most ARMM expenditures. For the 95.2 percent of the regional government expenditure that is financed by national government transfers, the budget preparation follows exactly the same process as that for all departments of the National Government. DBM issues a budget call that spells out some financial guidelines for the preparation of agency cost estimates for the following year. Technical Management Services (TMS) of the Office of the ARMM Regional Governor disseminates these guidelines and sets internal deadlines for submission of inputs from the various operating units. The Office then holds internal meetings to deliberate on the budget proposal of ARMM operating units. In

prioritizing budget requests, TMS uses the budget guidelines issued by DBM rather than regional government policies and strategic plans. The result of the process, as shown in the most recent budget cycle, led to the approval by TMS of all budget requests as proposed by the operating units. This indicates that the decisions reached during this internal budget preparation process at the level of the Regional Government are driven more by the desire to maximize the potential transfers that ARMM can secure from the national budget, rather than the need to arrive at the most efficient allocation of limited resources.

Central control of the bulk of ARMM expenditures underlines the governance issue of a "de jure" autonomous regional government that has no more real or practical autonomy in deciding the level and allocation of funds intended for its politically distinct mandate than other nonautonomous administrative agencies of the National Government. Furthermore, the structure and itemization of the national government budget for ARMM is too detailed and gives no flexibility for management discretion and accountability by ARMM decision-makers. While DBM is trying to reorient implementing agencies toward results, budget management in ARMM continues to be preoccupied with expenditures for inputs rather than production of output.

In tracing the steps leading to the final budget allocation for ARMM, Congress appears to have had a more direct role not only in setting the total funding level but also in determining how these funds are allocated to the final objects of expenditure. The RLA, in contrast, has been unable to assert its authority with regard to the allocation of the far larger amounts of regional resources made available through national government transfers. As long as the RLA is solely focused on determining the allocation of the Local Fund—constituting a mere 4.8 percent of total regional expenditure—it is hardly likely to assert its influence over national government transfers to the region.

Adverse effects of central control of regional expenditures. In the few years since the onset of the Asian financial crisis in 1998 when the fiscal position of the National Government deteriorated, the preparation of the national budget has been governed by stringent measures to control expenditures as the main approach to contain the public deficit, against a background of considerable shortfalls in projected revenues. These expenditure management measures have further distorted levels and patterns of regional government spending. Increases in capital

outlays were not allowed and, for some agencies such as ARMM, fund releases for capital outlays were delayed by several months. This has worsened the state of the Region's capital assets. MOOE outlays were controlled by DBM policies that allowed growth only up to a ceiling to cover inflation. Since ARMM started from a low base (having been created in 1991), its MOOE budget was unable to grow to the reasonable levels necessary for effective delivery of public services before annual increments, based on the inflation rate, could have allowed expansion in real terms. During budget execution, DBM has further prioritized releases of programmed expenditures, especially when the cash position of the National Government is tighter than usual. Since payment of salaries is not deferred, even during periods of restricted cash flow, ARMM has sometimes received only fund releases for salaries, leading to a further deterioration of actual ARMM expenditures, and further exacerbating the bias toward personnel expenditures.

Possibilities for improved budget management under autonomy. The process can be improved considerably, first with a medium-term expenditure framework that projects prospective multiyear allocations to ARMM based on clear and explicit policy directions and goals. Such a framework will allow for more predictable medium-term planning of public spending and investments. For each budget year, the early announcement of the budget ceiling for ARMM, based on the confirmation or adjustment of the indicative target in the medium-term expenditure framework, would trigger a more deliberate budget preparation process within the Regional Government. An awareness of hard budget constraints would force the Region's policymakers to evaluate budget proposals of their operating units more carefully. This may also lead to better-prepared and well-packaged justification for its budget proposals for consideration by DBM in its own budget evaluation.

Incremental budget allocations that the Regional Government had enjoyed in the past were mostly allocated to salaries of personnel. This is a pattern that has been controlled not only by DBM but also by leaders of ARMM. While hiring additional staff is not always a bad idea, it limits management control over the budget in future years because the funds are tied up in recurrent expenditures that are difficult to reprogram to what become more pressing priorities. In a worst-case scenario, it leads to the commonly observed negative example of an idled, salaried, civil servant unable to deliver a service prop-

erly because of lack of necessary supplies, absence of essential transport, or obsolete equipment and facilities. The Regional Executive Agenda of ARMM has rightly adopted a streamlining program to stem the unplanned growth of staff. This should give the Regional Government better credibility with the National Government in its future budget requests, if it makes assurances that additional budget flexibility will not be wasted on excessive hiring of additional staff.

3.2.3. Financial profile of ARMM local government units

LGUs in ARMM enjoy substantially more financial autonomy and independence than the Regional Government. Under the LGC, LGUs have been assured of the timely release of predictable levels of national government transfers, in the form of the IRA, equivalent to 40 percent of total national revenues. In addition to their standard IRA, LGUs in ARMM also receive 35 percent of national internal revenues collected in the Region, shared among them in percentage terms as follows: 45/35/20 among the province municipality: *barangay* or 50/50 between the city and *barangay*). Notwithstanding some spending limits on personnel (which should not exceed 55 percent of total LGU expenditures) and a mandated earmarking of 20 percent of its funds for their Local Development Fund, the LGUs appear to have more than enough leeway to make resource allocations in accordance with local priorities.

Despite the devolution policy that promises more authority for LGUs to levy local taxes, LGUs in ARMM derived only about 3 percent of their income from local sources in 2001 (compared with the national average for all LGUs of 32 percent).⁵ Whereas the average city obtained 50 percent of its income from real property taxes and business taxes, Marawi City in ARMM generated only 3.5 percent from such sources. Municipal and provincial governments of ARMM localities were also way behind their counterparts in other regions in this regard, as shown in table 3.3.

3.3. Levels of public spending on human development in ARMM

A common theme heard in interviews with managers and field staff during the study team's visit to ARMM was the lack of funds to carry out even the most basic services for human development. This message is not a new one to anyone familiar with the situation that the tight budgetary constraints are having on

Table 3.3 Percentage distribution of income sources of ARMM and non-ARMM LGUs, 2001

| LGU | Local sources | | Internal Revenue Allotment | | Other sources | |
|----------------|---------------|-------|----------------------------|-------|---------------|-------|
| | ARMM | Other | ARMM | Other | ARMM | Other |
| Provinces | 4.0 | 16.6 | 96.0 | 77.5 | 0 | 5.8 |
| Cities | 3.5 | 50.5 | 96.5 | 43.5 | 0 | 5.8 |
| Municipalities | 2.5 | 22.0 | 94.9 | 75.4 | 2.6 | 2.6 |
| All LGUs | 3.1 | 32.8 | 95.4 | 62.5 | 1.6 | 4.1 |

Source: Commission on Audit, 2001 Annual Financial Report

public sector services throughout the country. ARMM staff, however, consistently expressed the view that their Region suffers from resource limitations to a much greater extent than other regions.

Information gathered for this study on public sector expenditures in human development in ARMM gives credence to claims that resource constraints are much more restrictive in the Region. Table 3.4 shows consolidated public expenditures in education, health, and social welfare in ARMM in 2001 from three major public funding sources—national government line department spending on ARMM, the ARMM Regional Government line department budgets, and ARMM LGU budget allocations for human development sectors. These are compared with human development expenditures in non-ARMM areas from national government line departments and LGUs. The table shows the following:

- Per capita public spending on human development in ARMM amounted to PHP1,393 in 2001, which is equivalent to only two-thirds of the level for the rest of the country (PHP2,048). Although national government sources, including the ARMM Regional Government budget, make up 98.5 percent of total human development expenditures in the Region, as compared with 71 percent for non-ARMM areas, per capita national government spending on human development in ARMM is still lower than in non-ARMM areas (PHP1,373 for ARMM compared with PHP1,456 for non-ARMM areas). Considering (a) the greater human development needs in ARMM resulting from extensive poverty and the long-drawn-out conflict, (b) the higher cost of service delivery stemming from the Region's geographic configuration and the security situation, and (c) the improved chances for lasting peace if people's basic

⁵The data used for this paragraph on LGU income was taken from the 2001 Annual Financial Report of the Commission on Audit

Table 3.4 Consolidated public sector expenditures in human development in ARMM and non-ARMM areas, 2001 (PHP millions)

| ARMM Areas | | | | | | |
|--------------------------------------|-------------------|------------------|-----------------|-------------------|--------------|-----------------|
| National government line departments | 0 | 0 | 88.1 | 88.1 | 2.6 | 36.52 |
| ARMM Regional Government | 2,755.30 | 404.4 | 63.4 | 3,223.10 | 95.9 | 1,336.19 |
| LGUs | 7.7 | 20.8 | 21 | 49.5 | 1.5 | 20.52 |
| Total | 2,763.00 | 425.2 | 172.5 | 3,360.70 | 100.0 | 1,393.23 |
| Per capita expenditure (PHP) | 1,145.45 | 176.26 | 71.52 | 1,393.23 | | |
| Non-ARMM Areas | | | | | | |
| National government line departments | 97,580.30 | 8,304.00 | 1,973.70 | 107,858.00 | 71.1 | 1,455.84 |
| LGUs | 15,495.10 | 23,348.60 | 5,000.20 | 43,844.00 | 28.9 | 591.79 |
| Total | 113,075.40 | 31,652.60 | 6,973.90 | 151,702.00 | 100.0 | 2,047.63 |
| Per capita expenditure (PHP) | 1,526.26 | 427.24 | 94.13 | 2,047.63 | | |

Notes
 (a) National line department expenditures reported for ARMM are derived from the regional breakdown of actual expenditures reported to the Commission on Audit. Additional expenditures made on behalf of ARMM but lumped under other budget headings are not reported here. For national DepEd, for example, it is estimated that an additional PHP88.8 million was allocated for ARMM in 2001, including allocations for school buildings, teacher items, and foreign-assisted projects (textbooks under the Third Elementary Education Project and counterpart funds for the Basic Education Development Assistance for Mindanao Project). Adjusting for this amount, and assuming that all allocated amounts were actually spent, total education expenditures for ARMM would increase to PHP2,851.85 million or PHP1,182.28 per capita. Correspondingly, the non-ARMM figures would decline to PHP112,986.55 million or PHP1,446.94 per capita. Per capita education expenditures for ARMM would be 82% of per capita non-ARMM expenditures.
 (b) National line department expenditures for health in non-ARMM areas exclude national Department of Health expenditures on national specialist hospitals, medical centers, and centers for disease prevention and control, which theoretically serve all regions including ARMM, but include Department of Health expenditures in other retained hospitals located in various regions.
 (c) Population figures used to estimate per capita expenditures were 2,412,159 for ARMM and 74,086,576 for non-ARMM areas.
 Source: Authors' calculations based on data from Commission on Audit and Regional Planning and Development Office, ARMM

needs, such as education and health, are met, there is every reason to call for a significantly higher per capita national government spending on human development in the Region than in the rest of the country. The prospect of economic gain for the country as a whole if a credible peace is attained and sustained (the "peace dividend") would justify the cross-subsidization that greater national government spending might entail.

- The difference in per capita human development spending lies largely in the failure of LGUs in ARMM to make a significant contribution in the financing of human development expenditures: 1.5 percent LGU share of public sector financing in ARMM, compared with 28.9 percent LGU share for the rest of the country, and per capita LGU spending on human development of PHP21 in ARMM compared with PHP592 elsewhere. As argued in the following section, LGUs in ARMM have the resources to increase this human development spending significantly.
- Public education expenditures claimed a substantial share of the ARMM regional government budget.

About PHP2.8 billion or 85 percent of total human development expenditures of the Regional Government went to education in 2001, showing the importance it gives to education. Nevertheless, total per capita expenditure on education in ARMM was only 75 percent of the national average level for the rest of the country (PHP1,145 versus PHP1,526). LGUs in ARMM spent insignificant amounts on education (less than 1 percent of total education spending in the Region). This compares unfavorably with the share of LGU spending on education in the rest of the country (14 percent of total education expenditures), notwithstanding the fact that education has not been devolved to LGUs. Given the extent of needs, and the critical importance of education to the people and leadership of the Region, the National Government should consider major increases in education allocations (directly through its transfers to the regional government budget and/or indirectly through national Department of Education [DepEd] support to ARMM) as should the LGUs in the Region.

- Health spending faces the biggest challenge in terms of catching up with the corresponding levels of health spending in the rest of the country, with per capita spending at only 41 percent of that for the rest of the country. Almost all spending on health in ARMM (95 percent) comes from the Regional Government. In order for per capita spending on health in ARMM to match and exceed that in non-ARMM areas, major increases in LGU contributions to health spending have to occur, as LGUs in non-ARMM areas now account for close to three-fourths of total public spending on health (compared with only 5 percent for ARMM). Furthermore, there is also room for increased spending on health in ARMM by the National Government, given that even in non-ARMM areas where LGUs have already assumed the main financial responsibility for health, national government expenditure on health still accounts for 26 percent of total public sector health spending.
- Social welfare was financed by all three levels of government, with LGUs contributing 12 percent of total social welfare expenditures in the Region. The national Department of Social Welfare and Development (DSWD) was the only one of the three national line departments that allocated funds explicitly for ARMM. Its level of funding exceeded the amount spent by DSWD-ARMM. This implies that the national DSWD remains an important agency for actual delivery of social welfare services in ARMM and its own experience in dealing with barriers imposed by regional autonomy and the devolution policy should be instructive for the design of collaborative implementing arrangements in human development. The high level of national DSWD involvement likely reflects national government efforts to mitigate some of the adverse effects of the conflict.

3.4. Prospects for increased human development spending by LGUs in ARMM

LGUs in the Region should be able to do more to improve the level of resources that go to human development. Like LGUs all over the country, the provinces, municipalities, and city

belonging to ARMM receive their corresponding IRA shares, which were increased under the LGC of 1991, yet unlike these other LGUs, ARMM LGUs do not bear the costs of devolved functions, including human development functions such as health and social protection. In short, ARMM LGUs receive the higher revenues mandated by the LGC yet do not bear the increased costs of devolution mandated by the same law. Recalling that ARMM LGUs, in addition, receive a share of national internal revenues collected in the Region, it is evident that compared with LGUs in other regions, they enjoy a better financial position from which to support national or regional investment programs for the development of education or health services in their area. Table 3.5 shows that there are substantial differences in the levels of support given to human development by LGUs in ARMM compared with LGUs in the country as a whole. While LGUs in ARMM allocate only 1.5 percent of their total expenditures to human development, LGUs elsewhere devote an average of 21.5 percent of their spending on these sectors.⁷ At present, the bulk of LGU spending goes to general public services to support operating expenses. Given the relatively poorer human development outcomes and the significantly lower per capita total public expenditure on human development in ARMM compared with other areas in the country, it seems obvious that LGUs in ARMM will need somehow to be encouraged, if not mandated, to use more of their revenue resources to finance major increases in human development spending.

LGU representatives who were consulted by the study team expressed their willingness to take an active part in pro-

Table 3.5 LGU human development expenditures as share of total LGU expenditures, 2001 (PHP thousands)

| | Total LGU Expenditures | Human Development Expenditures | Human Development Share (%) |
|-----------------------|------------------------|--------------------------------|-----------------------------|
| ARMM Areas | | | |
| Provinces | 1,146,964 | 12,958 | 1.13 |
| Cities | 167,700 | 10,280 | 6.13 |
| Municipalities | 2,015,408 | 26,258 | 1.30 |
| Total | 3,330,072 | 49,496 | 1.49 |
| Non-ARMM Areas | | | |
| Provinces | 34,487,704 | 9,675,484 | 28.05 |
| Cities | 59,820,649 | 13,028,919 | 21.78 |
| Municipalities | 50,271,586 | 8,343,470 | 16.60 |
| Total | 144,579,939 | 31,047,873 | 21.47 |

Source: Authors' calculations, based on data from Commission on Audit, 2001 Annual Financial Report.

⁷In contrast, the Regional Government spends 43.35 percent of its resources on human development. Similarly, if national government expenditures are adjusted to include only those agencies with corresponding responsibilities devolved to ARMM, then 40.56 percent of these adjusted total expenditures go to human development.

grams aiming to improve education, health, and social protection for their communities. Despite the lack of a clear responsibility assignment, there was broad agreement among LGU representatives that these services are better administered by lower levels of government.

The Regional Government has thus far made little effort to engage its LGUs in a responsible and effective manner for the development of upgraded yet sustainable public services. It has focused on using a mix of national government budget transfers and the regional Local Fund to support models of service delivery based on highly centralized management and administration. Two major factors argue against the likelihood of this approach succeeding. First, the geographic and ethno-cultural configuration of ARMM makes cost-effective service delivery difficult to administer from a single regional center. Provincial, district, and even municipal decentralization of service delivery is a practical necessity. Second, the financial contribution of LGUs to human development will be essential to health and social protection activities and important for education services. Some mechanism for LGUs to participate in service delivery administration might have to be established in order to attract their financial participation. These two factors suggest that the right policy environment and management arrangements for more dynamic public service delivery in the Region will need to involve LGU participation and financial contribution. The Regional Government has both the authority and the need to provide regional legislative policy guidance and to design executive implementation arrangements, based on regional autonomy. These arrangements would put into effect the desire of the Regional Government and the LGUs to jointly provide their citizens with good public services on the basis of an ARMM-specific version of devolution that assigns financing and service responsibilities to each level of government. Serious reconsideration of the current provisions of its regional LGC, so as to introduce more explicit provisions assigning such responsibilities, should be a high priority task for the Regional Government.

3.5. Input mix of human development expenditures in ARMM

Table 3.6 summarizes the pattern of human development sector expenditures in ARMM according to input categories such as personnel, MOOE, and capital outlays. For the whole Region, the combination of spending by LGUs and the Regional

Government defines the overall input mix for each of the three human development sectors. Education is the most personnel-intensive sector, with a personnel/MOOE/capital outlays percentage breakdown of 96:3:1, followed by health at 76:22:2, and social welfare at 66:33:1. There is a widely held assumption that MOOE and capital outlays suffer most when budgets are constrained; also, previous data suggest that ARMM is seriously under-spending on health (less than half of comparable spending elsewhere) and somewhat less, but still significantly, under-spending on education and social welfare (around three-fourths of comparable spending elsewhere). Consequently, the input mix data could be interpreted to mean that, of the three sectors in ARMM, health services are suffering the most seriously (from shortages of drugs and other supplies and from deteriorating facilities) with education and social welfare services suffering only somewhat less (from shortages of textbooks and other supplies and from capital deterioration).

At the regional government level, total human development expenditures are heavily weighted in favor of personnel, accounting for 93 percent of the total, primarily in the education sector. DepEd-ARMM employed more than 15,000 people in 2001, and this took up the bulk of the Regional Government's staff positions (21,374 in that year). Provinces in ARMM also show a bias in favor of personnel expenditures (90 percent). Overall, municipalities tend to end up filling the gap in the input mix, with their share of MOOE at 73 percent for total human development expenditures. They also allocated the largest share of their total human development spending on capital outlays, although the amounts involved were virtually negligible compared with overall human development spending. These patterns suggest a largely unplanned allocation of spending responsibilities, as neither the total levels of spending nor the objects of expenditures for each level of government are agreed beforehand.

Although there are no general standards for assessing optimal input mixes for education, health, and social welfare services, a comparison with national government spending allocations by expenditure type (table 3.7) demonstrates the extent of the bias toward personnel expenditures in ARMM. Comparison of the ARMM-wide input mix for education with that of the national DepEd is probably the most appropriate. Since health and social welfare have been devolved in the rest of the country, the national Department of Health (DOH) and DSWD spending patterns have to be considered in combination with LGU spending

Table 3.6 Human development expenditures in ARMM, by expenditure type, sector, and level of government, actual 2001

| | | | | | |
|--|--------------|--------------|-------------|-------------|----------------------|
| Health | | | | | |
| Provinces | 90.45 | 9.55 | 0.00 | 0.00 | 8,870,899 |
| Cities | 73.80 | 25.23 | 0.97 | 0.00 | 3,091,318 |
| Municipalities | 24.88 | 68.57 | 6.55 | 0.00 | 8,797,643 |
| LGU Sub-total | 60.18 | 36.90 | 2.92 | 0.00 | 20,759,860 |
| ARMM Govt. | 76.74 | 20.79 | 2.47 | 0.00 | 404,420,000 |
| Total Health | 75.93 | 21.57 | 2.49 | 0.00 | 425,179,860 |
| Education | | | | | |
| Provinces | 42.05 | 57.95 | 0.00 | 0.00 | 486,238 |
| Cities | | | | | - |
| Municipalities | 4.86 | 69.97 | 13.51 | 11.66 | 7,224,122 |
| LGU Subtotal | 7.20 | 69.21 | 12.66 | 10.93 | 7,710,360 |
| ARMM Govt. | 96.20 | 3.76 | 0.04 | 0.00 | 2,755,284,000 |
| Total Education | 95.96 | 3.94 | 0.07 | 0.03 | 2,762,994,360 |
| Social Welfare | | | | | |
| Provinces | 95.11 | 4.89 | 0.00 | 0.00 | 3,601,334 |
| Cities | 64.32 | 35.19 | 0.49 | 0.00 | 7,188,619 |
| Municipalities | 17.35 | 78.60 | 4.05 | 0.00 | 10,235,772 |
| Subtotal | 46.73 | 51.13 | 2.14 | 0.00 | 21,025,725 |
| ARMM Govt. | 73.07 | 26.77 | 0.16 | 0.00 | 63,442,000 |
| Total Social Welfare | 66.51 | 32.84 | 0.65 | 0.00 | 84,467,725 |
| Total Human Development | | | | | |
| Provinces | 89.93 | 10.07 | 0.00 | 0.00 | 12,958,471 |
| Cities | 67.17 | 32.20 | 0.63 | 0.00 | 10,279,937 |
| Municipalities | 16.44 | 72.86 | 7.49 | 3.21 | 26,257,537 |
| Total LGU | 46.21 | 47.98 | 4.11 | 1.70 | 49,495,945 |
| ARMM Govt. | 93.31 | 6.35 | 0.34 | 0.00 | 3,223,146,000 |
| TOTAL Human Development | 92.59 | 6.98 | 0.40 | 0.03 | 3,272,641,945 |
| <p>a. Continuing appropriation reflects expenditures of LGUs drawn from the previous year's budgetary allocations. Source: Authors' calculations, based on data from Commission on Audit, 2001 Annual Financial Report.</p> | | | | | |

on health and social welfare to get a total picture comparable to that in ARMM. Education, however, is not devolved, which means that the national DepEd spending pattern can be properly compared with the ARMM-wide spending pattern for education. The national DepEd has a personnel/MOOE/capital outlays percentage breakdown of 90/8/1 compared with ARMM's 96/4/0. These data suggest that ARMM's overall spending on human development requires not only an increase in levels but also critical adjustments in the input mix in favor of higher shares for MOOE and capital outlays. Better coordination between the Regional Government and LGUs with regard to human develop-

ment spending should be able to address both the increases and the input mix adjustments.

3.6. Official development aid for human development in ARMM

It is difficult to determine the total amount of official development aid (ODA) funds going to ARMM as these funds are extended to ARMM beneficiaries through various channels. Based on information from the ARMM Regional Government through the Regional Economic and Development Planning

Table 3.7 National government human development expenditures, by expenditure type and government department

| Expenditure type | Department of Health (PhP million) | Department of Education (PhP million) | Department of Social Welfare and Development (PhP million) | Total (PhP million) |
|--------------------------------|------------------------------------|---------------------------------------|--|---------------------|
| Health | 51.42 | 43.41 | 5.18 | 10,945.52 |
| Education | 90.49 | 8.42 | 1.09 | 97,580.46 |
| Social Welfare and Development | 26.34 | 71.62 | 2.04 | 2,061.82 |
| Total human development | 85.42 | 13.06 | 1.52 | 110,587.80 |

Source: Commission on Audit, 2001 Annual Financial Report.

Office, there are about 29 ongoing foreign-assisted projects that reach ARMM. Seven of these projects are in human development and they aim to improve the delivery of basic social services, particularly in poor and vulnerable communities (table 3.8). Most of these projects are, however, national programs of national government agencies in which ARMM's involvement is driven by the need to reach targeted communities within the Region. There are a number of Mindanao-wide programs, such as Basic Education Development Assistance for Mindanao, Growth with Equity in Mindanao II, and the Midwife Entrepreneurs Program, where ARMM is one of the more intensively targeted areas for ODA resources.

While these ODA projects provide supplementary resources welcome to such a development area like ARMM, the projects themselves, being of nationwide or Mindanao-wide application, are unlikely to be suitable channels for

expressing or articulating the aspirations of ARMM as an *autonomous government*. Most often, these projects feature planning and implementation strategies that go directly to the lowest possible LGUs, in some cases the communities themselves, and involve minimal technical participation, financial inputs, or managerial involvement from agencies of the Regional Government.⁸ In fairness to the managers or funders of these projects, the noninvolvement of the Regional Government in some cases did not happen by design but occurred by default due to weak capacity. Furthermore, incidents of conflict have been known to lead to the scaling down, suspension, or cancellation of project components and activities in ARMM in favor of more hospitable areas where needs exist but conditions are more favorable for development work to proceed more predictably.

In ARMM, where public services are often short on consumables, essential commodities, operating funds, and basic facilities, managers of the Regional Government and LGUs have made obtaining access to ODA resources an important and high-priority task. While success in mobilizing ODA resources may provide some relief from the supply problems, the added burden on overworked and underpaid local managers creates unintended difficulties that may sometimes worsen service delivery. Time spent by managers to satisfy the requirements of various ODA sources for different projects is also time spent away from attending other vital managerial and supervisory functions in field service delivery. Local resources,

Table 3.8 Official development aid projects in the human development sectors, ARMM (April 2003)

| | | |
|---|-----------|--|
| Women's Health and Safe Motherhood | ADB, EU | Public health |
| Secondary Education Development and Improvement Project | ADB | Education |
| Basic Education Assistance for Mindanao (BEAM) | Australia | Education |
| Hospital Development | Austria | Hospital equipment |
| Family Planning and HIV Prevention Supplies and Equipment | Germany | Contraceptive supply |
| Fifth Country Program for Children | UNICEF | Health |
| Support to the DOH on Reproductive Health | UNFPA | Health |
| Midwife Entrepreneurs Program | USAID | Development of private midwife clinics |
| Growth with Equity in Mindanao II | USAID | Capacity building of Dept of Education |
| Enhanced and Rapid Improvement of Community Health (EnRICH) | USAID | Family planning, maternal and child health services and tuberculosis control |

Note: ADB = Asian Development Bank; EU = European Union, HIV = Human Immunodeficiency Virus; UNICEF = United Nations Children's Fund; UNFPA = United Nations Population Fund; USAID = United States Agency for International Development.

Source: Compiled by World Bank staff.

⁸A possible exception would be the Hospital Development Project, which includes some hospitals that are under the management of DOH-ARMM.

already stretched thin by government bureaucratic requirements, are further dissipated to meet competing needs of ODA projects. At the extreme, local managers become preoccupied with specific project objectives while losing sight of their own development goals for ARMM.

The Regional Government now tries to maintain a strong presence in donor consultations and projects well the ODA needs of ARMM in the context of post-conflict rehabilitation and as a vital component of Mindanao-wide concerns. Table 3.9 shows that there are at least four donor-funded programs for conflict-affected communities and former rebel combatants. These projects, by their very nature, require close coordination by the Regional Government (even as program management and financial operations are carried out by external agencies). Notwithstanding these promising regional initiatives in ODA coordination, the Regional Government has yet to develop a broad-based, multiyear and legally legislated framework for allocation of ODA resources and setting priority directions in project design and implementation.

While no reliable estimates of the sizes of ODA flows to ARMM are available, it is unlikely that the ODA funds being used for human development are bridging the gap between per capita human development spending in ARMM and the average in the rest of the country. Current magnitudes of ODA resources are unlikely to substantially alter the previous findings on under-spending on human development in ARMM.

Increased levels of ODA flows for human development in ARMM could help alleviate the severe resource constraints. Better coordination of multiple channels of ODA resources could also mitigate the undue management burdens on the Region's public sector managers. The ODA community can go beyond simply providing supplementary resources to meet basic needs in the Region, even if this function is

already important for an area with such limited options. ODA resources, particularly those funded by grants with minimal counterpart requirements, can support "catalyzing" activities that build regional government and LGU capacities or that create essential institutional preconditions for enabling the public service delivery system to efficiently absorb higher levels of budgetary resources, including loan-funded financial flows. ODA resources can pave the way for a sustainable and accelerated effort for better human development outcomes, which is domestically self-reliant through a combination of national, regional, and local government resources as well as private sector contributions, from both inside and outside the Region.

One good example of these catalyzing ODA activities is a long-standing technical assistance program funded by the Canadian Government that provided timely assistance for the formulation of the Regional Executive Agenda of the regional administration. Other donors concerned with human development might also consider various areas for attention, such as public expenditure management, devolution policy and administration, poverty targeting, and design of poverty reduction programs. An urgent need is in the formulation of a strong human development policy framework in which the principles of regional autonomy are integrated more closely in the design of future ODA projects in the Region.

3.7. Toward a governance and financing framework for human development in ARMM

Evidence presented in this chapter shows that human development activities in ARMM are significantly underfunded, with per capita allocations for human development from both the National Government and LGUs falling below the corresponding averages for the rest of the country. The chapter also demonstrates that, although autonomous in name and in legal status, the ARMM Regional Government has almost no independent source of income and has little flexibility in budget management. It depends hugely on the National Government for financing of significant devolved responsibilities, including human development. In contrast, LGUs in the Region enjoy fiscal autonomy in management of their IRAs under both the national LGC of 1991 and the regional LGC of 1995, but have few mandated responsibilities for the human development sectors.

Table 3.9 Post-conflict assistance to ARMM funded by official development aid

| | |
|--|---|
| UN Multidonor Programme 3 (Special Zone of Peace and Development) SZOPAD Social Fund | Australia, Netherlands, New Zealand, UNDP World Bank, Saudi Fund |
| ARMM Social Fund | Canada, Japan, World Bank, |
| Livelihood Enhancement and Peace (Growth with Equity in Mindanao) | US |
| <i>Source: Compiled by World Bank staff.</i> | |

To close the gap in human development outcomes between ARMM and the rest of the country, it is essential—and urgent—that the National Government, Regional Government, and LGUs in the Region negotiate and implement a medium-term governance and financing framework that would provide for:

- increased public expenditures for human development in ARMM funded through national government, LGU, and ODA sources; and
- increased autonomy in budget allocation and management for the Regional Government conditioned (a) on increased transparency and accountability, particularly with respect to human resources management, procurement, and financial management; and (b) on demonstrated political consensus on key policy directions in human development.

The elements of this proposed governance and financing framework are closely intertwined. They must move forward in tandem through a negotiated stepwise transition, involving a series of confidence-building measures to be taken by all sides over, perhaps, the next five years. Over time, both increased resources and increased autonomy can be expected to be forthcoming as the Regional Government shows increased responsibility in spending these resources.

Specific measures that can be undertaken to achieve this stepwise transition to sufficient and appropriate funding for human development are discussed in this section.

3.7.1. Increase public expenditures for human development in ARMM

With income and output in ARMM at their current low levels, and with continued uncertainty about the chances of lasting peace, financing human development expenditures from locally sourced revenues is a long-term prospect for the Region. For a sustained period, at least in the medium term, it should be expected that the Region will continue to rely on net transfers from the National Government. Negotiated measures to increase the overall transfers from the National Government to the Regional Government, and accompanying measures to ensure that a more than proportionate share of those increases are reserved for education, health, and social protection, will be required. At the same time, the Regional Government should commit to continuing expansion of the range and level of local revenue sources, no matter how limited these may be

at first. Again, the human development sectors should expect to receive a greater share of these increasing revenues. In addition, LGUs must recognize their obligation to help their constituencies meet their essential needs in education, health, and social protection, and accept that it will take participation from all levels of government to meet the funding needs of these high-priority sectors and eventually pull ARMM up from its current last-place position on almost all measures of human development. This would require each LGU to undertake a close examination of its current pattern of expenditures to determine which of the public services and investments it currently finances would really make a greater contribution to the long-run welfare of its constituents than investments in human development, and which ones should, in fact, be replaced.

It will be important for the Regional Government to negotiate with the National Government and LGUs the estimated total size, duration, and uses of increased public spending on human development to be financed by each of the three levels of government. An outcome-driven medium-term budget framework for human development expenditures in ARMM would go a long way to improving the quality of regional governance. Such a framework could govern the level and pattern of national government transfers to the Regional Government and its component LGUs, including those directly allocated to the Regional Government and those allocated to national government agencies but earmarked to ultimately benefit the ARMM Region. Within the framework, grant-funded ODA could serve to partly substitute for portions of national government budget transfers while loan-funded ODA could finance part of a higher expenditure ceiling for national government transfers to ARMM.

The same framework could indicate the required contribution from LGUs. It will be important to resolve the current fragmentation of financing sources and expenditure flows for education, health, and social protection and improve the clarity and focus in the accountability for results in these areas. A key legislative measure consistent with the medium-term expenditure framework will have to be a revised version of the regional LGC that improves on the current regional situation yet moves beyond the current situation in the rest of the country. It might be useful to develop a devolution scheme that rationally combines regional government and LGU financing for education, health, and social protection services in a management and delivery structure that takes advantage of regional scale

economies as well as of LGU focus on local concerns. For example, ARMM could adopt a regional devolution of health and education services, which creates integrated provincial-wide and city-wide health or education delivery organizations, jointly governed and funded by the Regional Government and LGU. An alternative version of health services devolution—assigning responsibility for all local health services to the province rather than fragmenting services among several jurisdictional levels (as is currently happening in the rest of the country)—could, for example, better preserve the continuity of care that is so important for quality health services as well as better allow the advantages of scale economies.

To protect communities from any deterioration in public services for human development, the National Government develops and disseminates standards against which to measure the performance of different government agencies operating in ARMM (and the rest of the country). Even under an autonomous administrative structure and devolved service delivery policies, the national line departments have the responsibility to ensure that minimum standards for public services are met by all responsible agencies in ARMM. This could provide an objective basis for DBM, regional line agencies, and LGUs for determining the funding gaps that have to be addressed by an appropriate financing strategy for education, health, and social protection services in ARMM and help determine what mix of inputs would be required to meet the desired technical standards. National government agencies should also provide technical assistance and institutional support to the Regional Government and LGUs in ARMM, providing the same opportunities for learning and systems upgrading that they offer to other regions under nationwide programs.

One good example of such collaboration between national and regional governments can be found in the health sector. The national DOH has developed and promoted countrywide its Health Sector Reform Agenda (HSRA), which defines a long-term strategy for development of the country's health system. Through its Mindanao Office, the national DOH has made available technical assistance, and even financing when extra funds have been available, to counterparts in the Regional Government and LGUs to allow them to develop and implement an ARMM-specific version of HSRA. There is similar collaboration on other major health programs, such as those for immunization, tuberculosis, and family planning.

3.7.2. Increase regional government autonomy in budget allocation and management

To adequately perform a proactive role in guiding regional development in general, and human development in particular, the Regional Government needs considerably more flexibility and control over the allocation of resources intended for the Region. Though modest in amount, the Local Fund, consisting mainly of the regional IRA, is an important source of funds whose allocation is already left entirely to the Regional Government. The process of allocating this funding should be made fully transparent and routinely incorporated in the annual budget and planning calendar of the Regional Government.

A more critical requirement for obtaining greater control over allocation of resources is to negotiate with the National Government for less itemization of its budgetary appropriation to ARMM. Under the present system of budget preparation and execution, DBM structures the ARMM budget in such detail that it leaves very little leeway for regional programming to accommodate local priorities and reform strategies. If ARMM were given flexibility, there is a greater chance that regional initiatives to improve human development outcomes would be supported by informed decision-makers in the Regional Government. With DBM moving toward performance-based budgeting for other national agencies, there is no reason why similar methods should not be applied to the ARMM budget. As with other national agencies, however, DBM should bind the ARMM Regional Government to a set of enforceable agreements to link this increased management flexibility with greater accountability for measurable outputs and targets.

Even greater autonomy could be obtained if part or all of the national government transfers to the Region—20 times as large as the Local Fund—were defined under a transparent IRA-type formula. This would provide a more stable funding source than the annually negotiated budget. The formula-based IRA should be computed as a share of *total* national internal revenues (as applied to the LGU IRAs countrywide) rather than as a share of national internal revenues collected from the Region (as applied to the current ARMM IRA). This would allow scope for cross-subsidization from other regions.

In the long run, ARMM can only enjoy real financial autonomy if it substantially reduces its dependence on national government budget allocations. Most of the resources necessary for the Region's development currently flow into the Region through two main channels and one minor channel.

Both the major channels flow from the National Government, to the Regional Government via the annual allocation to the ARMM budget, and to the regional LGUs via the annual allocation of their share in the IRA. The minor channel is the formula-based regional IRA, tied to national revenue from local sources. In the future, it will be necessary to expand local revenues of the Regional Government and LGUs.

For all the legal provisions of autonomy, the undeniable reality is that the Regional Government operates between a National Government that controls the major part of its finances and LGUs that enjoy considerably more financial autonomy than it does. The Regional Government's ability to achieve the ambitious promise of autonomy—as a start by embarking on the few steps spelled out above—will therefore depend on the extent to which it is able to muster the leadership required to work collaboratively with these other levels of government. This collaboration will not happen spontaneously, the regional leadership will have to take the initiative. The leadership will also need to reach out beyond the structures of government to work directly with businesses, religious and secular organizations, community groups, and other institutions through which it can link up with its constituency.

Finally, and perhaps most critically, the Region's leaders will need to bear in mind that to fully exploit and exercise the autonomous political powers granted to it by law, some type of unified regional political consensus is needed among the main organs of power in ARMM, including the Office of the Regional Governor, the RLA, and the LGUs. Such a consensus could emerge when a political bloc or party wins an explicit popular mandate in regional and local elections or it could be built among key leaders from different blocs or factions that obtain power after elections. Without such political consensus, true autonomy in budget allocation and management would be very hard, if not impossible, to achieve.

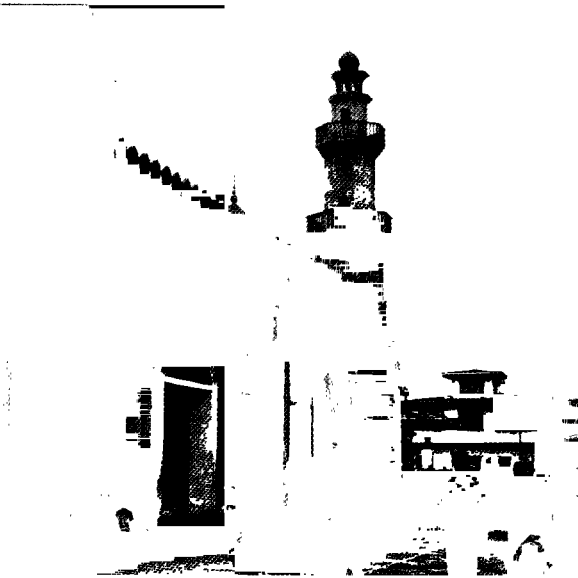
3.7.3. Define the basic policy direction for human development

It will be important that a regional political definition of priority public purposes in education, health, and social protection be clearly established. Such a definition should be seen in the passage of regional legislation on the structure and programs of these three sectors, which goes beyond the thrust and authority of the regional governor's executive orders. Regional legislation could lay down a much more stable policy frame-



work for service delivery in education, health, and social protection. For example, regional legislation that prioritizes the attainment of universal coverage of safe water and sanitation would be a major building block for better health outcomes. Or in education, regional legislation that speeds up the eradication of illiteracy through nonformal education among adolescents and adults who have less than the minimum desired level of schooling can create the impetus necessary for improving basic education competencies in the Region's population. (The next three chapters give the details of these recommended policy directions.)

A critical test for ARMM governance is the priority given to ensuring that the Region's poorest benefit from public spending. ARMM leaders may tend to measure autonomy in terms of the level of national resources being provided to make it succeed. To the constituents on the ground, however, the real test is the immediate yield of concrete benefits to the poorest. Just as, primarily, persons in political power, those with higher education, or those with political connections capture the benefits from public resources being funneled into the Region, so it is that the poorest, those living in the most remote areas, or those who are most disadvantaged are denied their full share of these benefits. The viability, legitimacy, and sustainability of



national resource transfers (including ODA resources) to an autonomous Regional Government will depend greatly on it demonstrating that public spending benefits the poorest. Such spending achieves various results: it improves the outcomes for those segments whose human development levels currently drag down the whole Region; it strengthens the moral standing of the autonomous government among its constituents; it reduces the vulnerability of the poor to the agitation of groups driving the armed conflict in the Region; and it generates economic benefits among the poor, which will be crucial to achieving greater regional output and eventually higher local revenues that can gradually replace the current dependence on national government transfers.

Poverty targeting has been an important strategy of the national antipoverty program in the area of public expenditure management reform for a number of years. At the local level, for example, some of the more dynamic municipal governments in ARMM select a few *barangays* where poverty is most prevalent and give them highest priority for the allocation of local funds. The community-based poverty mapping instruments, discussed in section 6.4 below, constitute one objective tool for targeting poor communities or households. The challenge for the Regional Government is to bring these initiatives together in a coherent antipoverty strategy for human development. Targeting the poor can be done either through supply-side initiatives that support programs and/or service

facilities that best meet the needs of the poor, or through demand-side initiatives that channel funds directly to poor households to enable them to access services. Examples are education scholarships or vouchers, or the Sponsored Program of the Philippine Health Insurance Corporation (PhilHealth), which runs the National Health Insurance Program. Targeting in ARMM would require community-oriented approaches, effective partnerships between the Regional Government and LGUs, and the integration of Islamic values and social structures in delivery systems. It requires considerable investments in social preparation and a strong commitment from implementing agencies to respond to the diverse needs and field conditions of poor communities. Such targeting also calls for a re-allocation of ARMM resources from region-wide programs to area-focused projects. Most importantly, it will require the Regional Government and LGUs to commit to channel more resources to social expenditures.

While the Regional Government orchestrates efforts to generate more resources and target these resources to the poor, the main focus of improvements should be to obtain more output and benefits from current resources. There are many opportunities for these types of improvements, including eliminating overlapping functions and uncoordinated spending of the Regional Government and LGUs; containing and reducing the high share of personnel costs in current operating expenditures; and containing and reducing the costs of regional administration relative to the costs of direct service delivery. Several policy options exist to pursue these aims. Passage of regional laws to cut costs, increase revenues, improve targeting of public spending, and increase development benefits of current public spending could be one. Another would be for the National and/or Regional Government to apply funding formulas for human development services that would make the allocation of funds to services more predictable but leave to the regional agencies and/or their individual facilities the prerogative and responsibility to allocate the funds as efficiently as possible. For education, for example, budgeting and funding on a per student basis, cost-indexed, and linked closely to the sector plans that the Regional Government has discussed and negotiated with local stakeholders would help improve efficiency, transparency, and equity. For health, the capitation formula currently used by PhilHealth to pay rural health units for services rendered to members is also an example. Yet another approach is to compensate the Regional Government (or its

agencies) on the basis of outputs and benefits achieved, thus converting the transfers into rewards for good performance (e.g., number of graduates and achievement levels, or coverage of fully immunized children). Broad political consensus on the advantages of measures such as these, and a legislative framework that leaves room for adoption of these and similar initiatives, would allow the Regional Government to demonstrate its determination to raise the standards for human development while using limited resources responsibly.

3.7.4. Conduct an organizational and staffing review and develop a human resources management plan

The need to check the growth of the salaries budget has been articulated by planners and policymakers in the Regional Government. The common explanation for its persistence is an accommodation of a situation which is outside their control and about which nothing can be done. While this may be so in the short run, the Regional Government should embark on a medium- to long-term effort to sustain the expansion of public service delivery without having to employ more people directly. The Regional Executive Agenda already includes as one of its programs the reorganization and restructuring of agencies to rationalize the regional bureaucracy. This policy statement can be taken one step further by translating it into operational guidelines so that implementing agencies can start mapping out practical ways of achieving higher administrative efficiency. As argued in the previous chapter, a budget that favors salaries disproportionately ties down a significant portion of the budget for years and leaves little management flexibility for reallocation to achieve a better mix of inputs. In addition, it leaves the system vulnerable to attempts by well-placed individuals to curry favor, a sure recipe for corruption in a region that can hardly afford such a waste of resources.

In addition to the planned restructuring of government agencies, among the concrete steps that could be taken to improve human resources management and productivity in Government agencies are: (a) conduct a census of regional government staff to update the staff rolls and identify non-existent, absentee, or unqualified employees; (b) clarify and enforce standards and processes for hiring and firing of regional government employees, and ensure that these policies are transparent and widely disseminated; (c) develop staff deployment plans based on sector-specific standards of quality and access and on the needs of the population served; (d) identify

priorities for capability-building, training, etc., to improve the match between staff members and their job descriptions; (e) undertake to define or update job descriptions for all positions in the Regional Government and define results agreements for each staff member on the basis of these job descriptions; and (f) institute regular performance evaluations based on these results agreements and define region-wide policies for rewards and sanctions linked to performance evaluations.

3.7.5. Increase transparency and accountability

A regional effort to increase transparency and highlight accountability in the allocation of public resources for human development, to a significantly higher degree than at present, is an absolute precondition of the entire process. The strength of ARMM's negotiating position vis-à-vis the National Government as well as its credibility with potential taxpayers in the Region will be bolstered considerably if more convincing action were taken to demonstrate that any additional financial autonomy gained by the Region would be responsibly exercised.

Two areas where the most immediate gains can be made are in procurement and financial management. Regional government leadership should undertake to ensure that all agencies in the Region immediately enforce the new Procurement Law (Republic Act No. 9184) and its Implementing Rules and Regulations. Enforcement will be assured by establishing a regional procurement coordination and monitoring unit, and more especially, by introducing civil society participation in monitoring public procurement activities.

To enhance financial management and accountability, the Regional Government should also implement an automated accounting information system, across all agencies, or perhaps starting with the human development agencies. To facilitate this process, it could link up with the national Commission on Audit to gain access to the simplified bookkeeping software that has been developed for this purpose, as well as to request technical assistance for establishing the system. More extensive reforms in financial management should also be introduced in the long term, but immediate implementation of the accounting information system would be a realistic first step and a simple way to demonstrate the Regional Government's intentions to improve accountability and to minimize corruption in the Region.



4. The Education System in ARMM

Education lies at the core of human development for ARMM, in its dual ability to (a) transmit and inculcate values and culture that allow young residents of the Region to form their identities as citizens of the Philippine nation and of the unique Islamic community within that nation, and (b) provide ARMM citizens with the capacity to pursue economic opportunities inside and outside the Region. The builders of ARMM were fully aware of this central position of education, hence the provisions in the ARMM Organic Law pertaining explicitly to education. In fact, education remains at the center of the political agenda to the present day.

As shown earlier, ARMM lags behind the rest of the country with respect to educational development, even at the basic levels, so it makes sense to focus on issues related to improving the primary and secondary levels. There are several good reasons, however, for keeping an eye on the full picture of the education sector. Higher education institutions in the Region absorb a large majority of the graduates of the lower levels of its education system, train teachers who are needed by all education levels, and provide the knowledge and skills base of the Region's professionals, technicians, and leaders. Regional autonomy was granted partly in recognition of the unique characteristics of ARMM—and the education system both reflects and suffers from the relative isolation that could result from that autonomy. The education system also stands to benefit from autonomy, but to realize these benefits requires a clear and broadly shared vision of where the system should go, appropriate policies on how to achieve this vision, and efficient operational or management systems.

This chapter begins with a fuller discussion than seen in chapter 1 of the state of educational development in ARMM.

Combining a variety of administrative data with household survey data and qualitative information from local education officials helps delineate a more complete and accurate picture of the Region's educational development. Often missing from previous studies is a discussion of the differences among groups and among areas within ARMM, which neglects the diversity within the Region. The almost universal focus in previous studies on the Region as a whole masks the important differences within it that provide the key to progress; for example, breaking down these patterns helps identify which demographic or socioeconomic groups are lagging behind and thus which groups might benefit most from public programs. Nationally representative survey data from the 1998 DHS provide the opportunity to examine systematic group differences—such as enrollment variations between males and females, between urban and rural groups, and between income (or wealth) groups—while linking them to socioeconomic and demographic factors.

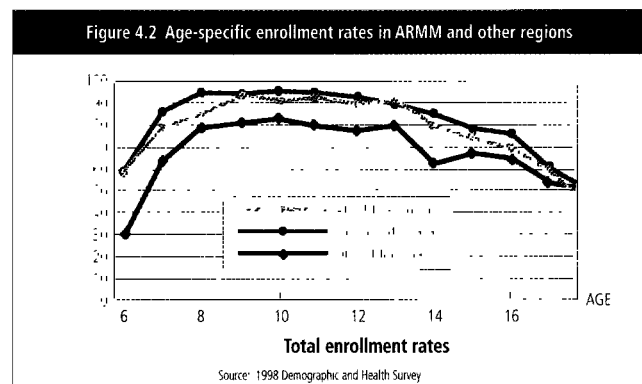
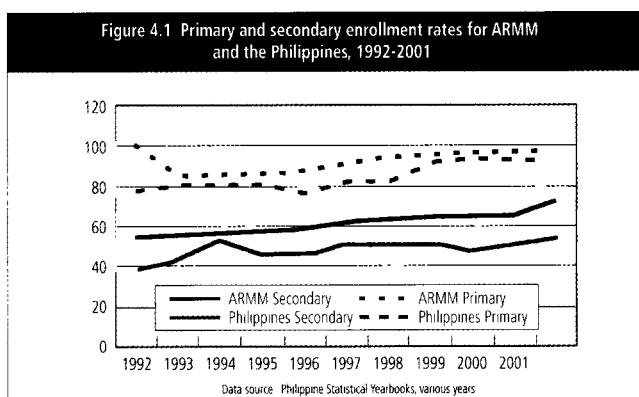
Following a discussion of the Region's state of educational development, this chapter analyzes the underlying factors. Some of them reflect ARMM's socioeconomic and political realities that influence demand for education, and some reflect the efficiency with which its education system is governed and managed. That analysis is followed by a discussion of policy reform and specific actions that could address the problems of the sector. Obstacles to attending better schools are forms of exclusion that can result in a growing sense of grievance among the citizens, in schools being regarded as discriminatory and irrelevant, and in a loss of legitimacy for both the Regional Government and the National Government as providers of services and protectors of rights. For these reasons, solutions need to be found to the problems of education in ARMM.

4.1. Educational progress and challenges

4.1.1. Enrollment and literacy

As presented earlier, ARMM trails behind all regions with respect to basic indicators of educational development, though the gap, especially with respect to enrollments in primary education, has narrowed since the economic decline and stagnation during much of the 1990s. With respect to secondary education, however, the gap appears to have been widening between ARMM and the rest of the country (figure 4.1).

Using the 1998 DHS data, it is instructive to break down the enrollment data by region and by age to see where the fault lines lie (figure 4.2). ARMM's enrollment profile is well below the curves for other areas of Mindanao and other parts of the country. Children start school later in ARMM; there is a larger than 20-percentage point difference in enrollment rates at age 6. The enrollment gap closes as more children in ARMM enter school, but the gap remains at about 10 percentage points throughout the elementary school ages. A possible explanation for this later age of entry is that the physical development of children in ARMM may lag behind that of other regions, an explanation suggested by past studies for other regions in the country (Glewwe, Jacoby, and King 2001). There also appears to be a distinct dip in the ARMM enrollment curve at age 14 that is less noticeable in the other regions, implying that the transition to high school may be a particularly vulnerable age for youths in ARMM; but the dip could also be a matter of a small survey sample at that age. Without the dip, it would appear that youths in ARMM are at least as likely to stay in school as youths in other parts of the country; in fact, the interregional gap dissipates in the late teens.



When the age profile of enrollment is broken down by gender, another feature of ARMM's overall enrollment picture is revealed. Its age enrollment profiles for boys and girls are below the corresponding profiles for the rest of the country, but the pattern in this disparity with the rest of the country differs for boys and girls. In the early primary grades, boys' enrollment rate in ARMM peaks closer to that in the rest of the country, in comparison with girls' enrollment rate in ARMM relative to that in the rest of the country. But in ARMM many more boys drop out of school in their early teens, and this increase in the dropout rate happens about two years earlier than among boys in other parts of the country, and about three years earlier than among girls in ARMM. This pattern could be due to the continual armed conflict in the Region, its disruptive effects on homes and schools, and its adverse impact on the economy. These consequences appear to have had a more disruptive effect on young teenage boys than on girls of the same age. At the same time, early male dropout itself feeds the supply of boys who take up arms.

Disparities within ARMM are striking, when patterns by household wealth are considered (table 4.1). The enrollment rate of children in the poorest wealth quintile (20 percent) of the population is more than 30 percentage points below that of the richest quintile. In fact, the education gap among wealth groups within ARMM is so wide that the enrollment rate for the poorest quintile is similar to enrollment rates in Mauritania and Senegal, while that for the richest quintile is similar to those in Australia and Canada. Using the same wealth distribution for the whole country, a comparison across wealth groups indicates that the difference between ARMM and the rest of the country is concentrated among the poorer segments of the populations. The richest quintiles do

Table 4.1 School enrollment rates of 6–12-year-olds, by wealth quintile: Philippine and cross-country comparisons

| Wealth quintile | ARMM | Other Mindanao | Other Philippines | Other Asia (excludes the region) | Country comparisons (excludes the region corresponding to the rest of ARMM) |
|-----------------|-------|----------------|-------------------|----------------------------------|---|
| Poorest | 0.583 | 0.704 | 0.768 | 0.564 | Senegal 60, Mauritania 61 |
| 2 | 0.829 | 0.877 | 0.850 | 0.538 | |
| 3 | 0.888 | 0.881 | 0.880 | 0.635 | |
| 4 | 0.948 | 0.935 | 0.937 | 0.847 | |
| Richest | 1 | 0.950 | 0.958 | 0.885 | Australia 95, Canada 95 |
| Q5/Q1 | 1.61 | 1.36 | 1.25 | 1.57 | |

Notes: The wealth distribution used for columns 2-4 is based on a national distribution, while that used in column 5 is based only on the wealth distribution within ARMM.
Data source: 1998 Philippine Demographic and Health Surveys. Country comparisons are from UNDP's 2001 Human Development Report, reflecting 1995-97 net primary enrollment data.

not show a large enrollment gap between regions, but the poor in ARMM have a much lower enrollment rate than the equally poor in other regions. Indeed, within-region inequality is much larger in ARMM than in the other regions. The enrollment disparity (as measured by Q5:Q1, 1.61) is larger than that between the corresponding quintiles in other parts of Mindanao (1.36) and in other parts of the country (1.25).⁹ These patterns suggest that, at least for 6–12-year-olds, efforts to improve access to schools must be directed at the poorest segments of the population in order to obtain the largest effect on ARMM's enrollment rates. Ignoring these patterns among wealth groups will not reduce ARMM's enrollment deficit.

While enrollment rates measure the system's current capacity to deliver education as well as the current demand for it, literacy rates reflect the cumulative effect of historical trends in enrollment. Literacy rates indicate the system's past ability to provide schools and to retain students in school long enough to build sustained reading and writing skills. The 1998 DHS data show that the literacy of women aged 15–49 (the survey does not provide information on men's literacy), defined as the ability to read a newspaper, is lower in ARMM than in other regions. On average, the literacy rate in ARMM stands at 70 percent compared with 96 percent in the rest of Mindanao, and 98 percent in the rest of the

Philippines outside Mindanao. Broken down by wealth quintiles, literacy rates point also to the marked disadvantage of ARMM's poorest quintiles and the need to target education assistance in their direction. Among the poorest quintile, the literacy rate among women aged 15–49 is 33 percentage points lower than for the rest of the Philippines, while among the richest quintile, the literacy gap is 14 percentage points (table 4.2). Comparing ARMM with other countries, the literacy rate in the poorest quintile is similar to that in Rwanda and Ghana, while the literacy rate in the richest quintile is similar to that in Singapore and South Africa.

Table 4.2 Literacy rates for women aged 15–49, by wealth quintile

| Wealth quintile | ARMM | Other Mindanao | Other Philippines | Country comparisons (excludes the region corresponding to the rest of ARMM) |
|-----------------|-------|----------------|-------------------|---|
| Poorest | 0.585 | 0.895 | 0.934 | Rwanda 59.1, Ghana 61.5 |
| 2 | 0.843 | 0.966 | 0.973 | |
| 3 | 0.931 | 0.990 | 0.985 | |
| 4 | 0.930 | 0.995 | 0.995 | |
| Richest | 0.842 | 0.994 | 0.996 | Singapore 88, South Africa 84 |
| Q5/Q1 | 1.43 | 1.13 | 1.07 | |

Source: 1998 Philippine Demographic and Health Surveys. The DHS database does not provide literacy data on men. Country comparisons are from UNDP's 2001 Human Development Report, reflecting 1995-97 net primary enrollment data.

4.1.2. Test scores and system throughput

School-leaving test scores, a simple measure of learning achieved, indicate that ARMM students perform relatively poorly compared with students from other parts of Mindanao, especially in the elementary grades. However, they do not compare favorably with students in the country as a whole, at either the elementary or high school level. What is also striking is that, at the secondary level, while other Mindanao regions showed a large increase in test scores from 1995 (except for Region XII, which had only a slight increase), ARMM students showed a slight decrease in test scores.

In interpreting these test scores, one needs to note that the trend over time reflects, in part, improvements in student performance and, in part, greater selectivity in the

⁹ When a region-specific wealth distribution is used instead, such that the definition of the richest and the poorest quintiles within ARMM is based only on the region's level of wealth, the enrollment rate for each quintile is revealed to be lower. The poorest 60 percent of ARMM's youth population have enrollment rates that are lower than the enrollment rate of the poorest quintile in each of the other regions.

Table 4.3 Mean test scores for elementary and secondary students

| Region | 1978 | 1985 | 1995 | 2001 |
|-------------|------|------|-------|-------|
| ARMM | 72.6 | 73.9 | 108.6 | 105.3 |
| IX | 63.4 | 57.3 | 93.8 | 117.7 |
| X | 68.1 | 80.3 | 92.3 | 112.3 |
| XI | 63.1 | 72.3 | 86.8 | 102.1 |
| XII | 64.2 | 62.4 | 94.3 | 96.8 |
| XIII | 77.3 | 78.9 | 90.1 | 104.0 |
| Philippines | 69.8 | 80.1 | 114.0 | 115.3 |

Source: National elementary assessment test and national secondary assessment test scores, 1998 Annual Report, Department of Education, Culture and Sports, Pasig City.

number and composition of students who take the test, so higher mean test scores do not necessarily denote better schools. Unfortunately, information is lacking on the proportion of students who took the test in ARMM, although the Region's higher dropout rates suggest that the students who completed the cycle and took the test were a more select group.

There are more meaningful ways than test scores to assess the ability of the education system to provide useful knowledge and skills to youths, but those data are not available. For example, one indicator is whether the education system produces graduates who have the skills to be employable and to earn decent wages. To answer this question requires analyzing the relationship among education, employment, and wages or salaries, which in turn requires information on how many years and types of education an individual has and whether that education was produced within the ARMM education system. Migration into and out of ARMM makes it difficult to undertake this analysis without some migration history for each individual—or, at the minimum, without information about where that education was obtained—and without a national sample that would include also some of those who had migrated out.

Because of these important information gaps about the education system's outputs, analysts tend to rely on more traditional measures to assess productivity. Besides test scores, other indicators of the system's capacity to deliver education services are the familiar measures of student flow through the system. One is the cohort survival rate, i.e., the ratio of the number of students who are enrolled in the final year of a cycle to the number of students who entered the

Table 4.4 Cohort survival rates in elementary and secondary education, 1995 and 2001

| Region | 1995 | 2001 | 1995 | 2001 |
|-------------|-------------------|------|-------------------|------|
| ARMM | 27.7 | 33.6 | 57.5 | 64.1 |
| IX | 50.7 | 50.4 | 65.3 | 62.4 |
| X | 59.6 | 61.6 | 69.2 | 67.6 |
| XI | 60.2 | 61.1 | 70.5 | 70.3 |
| XII | 53.0 | 55.7 | 65.8 | 67.4 |
| XIII | 59.1 ^a | 62.0 | 47.9 ^a | 70.6 |
| Philippines | 66.5 | 67.2 | 75.6 | 73.1 |

a. Data relate to 1996.
Source: 2001 Annual Report, Department of Education, Culture and Sports, Pasig City.

cycle. Table 4.4 shows that ARMM's cohort survival rate at the elementary level is only about one-half of the cohort survival rate in other Mindanao regions and the country as a whole, although the survival rate in ARMM did increase by 21 percent between 1995 and 2001. The cohort survival rate at the secondary level is much higher than at the elementary level, but this pertains only to students who enter high school. The survival rate in ARMM increased between 1995 and 2001, but is still at the lower end of the rates for Mindanao and is much lower than the national rate. The numbers for ARMM imply that if those who complete the elementary grades also enroll and complete high school, then only 2 out of 10 students who enter grade 1 complete secondary education—and this is an overestimate since many of those who finish elementary grades do not enroll in high school.

Table 4.5 Number of schools per 1,000 children of appropriate age, 2001

| | | | | |
|-------------|-----|-----|-----|-----|
| ARMM | 4.5 | 0.5 | 0.1 | 0.2 |
| IX | 5.0 | 0.7 | 0.2 | 0.3 |
| X | 4.0 | 0.5 | 0.4 | 0.5 |
| XI | 2.5 | 0.5 | 0.4 | 0.4 |
| XII | 4.8 | 0.7 | 0.5 | 0.6 |
| XIII | 4.8 | 0.8 | 0.2 | 0.4 |
| Philippines | 3.5 | 0.6 | 0.4 | 0.5 |

Source: 2001 Philippine Statistical Yearbook, National Statistical Coordination Board; 2001 Annual Report, Department of Education, Culture and Sports, Pasig City. These numbers use 1997 population data. Appropriate age group for elementary education is 7–12; appropriate age group for secondary education is 13–17.

4.2. Supply conditions

There are many factors that likely explain the observed educational disparities between ARMM and the other regions in the country. Education outcomes are the product of supply conditions, such as the availability and quality of schools, as well as the desire of people to attend school which, in turn, depends partly on the value that they place on education and the returns they expect in the marketplace.

Beginning with simple measures, the number of schools per child for a given population of children is a rough indicator of the supply of schools. Administrative data from the national DepEd show that ARMM has more public primary schools relative to its population size than the country as a whole, but fewer than some of Mindanao's provinces. At the secondary level, this school supply is not very different from that seen in other parts of Mindanao and the rest of the country. But this simple assessment of supply is misleading in that demand for schooling and the distribution of the schools within ARMM are important factors to consider. For example, schools are likely to be concentrated in more populous areas, leaving many *barangays* in remote areas without schools, or schools may have too few classrooms. According to an inventory of classroom needs in the school year 2001/02, the Region had a shortage of 467 classrooms (DepEd-ARMM 2001). In addition, the relative supply of private schools at the elementary and secondary levels appears smaller in ARMM than elsewhere, underlining the importance of addressing the supply of public schools.

The number of school teachers is another measure of supply because it determines the system's ability to operate schools (table 4.6). At the elementary level, the average number of teachers per school in ARMM is low compared with the country as a whole and the rest of Mindanao, except in Region XIII, but this ratio does not appear problematic by itself. Moreover, 2001 data on the student-teacher ratio in ARMM also put it about par with the national average of 45. At the secondary level, the average number of teachers per school suggests that most high schools tend to be large throughout the country, but they are smaller in ARMM, with an average of 14 teachers per public high school. Although ARMM has fewer teachers per high school, its average student-teacher ratio is similar to that in

Table 4.6 Number of public school teachers, 2001

| | Elementary | Secondary | Elementary | Secondary |
|-------------|------------|-----------|------------|-----------|
| ARMM | 11,483 | 6.9 | 1,579 | 14.2 |
| IX | 16,622 | 7.6 | 4,954 | 25.0 |
| X | 13,257 | 8.4 | 3,747 | 23.1 |
| XI | 21,468 | 10.1 | 7,636 | 31.3 |
| XII | 12,058 | 8.5 | 3,770 | 23.3 |
| XIII | 10,842 | 7.1 | 2,948 | 18.3 |
| Philippines | 331,827 | 9.2 | 109,845 | 25.3 |

Data sources: 2001 Annual Report, Department of Education, Culture and Sports, Pasig City.

the rest of the country at 45.

In themselves, these numbers may not explain the Region's lower enrollment rates. What are perhaps more critical supply factors are whether the schools provide the necessary environment and materials for students to learn, whether the teachers are adequately trained and motivated to teach, and what learning happens in schools and in the classrooms. From Maguindanao to Tawi-Tawi, common complaints from this study's key sources of information were the poor physical condition of many schools, the absence of basic supplies in classrooms, lack of funds for any kind of professional development for teachers and principals, and low teacher pay. Especially poignant are the accounts of those in the island provinces and municipalities. They reported that the level of school funding is insufficient to sustain an effective delivery system and to provide services to the poor. A school mapping exercise to take inventory of the condition of schools and availability of school supplies is reportedly under way. It is imperative that the results of such an inventory be used as a basis for planning and budgeting in the education sector, and that they be released to the public to gain greater support from local governments and communities.

Without doubt, the eruptions of armed conflict in the Region have affected supply conditions. According to the *Mindanao Social Assessment* (2002), 42 percent of respondents to this survey in Muslim and indigenous peoples' areas that had been affected by the conflict reported that their children's education had been disrupted by the conflict, usually by about a year (table 4.7). When violence erupts, schools in affected areas

close. In cases where the conflict is expected to last indefinitely or for a significant amount of time, residents move to designated evacuation centers—and teachers temporarily relocate along with the community in order to minimize the disruption to the school year. While evacuation may not bring an end to the school year altogether, it is hard to imagine that it would not interrupt the ability of both teachers and students to focus on their tasks at hand. Some teachers interviewed by the study team, for instance, report that very young students and some teachers have manifested psychological stress resulting from the violence around them and from the frequent interruptions in their lives. In areas most affected by the armed conflict, as a security measure, some teachers have chosen to live further away from the communities where they teach. District supervisors report that this practice raises the cost to teachers of going to school every day and has led to more frequent absences by teachers. And because teachers are forced to help with vote-counting, they cannot escape the violence associated with elections. Lastly, armed conflict has resulted directly in the destruction or abandonment of school buildings. Sometimes, a school might serve as headquarters for soldiers, leading to a more rapid deterioration.

4.3. Demand factors

Besides supply-related factors, factors that influence the demand of households and communities for education are at work. These include contextual factors unique to ARMM, such as the state of the Region's economy or the peace and order situation, which make education more or less attractive. Slow economic growth and undeveloped labor markets tend to depress the willingness of people to invest in the acquisition of skills. The Region has low measured unemployment rates, compared with neighboring regions and the country as a whole, but this is mostly because it also has a low labor force participation rate, a consequence of its depressed economy. This, plus the fact that ARMM is still highly agricultural, implies low expected returns to education, making household investments in education unattractive.¹⁰

In addition to economic factors, the prolonged armed conflict in ARMM continues to bring great uncertainties to people's lives, shortens their planning horizon, and isolates the Region from the rest of the country in more than economic ways. Understanding how these environmental factors influence demand for education in ARMM is an important first step to designing useful policies for the Region.

The specific characteristics of households and children that contribute to why one child within ARMM goes to school and another does not cannot be ignored. These household characteristics include parental education, income and wealth, ethnicity and religion, and family size; child characteristics include age and gender. In the 1998 DHS sample for which data are available, mothers in ARMM have, on average, 4.9 years of education, just half of that of mothers in the National Capital Region (NCR). The large majority of ARMM's population is Muslim, a striking contrast with the rest of the country (including the rest of Mindanao)—90 percent in ARMM versus 7 percent in other parts of Mindanao and less than 1 percent in the rest of the country.¹¹ In the DHS sample, on average, children in ARMM have one more coresident child (who may or may not be a sibling) than their counterparts in the NCR. With respect to wealth, applying one wealth distribution for the entire country to define wealth quintiles puts 62.6 percent of

Table 4.7 Disruption of education among children due to armed conflict and length of disruption

| | | |
|---|-----|--------|
| Yes | 302 | 41.8 |
| No | 164 | 22.7 |
| NA | 256 | 35.4 |
| Total | 722 | 99.9 |
| Length of Disruption | | |
| 1–6 months | 106 | 35.1 |
| 7–12 months | 76 | 25.2 |
| 13–24 months | 43 | 14.2 |
| 25–36 months | 67 | 22.2 |
| 37 months and up | 10 | 3.3 |
| Total | 302 | 100.00 |
| Minimum months of disruption | 1 | |
| Maximum months of disruption | 60 | |
| <small>Note: May not add up to 100% due to rounding. Source: Mindanao Social Assessment Final Report, 2000. Mindanao Land Foundation, Inc. and MinPhil International Consultants, Inc.</small> | | |

¹⁰ The proportion of gross value added that comes from agriculture is higher in ARMM—and has been persistently higher even than other regions in (already highly agricultural) Mindanao. Tellingly, Western Mindanao (Region IX), which is intertwined with ARMM, comes second to ARMM in agricultural concentration, as well as in poor educational indicators.

¹¹ Muslims in Mindanao are themselves a heterogeneous group that is believed to comprise 13 ethno-linguistic groups (Tanggol 1990).

Table 4.8 Labor force participation and unemployment, 1996 and 2000

| Region | 1996 | 1999 | 1996 | 1999 |
|-------------|------|------|------|------|
| ARMM | 57.7 | 55.2 | 2.6 | 4.1 |
| IX | 61.6 | 60.0 | 4.6 | 7.0 |
| X | 74.4 | 75.9 | 5.6 | 6.2 |
| XI | 71.5 | 67.4 | 6.9 | 8.8 |
| XII | 67.0 | 64.9 | 5.2 | 8.6 |
| XIII | 71.1 | 68.6 | 7.0 | 8.7 |
| Philippines | 65.8 | 64.3 | 7.4 | 10.1 |

Sources: 1990, 1991, 2001 *Philippine Statistical Yearbook*, National Statistical Coordination Board.

Table 4.9 Average children's characteristics

| | | | | |
|--------------------|------|------|------|------|
| Household wealth | | | | |
| Poorest quintile | .626 | .325 | .222 | .002 |
| 2 | .236 | .253 | .230 | .064 |
| 3 | .072 | .185 | .199 | .222 |
| 4 | .050 | .137 | .196 | .293 |
| Richest quintile | .017 | .100 | .153 | .419 |
| Mother's education | 4.9 | 7.4 | 7.8 | 10.1 |
| Proportion Muslim | .900 | .066 | .003 | .008 |

Notes: NCR = National Capital Region; the column for Luzon & Visayas excludes the NCR.
Source: 1998 Demographic and Health Survey

ARMM residents among the poorest quintile in the country and only 1.7 percent among the richest quintile.¹² In contrast, only 0.2 percent of NCR residents are among the poorest quintile in the country and 41.9 percent of NCR residents are among the richest quintile in the country. Indeed, these striking differences are likely to explain at least part of the education lag in ARMM.

4.4. Determinants of enrollment and completed years of schooling

In theory, the above supply and demand factors together determine educational progress, as measured, for example, by individual enrollment probabilities and educational attainment,

and it should be possible to estimate the size of their relative effects using some multivariate regression model. In practice, however, no individual data are available in such a way as to make it possible to estimate these models' effects in full. Household survey data usually include demand-related information, but seldom contain information that measures the specific supply conditions of schools that are available to any one household or child. As a result of this information gap, supply-related factors are generally represented by proxy measures only, such as the child's region of residence. The role of these proxy measures is to capture the existence of differences among regions or groups without providing a measure of the size and nature of these differences.

Before presenting the results of the multivariate analysis in this section, a word is in order about why this type of analysis is a useful one for policy—even when a complete model of supply and demand factors cannot be created.¹⁵ Thus far, the term "factors" has been used loosely in this chapter in the sense that an actual relationship between the said "factors" and educational indicators has not, in fact, been demonstrated. For the most part, it is sufficient to rely on the assessment of the study's interviewees to identify a list of possible factors, but the information obtained does not generally indicate the specific relative importance of any single factor in a host of factors. This is a critical omission because the relative importance of individual factors provides a clue as to the potential effects of changes in those factors, and thus could be useful in developing a menu of reform programs.

To begin, suppose that a household's or an individual's region of residence—ARMM, other regions in Mindanao, other regions outside Mindanao except the NCR, or the NCR—serves as a proxy measure for all those context-specific factors that differ among households or among individuals. In this case, the residence variable in the regression estimates is picking up differences in regional characteristics, ignoring differences that also exist within each region (table 4.10). The results show that children who reside in ARMM are 7 percent less likely to be enrolled in school than children in the NCR, even when several household and personal factors have been controlled for. Children who reside in ARMM also complete nearly one-half fewer years of schooling than children in the NCR. In contrast,

¹² Data from the nationally representative 1998 DHS survey provide estimates of the wealth status of the household, using assets as a proxy measure according to an indexing technique developed by Filmer and Pritchett (1999). This technique, which produces a linear index from the data on assets owned by members of the household, uses a principal components analysis to derive the weights needed to compute the index.

¹⁵ These multivariate regressions are based on data for all children aged 6 to 16 in the 1998 DHS sample.

Table 4.10 Regression results—Determinants of enrollment and years of schooling completed

| Dependent variable | Enrolled | Educational attainment | Enrolled | Educational attainment | Enrolled | Educational attainment |
|--|-----------|------------------------|-----------|------------------------|-----------|------------------------|
| ARMM | -0.072* | -0.444** | -0.042 | | 0.087 | -0.053 |
| Other Mindanao | -0.012 | -0.080 | -0.021 | | 0.040 | -0.020 |
| Other Mindanao (excluding NCR) | -0.001 | -0.024 | -0.018 | | 0.041 | -0.014 |
| Lowest Quintile | -0.212*** | -1.050*** | -0.242*** | | -1.209*** | -0.155*** |
| 2nd Quintile | -0.093*** | -0.554*** | -0.122*** | | -0.657*** | -0.080*** |
| 3rd Quintile | -0.057*** | -0.298*** | -0.096*** | | -0.391*** | -0.076*** |
| 4th Quintile | -0.008% | -0.149*** | -0.035*** | | -0.210*** | -0.027 |
| Rural | -0.013 | -0.016 | -0.021* | | -0.026 | -0.010 |
| Child is female | 0.048 *** | 0.263*** | 0.062*** | | 0.301*** | 0.062*** |
| Age | 0.142*** | 1.224*** | 0.136*** | | 1.281*** | 0.137*** |
| Age squared | -0.011*** | -0.026*** | -0.011*** | | -0.026*** | -0.011*** |
| Mother's education | | | | | | 0.015*** |
| Muslim | | | -0.044 | | -0.384** | -0.002 |
| Number of children in family | | | | | | -0.012*** |
| Pseudo-R squared | 0.15 | 0.35 | 0.20 | | 0.37 | 0.23 |
| <p>*** = significant at .001 level; ** = significant at .01 level, * = significant at .05 level. Notes: The enrollment probability regression is estimated using a probit model; first derivatives rather than coefficients are presented to improve interpretation. The education attainment regression is estimated using a multinomial probit on years of schooling in order to address truncation bias. The reference category for the residence variables is the NCR, meaning that the coefficients indicate the difference of residing elsewhere relative to residing in the NCR.</p> | | | | | | |

children who reside in other regions in Mindanao are not significantly different from those residing in the NCR, either in terms of the likelihood that they are enrolled in school or the number of years of schooling they completed.

These apparent effects of the region of residence become smaller and lose statistical significance when religion, mother's education (of coresident mothers), and family size (in this case, the number of coresident children under 18) are considered also in the regressions.¹⁴ Note that other factors, such as ARMM's higher relative poverty, could explain the effect of ARMM too, but even when household wealth has been controlled for, residence in ARMM remains significant. In the middle set of regressions in which religion (defined as whether the mother is Muslim or not since information on other household members' religion is unavailable) is added, being Muslim has a negative sign—but this is significant only for the number of years of schooling attained, not the probability of enrollment, and the regional variables lose their statistical significance alto-

gether. Being Muslim apparently implies 0.4 fewer years of schooling, all things being equal. When mother's education and family size are also added, the coefficient of the religion variable decreases and becomes statistically insignificant, implying that the differences in enrollment probabilities between ARMM and the rest of the country can be attributed largely to the lower parental education levels and larger numbers of children under 18 per household in ARMM, as compared with other regions.¹⁵

A final point about demand factors is that enrollment rates and educational attainment are significantly higher for girls than for boys in the Philippines on average—and the size of the effect becomes larger with the addition of other factors. In the expanded specification, the results indicate that girls achieve almost one-third more years of schooling than boys. To test whether this effect might be different in ARMM than other regions, a specification similar to the right-most two columns in table 4.10 was expanded to include an interaction

¹⁴ A note on the data: since the survey did not include religion and mother's education for all of the children, the expanded regressions only use the observations of those who could be linked to their coresident mothers (who answered a longer individual survey). About 70 percent of the total children in the sample could be used for the expanded regressions. Dropping the other 30 percent does not seem to have introduced selection bias, because the original regressions give similar results when run over the subsample that appears in both regressions. The only noticeable differences in the subsample regressions are less significance on the "Other Mindanao" binary in the attainment regression, and more significance on the "4th Asset Wealth Quintile" binary and the rural binary in the enrollment regression. Since these variables are included for control purposes, and the ARMM estimates are almost unchanged by the sample reduction alone, it seems extremely unlikely that the sample reduction (rather than the new regressors) is driving the change between the reduced and extended form equations.
¹⁵ These results are similar to those found for Malaysia in one econometric study. Taking account of socioeconomic variables that measure schooling costs, expected returns to schooling, family income, and community development reduces the effect that can be attributed to ethnic differences on completed schooling level; ethnic differences remain significant nevertheless (Anderson, King, and Wang 2003).

term between living in ARMM and being female. Indeed, this specification indicates that the female advantage is halved for those residing in ARMM. To the extent that maternal (as opposed to parental) education promotes better education outcomes, current successes in increasing enrollment rates among girls in ARMM would yield benefits for the Region's future educational development.

4.5. Challenges in delivering education under autonomy

This section discusses policy options that could mitigate the supply- and demand-related problems discussed in earlier sections. The Organic Law that created the ARMM Regional Government contains a chapter in Article XIV with 27 sections that pertain exclusively to matters of education, science, technology, arts, and sports. This part of the Organic Law is more extensive than the articles on the economy and patrimony, public order and security, or even the administration of justice. The beginning of this Article, "Section 1. Quality Education, A Top Priority" states: "The Regional Government shall establish, maintain and support as a top priority a complete and integrated system of quality education and adopt an educational framework that is meaningful, relevant, and responsive to the needs, ideals and aspirations of the people in the region." The importance of education in the affairs of the Regional Government is also reflected in the fact that education spending accounted for as much as 62.5 percent of total regular program spending for the Region in 2002.

To enable the Regional Government to fulfill this responsibility, the Organic Law gives it a wide range of powers and authorities over education in the Region. The Regional Government is responsible for existing schools, colleges, and universities within its area of jurisdiction. It is supposed to make the Region's education system function as a subsystem of the national education system, following the same structure but with emphasis on the autonomy of the subsystem. It can mandate that the Region's schools adopt the basic core courses, minimum curriculum, and textbooks required by the National Government, but it has the prerogative and responsibility to add other courses and instructional materials that are appropriate to the Region. Graduates from the Region's system are expected to be able to transfer to schools outside ARMM with full accreditation.

The previous analysis of education outcomes and their determinants reveals the many daunting challenges that the Regional Government faces in fulfilling the education mandate contained in the Organic Law. In sum, these challenges are:

- The Region's educational development lags well behind that of other regions. Much needs to be done to improve the Region's schools, especially in the more remote communities and in conflict-affected areas—and this is a task made more difficult by the problems that exist in children's homes and communities. The parents of these children are themselves undereducated; many have large families with competing needs but low incomes; and families have to cope with the uncertainties and risks that accompany conflict situations. In areas where children are less likely to receive support at home, the school system will need to be that much more appealing and that much more effective in teaching.
- Past decades of relatively low enrollment rates in ARMM have resulted in a large pool of illiterate and under-schooled adolescents and adults. While the current cohort of schoolchildren deserves the greatest attention, continuing the education of these dropouts from the system is also a problem that awaits a solution.
- Since the Region's basic education system depends largely on its own tertiary education graduates for the supply of its teachers, it is already part of a vicious cycle of poor education quality, where poorly educated teachers deliver poor instruction that yields poorer than average candidates for training (to become even less able future teachers). Yet ARMM has university systems with the potential to help turn around the performance of its beleaguered public school system, as well as to produce the leaders, managers, and professionals that the Region needs.
- The Islamic education agenda implied in the ARMM Organic Law—for schools to be able to transmit and inculcate Islamic values to children as well as to offer basic knowledge and skills essential to their future—remains an unfulfilled promise of regional autonomy. How this is addressed could contribute not only to meeting the education challenges in the Region but also to seeking solutions for the Region's peace and development problems.

- Within ARMM itself, the powerful demands of the better-off for an education system that is able to keep up with the best in the country tend to be heard far more than the needs of a much larger and worse-off segment of the population for a basic education system that is better able to deliver essential competencies. These competing pressures are often reflected in the tension between attempts to concentrate resources in a few centers of excellence and efforts to spread out limited resources to meet the basic needs of all.
- ARMM's basic education delivery system has to perform with much fewer opportunities for local resource mobilization than most of the rest of the country since the communities it serves are also generally poorer. Outside ARMM, every PHP1 of national government spending on education is able to attract PHP0.16 of comparable spending from local governments, while within ARMM, every PHP1 of regional government spending on education attracts a mere PHP0.003 of comparable spending from local governments. The average non-ARMM LGU is not 53 times richer than the average LGU in ARMM, but it spends 53 times more on education.

In the face of these challenges, the Regional Government will need to make wise choices—and then pursue those choices relentlessly and efficiently. The rest of this section attempts to offer some indicative solutions to these problems. Factors that pertain to ARMM's economic and conflict situations are powerful determinants of the demand for education in the Region, but those are issues that go beyond the reach of education policy. However, there is broad scope for educational reforms that could improve the Region's provision of education—among other things, the strategic directions of the regional education system, key management and operating systems affecting the effectiveness of school supervision and eventually the quality of school instruction, the level of fiscal resources available to education, and the link between tertiary education and basic education.

4.5.1. Articulate a clear and broadly shared agenda for educational development

There is intense discussion among various political leaders and educators in ARMM about the principal objectives of basic education in the Region. Among the competing priorities mentioned to the study team were:

- Basic education should transmit and inculcate Islamic values and culture as the unique heritage of the people in the Region. One argument was that poor Muslim families may find investment in education for livelihood purposes unattractive since economic opportunities are so scarce anyway, but they may want to keep their children in school longer if they regard such education as advancing and preserving their Islamic faith and values.
- Basic education should enable ARMM citizens to participate in national life, implying the need to transmit and inculcate a common Philippine heritage.
- Basic education should prepare ARMM residents for their duties and responsibilities as citizens of their communities and, among them, the future leaders of the community should be developed and nurtured.
- Basic education should provide ARMM citizens with the essential capacity to pursue economic opportunities within the Region as well as in the larger world, both within the country and abroad.

Perceived conflicts between the goals of building a unique Islamic community and remaining fully integrated in the larger Philippine nation has preoccupied leadership in ARMM and, to a large extent, has prevented the Region from tackling the more mundane but very real problem of saving a regional education system that has deteriorated over decades of neglect and conflict. To fulfill education's role in building the Region and its future, the leadership of the education system in ARMM needs to redirect its efforts toward identifying and building on the broad areas of commonality among these seemingly competing objectives—taking cues from education systems in other Islamic countries like Indonesia, for example—and then at once rebuilding and upgrading education institutions. In concrete terms, steps must be taken immediately, perhaps through a series of conferences and workshops, to resolve the ongoing debates on the goals and institutional forms of the regional education system, both public and private.

Inevitably, the world of limited resources will require hard choices and trade-offs to be made in pursuing these purposes simultaneously. For example, in the allocation of teacher effort in instruction, a major commitment to Islamic education, including Arabic language instruction, will have to be harmonized with the pressing need to upgrade the teach-

ing of English and Pilipino languages, as well as mathematics and the sciences, so that students have basic economic and life skills that equip them for their future. Education development efforts must concentrate on building an education system that offers a strong foundation in these skills. However, strategic planning and objective decision-making will reveal considerably more scope for pursuing these goals jointly than may be recognized at the present time.

Two specific actions are needed to articulate the education agenda for the Region:

Formulate a multiyear regional basic education plan to determine key directions and decide on main priorities. This is the first order of business for the Region's education system—and indeed there have been serious efforts at formulating an educational development plan for ARMM in the past. One example is the Comprehensive Mindanao Education Program (CMEP) 1997–2014, which ensued from the First Mindanao Educators Congress in 1995 and subsequent Administrative Order No. 290. CMEP was supposed to "rationalize, prioritize, integrate and coordinate all levels of educational development plans, programs and projects in Mindanao with the overall goal of attaining a wholesome quality of life" (CMEP-Program Management Office, 1996). Its framework appears sensible and relevant to the conditions of the Region, but at the time of this study, local education officials were unanimous in their view that the program had faltered before it was really implemented. Formulating another plan should review the reasons behind CMEP's failure to avoid the same pitfalls. In formulating any other plan, the Regional Government should consult broadly with LGUs and local education officials such as division superintendents, district supervisors, and school officials, and with communities themselves. This would slow down the process, but local education officials are seeking greater participation in defining the Region's education agenda and in determining the allocation of resources for education. Broad consultation would help ensure that the diverse conditions, objectives, and needs within the Region are fully reflected in the plan—and would help mobilize support for the agenda from the LGUs, the private sector, and communities. In addition, any plan will need determined and trustworthy leadership, adequate fiscal resources, and realistic goals and standards. It is also important to trans-

late the regional plan quickly into separate division-level plans, with corresponding budgets and funding allocations. Political interests can get in the way of a rational planning and budgeting process—and worse, obstruct implementation—but early public disclosure of the process and its results might offer some defense against capture.

Establish a policy regarding madaris¹⁰ that is consistent with national education standards. It has been argued that the national education system is irrelevant to Muslim Filipinos in that it neither reflects the culture in which they grow up nor prepares them for the economic and social life in the Region as an adult. Republic Act No. 9054 is an attempt to redress the shortcomings of public education within ARMM. It explicitly states that Muslim culture, mores, customs, and traditions are to be integrated and preserved in the curriculum of regular public schools. In response, some of ARMM's public schools are beginning to introduce Arabic language instruction into their curriculum, as a means to give students the skills needed to read the Quran. According to interviews held by the study team with DepEd-ARMM, about 20 percent of public schools have recruited Arabic language teachers. Public school teachers and principals are aware that teaching Arabic is a means to attract more students to the regular school system. Nonetheless, Islamic education through *madaris* will probably remain a relatively important part of the education system in ARMM, especially if public schools are unable to meet local cultural needs.

Madaris comprise a diverse set of Islamic schools. The common *madrasah* curriculum across the world includes Islamic studies and the Islamic principles that are meant to govern the daily life of Muslims, including Islamic law, the Prophet's sayings, the Prophet's traditions, and interpretation of the Quran—but in Bangladesh, Egypt, and Indonesia, for example, many *madaris* have tried to achieve a balance in teaching both religious and secular subjects (see box 4.1 for an example from Indonesia). According to a 1998 survey (undertaken under the CMEP), ARMM has 1,141 identified *madaris* (including traditional or orthodox madaris providing purely religious and Arabic instruction, and developmental or graded *madaris*), with only 45 being accredited. Many of these *madaris* focus on teaching the Quran and operate only on weekends or part of the day in order to supplement public

¹⁰ Madaris (the plural of madrasah) are religious schools.

education with religious teachings. Other *madaris* are private, religious schools that offer the national curriculum, augmented by Arabic language teaching—but past studies show that most of these *madaris* do not meet national accreditation standards. Judging from these numbers, transforming *madaris* into schools that offer a standard curriculum including the basic national curriculum—and with teachers who are able to teach that curriculum—is not only a costly proposition but also a long-term one. Are there sufficient fiscal resources in the Region to undertake such a huge investment? Is it really more effective, from the viewpoint of ARMM's educational development goals, to use those scarce resources to transform *madaris* than to upgrade the regular public schools so that they meet the Region's needs? These are policy choices that confront regional leaders and managers.

An important challenge in ARMM is to formulate a coherent regional policy of technical and financial oversight and support for *madaris* that recognizes their role in ARMM's education system. Some guidelines for such a policy may be considered:

- Traditional *madaris* that do not offer the national curriculum should be free to obtain support from the local community, but they would not receive public resources. Many communities in ARMM are actively supporting Quranic schools by donating land and buildings, donating time to serve as a teacher, or contributing toward the salary of the teacher. In many cases, according to the study team interviewees, the contributions are very small, but in others, the contributions are sufficiently large to provide the teachers with a viable secondary income. Children attend these *madaris* after regular school hours or on weekends.
- If a *madrasah* already offers the national curriculum, then it might be appropriate to provide a subsidy to upgrade it, provided that the *madrasah* can meet national accreditation standards. Part of this process of transformation would be the willingness on the part of *madaris* to employ teachers who meet professional standards to teach nonreligious subjects. This principle is consistent with a policy of having a unified regulatory system for public, private, and religious schools. The country's "performance measurement system," augmented in the direction of outcome measurement, might be applied to keep track of those *madaris* that

are attempting to offer the national curriculum.

- In areas that are clearly underserved, that is, where children do not have a regular school within a reasonable distance, the options are to build a new public school, to help transform the local traditional *madrasah*, if there is one, or to stimulate private provision. With only a few exceptions, after-school or weekend *madaris* would not be easy to upgrade to a school that offers the national curriculum. In addition to significant investments, such *madaris* should be required to navigate the step-by-step rules of registration and accreditation that apply to all private schools.

As a first step in implementing a policy on *madaris*, the Regional Government, perhaps with the national DepEd, should obtain more information about the conditions and needs of the *madaris* in ARMM, keeping in mind the holistic education needs of communities. It might then consider establishing an initial investment program of assistance to upgrade existing *madaris* that offer the national curriculum so that they meet minimum quality standards in teaching that curriculum. As mentioned above, public investment in *madaris* will necessarily come at the price of investment in regular public schools, so this program of assistance would need to be prioritized along with competing demands for fiscal and/or donor resources. *Madaris* that receive assistance from this investment program would be expected to achieve clear performance indicators, as would regular schools.

4.5.2. Increase the efficiency of the education sector

Addressing the education problems in ARMM requires appropriate management systems and adequate resources. Traditional investments for expanding access or improving quality, such as school construction and increasing school supplies, are needed, but to extract the benefits from those investments, the whole system must be better managed. This requires the following:

Establish a policy of shared management and accountability in the system. Autonomy has increased ARMM's power to manage its own education system, but according to the key education officials interviewed by the study team, the Regional Government has been reluctant to share that expanded authority with the system's local managers, the Region's division superintendents, and district supervisors. Superintendents felt excluded from information flows and

In Indonesia, support to religious schools has been a long-standing commitment that began in 1946. Since then, government aid has flowed to these schools in the form of money, equipment, and personnel. There are three basic forms of *madrasah* schools in Indonesia. The first are *madaris* that incorporate general subjects into their curricula, the second are *madrasah diniyahs* that teach only Islam and Arabic, and the third are *pesantrens*, which can be either of the first two types but offer boarding for students who want to live under the guidance of *kiais* (instructors). This first type of *madrasah* has been formally recognized as part of the regular school system under a series of laws enacted between 1945 and 2000. Efforts have been made to equalize the quality of *madaris* with that of regular schools. Among other things, this integration means that subject area contents taught in *madaris* have to be the same as those in the equivalent regular schools. At present, religious subjects constitute 30 percent of the curriculum, while the rest is for the standard curriculum subjects. This integration has been an outstanding achievement, since it ensures, at least in theory, that graduates of the primary-level *madaris* are able to enroll in regular junior secondary schools, and so on.

There are several reasons why enrollment in *madaris* in the last five years has grown faster than enrollment in regular public schools in Indonesia. *Madaris* are often found even in remote areas and so are very accessible. They tend to be less expensive than other types of schools, and so are preferred by parents. They are flexible enough to hold classes at times that do not coincide with children's work schedules. And they are particularly attractive to parents who want their daughters to be "morally safe." The Indonesian Government is seriously considering the role that these schools could play in achieving the country's Education for All goals. But the challenge for *madaris* in Indonesia, as in the Autonomous Region in Muslim Mindanao, is to offer general education of adequate quality. There is a widespread perception in Indonesia that these schools are of the lowest quality. Average student test scores are lower in *madaris* than in regular public schools in 17 out of 26 provinces, although this difference is not large. Other evidence indicates that *madaris* lack adequate school facilities, teaching and learning materials, and trained teachers. But there is evidence too that *madaris* may, in fact, be more cost-effective, after one controls for cost and the socioeconomic background of students (Bedi and Garg 2001, Aziz 2002). Average cost per learner in these schools in Indonesia is only about 38 percent of the cost in public schools, while test scores indicate that these schools perform 91 percent as well as general public schools (Aziz 2002). To improve quality, however, would appear to be a more difficult challenge for *madaris* than for general schools. The *madrasah* curriculum is so overloaded that there is not enough time for teachers to master the contents of the mathematics and science they teach and for their students to understand them. To reinforce the message about raising the education quality of *madaris*, the Ministry of Religious Affairs has established a "model *madrasah*" which is a public *madrasah* that meets a required set of standards in terms of infrastructure and facilities, number and qualification of teachers, and selection of students. Making this model a reality for many more *madaris* is going to require significant financial investment and a firm commitment to good education.

Sources: Adapted from Anzar, Uzma. 2003. "Islamic Education: A Brief History of Madrassas with Comments on Curricula and Current Pedagogical Practices;" and Aziz, H. Abdul. 2002. "Madrasah Education in Indonesia: Potential, Problems, and Issues." Symposium on Madrasah Education in the Context of a National Education System. Jakarta, Indonesia. 4 November, 2002.

decision-making in the sector, reporting that, under regional autonomy, they had lost rather than gained managerial control. Neither were they consulted nor allowed to participate in the basic allocative decisions concerning their own divisions. At the very least, the superintendents expect the Regional Government to discuss the strategic direction of the sector and to make known its vision and plans each year; for their part, the division superintendents indicated that they were prepared to implement these plans.

There are many good reasons for sharing managerial powers within an education system. The key actors involved in the education sector and the relations that bind them include the parents and students, politicians and regional policymakers, and the service providers such as teachers and school principals. When authority is not shared, the principle of shared responsibility and accountability has no meaning, and services are bound to fail. Although a strongly centralist approach to management works well at fairly simple tasks, such as expanding access to services, this command and control approach tends to fail at more complex and subtle tasks, such as improving the quality of instruction in schools, and does so especially in the unpredictable, conflict-ridden environment of ARMM. Shared management, on the other hand, has the potential for strengthening the forces that could help improve services—bringing allocative authority closer to schools and the clients, creating opportunities for communities and schools to supplement available resources where needed and to innovate, and enhancing local accountability for the quality of provision. Experience in other countries suggests that increasing the power of parents in school management—for example, by giving parents a say in the hiring and promotion of teachers and other school personnel, or by allowing them to monitor teacher attendance—can improve teacher attendance and performance and, ultimately, student learning (Jimenez and Sawada 1999, King and Ozler 2000). Especially in cases where the usual system of school supervision and management is hampered by sociopolitical crises, mustering the self-interest of parents in their community schools may provide the only reliable mechanism for improving school quality.

There is a clear need—and opportunity—for the Regional Government to clarify how it wants to manage the education system, and in particular, to define an efficient and clear function assignment between the region's central authority and the division and other local education officials. The Regional

Government needs to set good policy direction in this regard, and once it has done this, should take steps to develop appropriate systems that would provide the mechanisms for ensuring accountability or responsible stewardship of public resources.

Improve key management and operating systems. Developing management subsystems is a detailed and laborious task requiring leadership and sustained commitment. Specific areas that require improvement include the following:

- Current and detailed information relevant for policy-making tends to be scarce, a consequence of the Region's security situation. In order to raise the quality of both delivery and financial management in ARMM, a better information mechanism is needed to measure and record the resources, inputs, and outcomes at the level of the school and students. There is a need to develop clear regional standards for information handling and reporting, as well as mechanisms to ensure that they are followed.
- Subsystems to deal with budgeting, procurement, and financial management are needed at the division and school levels. Systems are needed to address issues of school funding via formulas and to simplify budgeting formats. The main task would be to develop a set of accounting tools that can track expenditures, both budgeted and realized, down to the school level and that can aggregate all forms of expenditure for each school.
- Arrangements for training, hiring, evaluating, and paying teachers need to be assessed. If ARMM is to succeed in its education agenda, it will have to adopt much more effective measures for mobilizing and utilizing, to the best of their abilities, the thousands of teachers already in the system. It will also be important to allocate sufficient supervision and material support for them, especially to the most disadvantaged and worst-performing schools.
- In hard-to-reach places, such as island provinces and municipalities, as well as conflict-affected areas, there may be special needs requiring more innovative management systems and pedagogical methods. The diversity within ARMM itself implies high dividends for local innovations and pilot-tests. And for as long as there is armed conflict in ARMM, it is necessary to find effective

and affordable ways to minimize the impact of this on instruction and learning. It would be useful to review the extent to which the relocation to evacuation centers can be improved and to explore the use of alternative delivery technologies, such as distance learning, self-paced learning, and multigrade teaching, in order to reduce disruption to classes.

- Several of the people interviewed by the study team raised the problem of corruption. They linked it to the concentration of authority and to the lack of shared information and transparency regarding personnel policy and budget processes throughout the sector. Corruption imposes huge costs on ARMM's development because it takes away resources from the schools and students who most need them and it erodes the public's confidence in the education system. When the implementation mechanisms of the regional autonomy are being established, it is timely and strategic to design systems now for controlling, against and detecting corruption, and punishing those responsible. The public disclosure of information regarding, among other things, personnel actions, procurement, and disbursement is a means to build a culture of transparency and accountability.

Finally, an important question to address is: Who will develop or redesign these management systems? Undertaking this task will require sustained political commitment and a willingness to provide adequate national financial resources and national talent. DepEd-ARMM may need to create a time-bound facility that will focus on the tasks of getting the job done—to convene systems and management experts; to work with administrative staff; to identify needs and criteria for systems; to outsource systems development to the best talent in the country (using procurement methods of open bidding and proposal testing); and to make systems available to all divisions to test for a specified period of time, followed by an evaluation.

An important issue about the governance and management of the education sector is the role of the National Government in the Region. In principle, with autonomy, ARMM has broad freedom of action to define and act upon its intended level of performance, and when patterns of accountability have been established and sustained, the issue of what role the National Government plays in service delivery is less

pressing. However, when such patterns have not been demonstrated, then the pressure is greater for the National Government to examine its role in setting standards of quality of the Region's obligatory provision of education, especially if the National Government has committed itself to international standards of delivery (as in, for example, Education for All).

4.5.3. Ensure adequate resources for educational development

Regional autonomy has given ARMM's local decision-makers latitude to act upon regional goals with funds that are not restricted to one use or another. It is the responsibility of the Regional Government to allocate resources to education by funding the operation and maintenance of schools, paying school personnel, and supporting capital expenditures such as the construction of schools. This arrangement assumes that the funds flow to responsible local leaders, that there is sufficient accountability, and that it is neither necessary nor desirable to interfere with regional government choices. Indeed, how much of the total regional revenues would be allocated to education depends on the willingness of the local governments within ARMM to spend on education. The issue of resource adequacy, however, is not independent of the level of performance that the Regional Government aspires to or that the National Government expects from the Region. As detailed above, resources allocated to education in ARMM are inadequate to deliver education equitably and at high quality.

It is tempting for policymakers to use legislation to mandate a level of spending for basic education. An alternative is to base the budgeting and financing process on a clear regional agenda for improving education services that itself is the product of a process of broad consultation and negotiation with stakeholders. Such an agenda might include establishing minimum service standards for divisions and districts in order to upgrade public schools; a reform program of teacher development and performance; school-based management; a system-wide information network; and demand-side programs to reach the poorest children. Such performance-based resource allocation might attempt to go beyond the school education fund provisions of the LGC of 1991 and define the levels and items of expenditures that could be assigned to ARMM LGUs. In several countries, the amount of funds allocated to education, and thus to schools, is driven largely by the number of students who are expected to be enrolled each year and by an



agreed-upon per student cost. Using a funding formula that depends on the number of students rather than on the number of schools encourages a more efficient school size, urges under-subscribed schools to consolidate, and is potentially more equitable in that every student is allocated equal, cost-indexed funds. It also means that schools and their communities can predict the level of resources they are entitled to. Equal resources for each school, rather than each pupil, wastes funds, provides no incentives for school consolidation to achieve cost-effective pupil-to-teacher ratios, and is also highly inequitable among pupils and families. Moreover, to the extent that the per student cost parameter is defined on the basis of delivery of an acceptable standard of service, the formula is likely to help schools make more effective use of resources available to them.

If LGUs commit to a regional agenda of educational development, they need to budget more resources for achieving the items on that agenda. But communities are not equal in their ability to mobilize local resources for their schools, so this argues that the Regional Government (and the National Government) should assist poorer LGUs. The education data

presented earlier in this chapter show that almost all of the educational development of ARMM, when compared with other regions, is due to low enrollment rates and high dropout rates in the Region's poorest communities. This finding persists even when other factors have been considered, underlining the importance of poverty as an obstacle to educational development. For example, discussions with representatives from Basilan, Sulu, and Tawi-Tawi indicate that these smaller, island provinces need special assistance. In addition, conflict situations in Basilan and Sulu have made regional supervision more difficult and have increased these provinces' isolation from the rest of the Region and the country.

Targeted assistance to poorer and disadvantaged communities in ARMM might take the form of demand-side programs for schools as well as households. For schools, the first step would be to identify needs, perhaps against a set of minimum service standards, and to monitor the level of allocated resources that actually reaches these schools. In poor communities where demand for education may be weaker, it is all the more important that schools are attractive to students and that they are effective, as measured in terms of achieving certain performance indicators.

Income support that is aimed to induce parents to send their children to school is sometimes given as a direct subsidy to cover the cost of schooling or as cash support that is tied somehow to school enrollment of children in the household. The experience of other countries shows that this type of program succeeds in raising education outcomes. For example, in 1997, the federal Government of Mexico introduced the Programa de Educación, Salud y Alimentación (Progresá) as part of an effort to break the intergenerational transmission of poverty. The program provides scholarships that are awarded monthly to eligible children who attend school at least 85 percent of the time, plus the cost of a once-a-year book allowance, plus the per family member share of a general subsidy that Progresá provides to each eligible family on the basis of a poverty-level proxy means test (Behrman, Sengupta, and Todd 2002). Estimates of program impact on enrollment rates at the secondary level, controlling for household and community characteristics, range from four to six percentage points for boys and seven to nine percentage points for girls. In Colombia, the Government created a voucher program for secondary school students in 1991 to enable poor children to attend private schools using public funds (Angrist et al 2002).

An evaluation of the program found that voucher recipients completed 0.1 more years of schooling (primarily due to lower repetition rates), were about 10 percentage points more likely to have completed grade 8, and scored 0.2 standard deviations higher on standardized tests.

Lastly, current public spending on education ignores the problem of the existing pool of illiterate and under-schooled adolescents and adults in ARMM who are victims of past education disadvantage. A case might be made that this education burden is part of the responsibility of the National Government and that a separate transfer mechanism, with a provision that it must end by a given date in a few years, should therefore be created to enable the ARMM Regional Government to eliminate this underserved population over an agreed-upon period of time. Such a separate fund might then operate to support nonformal education programs for out-of-school youths and adults. But this is also an area that can benefit from the participation of the private sector. Indeed, there appears to be a wide range of programs funded by business groups, such as those coordinated by the Mindanao Regional Office of Philippine Business for Social Progress. The challenge is to coordinate such efforts effectively in order to maximize impact, reduce overlap, and ensure sustainability of these programs.

4.5.4. Strengthen links between basic education and tertiary education institutions

In 2001, the Region had 12 public and 14 private institutions of higher education, with 86 percent of the total enrollment in the public institutions. Historically, ARMM took pride in the high quality of its universities, and students from the area were known for preferring to enter local universities. Ensuring that those universities maintain this reputation is crucial because an increasing sense of social and cultural isolation in the Region has intensified the need for local higher education institutions that understand ARMM's unique history and yet that can provide their students with relevant knowledge and skills. These institutions are important to the Region in several ways.

First, higher education institutions train teachers and supply those teachers with the pedagogical knowledge that they need. Hence, the higher the quality of those institutions, the higher the quality of the pool of teachers in basic

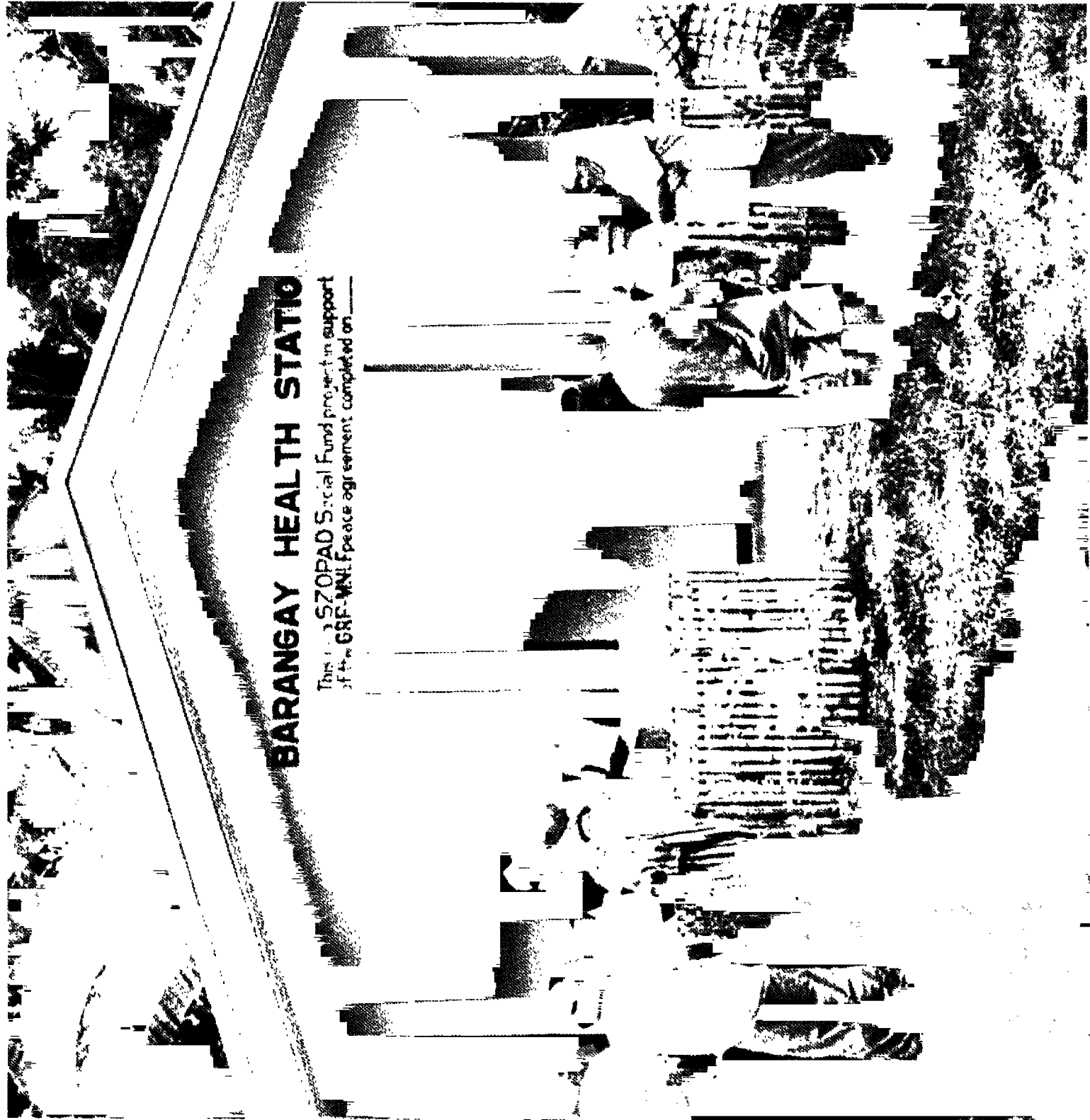
education. Efforts to upgrade quality at the lower education levels depend on the potentially large benefits from investing in the improvement of tertiary education in the Region. Such investments could help break the cycle of poor quality in basic education.

Second, higher education institutions are also the training grounds for ARMM's technical and political leaders. This argues for the ARMM Regional Government to develop a strong research and development relationship with colleges and universities in the Region so that the professional and technical expertise available in these institutions can be put to work in seeking solutions to key development issues. Such an effort might be based on a rigorous review of current levels of provision and the quality of existing higher education institutions in the area. Then some policy actions by the National Government and Regional Government might be taken to improve the efficiency and quality of these institutions in responding to the needs of ARMM.

The majority of regional leaders are graduates of local universities—and it is likely that future leaders will be too. Indeed, these institutions appear to be strongly aware of the role that they can play in engendering peaceful solutions to the Region's troubled history and stalled development. Local universities, such as Notre Dame University and Mindanao State University, as well as Ateneo University in Zamboanga, have developed curricula that are aimed at promoting an understanding of the issues of conflict within the Region and at developing skills and programs to spread that understanding. For example, Notre Dame University offers masters and doctoral training in peace and development education, and an interreligious dialogue program that creates a forum for Christian and Muslim students to discuss common issues. The Regional Government should consider adopting programs similar to these in the curriculum for basic education.

In 1998, ARMM accounted for a disproportionately low 0.5 percent of the total enrollment rate at the tertiary level in the country, despite the fact that higher education institutions in ARMM depend only minimally on student fees.¹⁷ There are many ways to make higher education institutions more attractive, but one critical factor for raising demand for higher education in ARMM is increasing enrollment and survival rates at the lower levels and nurturing demand among those students for further education. This closes the feedback loop between **basic education and higher education.**

¹⁷ For example, the Mindanao State University charges only PHP80 per semester per student, in contrast to the Notre Dame University, which charges PHP250 per unit per semester.



BARANGAY HEALTH STATION

This is a SZOPAD Social Fund project in support of the GRP-MNL peace agreement, completed on _____

5. The Health System in ARMM

...ringing the health of the people of ARMM up to the level of the rest of the country is a huge challenge, given how poorly the Region stands today. This chapter will examine the health system in ARMM with the aim of better understanding the factors behind this poor outcome and of identifying opportunities for accelerated health development in the Region. It begins with a discussion of the pattern of mortality and the disease burden of the Region and returns to the two key factors that explain the Region's exceptionally poor health outcomes—extreme poverty and continuing conflict. It then looks at the health care system in the Region to examine the system's ability to help compensate for the disadvantages imposed by these two factors. This analysis is followed by a proposal for a long-term strategy to address the problems in the sector.

5.1. Health status and its determinants

The low life expectancies and high levels of infant and maternal mortality in ARMM indicate a Region that is far less advanced along the "health transition curve" than the rest of the country. Life expectancy in ARMM today is more akin to life expectancy in the Philippines as a whole in the late 1960s, before the country benefited from the fruits of economic development and advances in public health programs. In fact, the Region's health indicators are closer to those of poorer countries of Asia and Africa in the late 1990s (table 5.1).

An examination of the main causes of mortality in the Region further confirm this delayed health development. Available data on the 10 leading causes of mortality in the provinces of Lanao del Sur, Sulu, Maguindanao, and Tawi-Tawi

Table 5.1 Life expectancy in ARMM, the Philippines (national) and comparable countries

| | Life expectancy (years) | |
|-------------------|-------------------------|------|
| | Women | Men |
| ARMM, 2000 | 59.3 | 55.5 |
| Philippines, 2000 | 71.6 | 66.3 |
| Philippines, 1970 | 59 | 56 |
| Philippines, 1965 | 58 | 54 |
| Madagascar, 1998 | 59 | 56 |
| Lesotho, 1998 | 57 | 54 |
| Nepal, 1998 | 58 | 58 |

Sources:
 For ARMM and the Philippines, 2000: 2002 *Philippine Statistical Yearbook*, National Statistical Coordination Board.
 For the Philippines, earlier years: World Bank, Live Database for the Philippines.
 For other countries: *World Development Report 2000/2001*, World Bank.

show diarrhea, malaria, and measles as major causes of death in one or more of these provinces. These diseases no longer appear in the list of top 10 killers for the country as of the latest available nationwide data for 1998. On the other hand, diseases of the heart, the top killer nationwide since 1990 and in the top three since 1975, does not appear among the top five in three of the four provinces. In the fourth province, Maguindanao, heart disease is not reported separately but is combined with all cardiovascular diseases to rank third, behind "unknown senility" and "accidents."¹⁵ As in the rest of the country, though, hypertension is already among the top three killers across the Region, probably pushed up by the high seafood content of the diet and conflict-induced stress.

Available data on the common key determinants of health outcomes in ARMM (table 5.2) suggest that poverty is a main driver of health outcomes in the Region. A quick review of

¹⁵ That "unknown senility" ranks first in Maguindanao is more likely the result of poor reporting than anything else.

Table 5.2 Factors affecting health outcomes in ARMM (percent)

| Factor | Region | | | | | | ARMM | Rank among 16 regions ^a |
|--|-------------|------|------|------|------|------|------|------------------------------------|
| | Philippines | IX | X | XI | XII | XIII | | |
| Prevalence of malnutrition, 0–5-year-old children, 1998 | | | | | | | | |
| Stunted | 5.4 | 7.1 | 6.5 | 6.4 | 9.7 | 6.9 | 10.1 | 16 |
| Wasted | 7.2 | 8.2 | 5.0 | 6.1 | 6.0 | 5.2 | 8.2 | 12 |
| Underweight | 9.2 | 11.1 | 7.7 | 9.3 | 11.1 | 10.1 | 9.2 | 7 |
| Prevalence of anemia, 6-month–5-yr-old children, 1998 | | | | | | | | |
| | 31.8 | 42.4 | 19.8 | 27.5 | 33.8 | 25.6 | 50.6 | 16 |
| Prevalence of iodine deficiency Disorder, 6–12-yr old children, 1998 | | | | | | | | |
| | 65.3 | 79.6 | 85.3 | 68.3 | 65.5 | 79.0 | 48.8 | 2 |
| Share of households with: | | | | | | | | |
| Access to safe water supply, 2000 | 76.3 | 73.7 | 90.4 | 75.0 | 78.5 | 75.5 | 61.6 | 16 |
| Sanitary toilet, 2000 | 69.3 | 68.6 | 59.9 | 72.8 | 66.6 | 68.4 | 42.8 | 16 |
| Functional literacy, females 10–64 years, 1994 | | | | | | | | |
| | 85.9 | 78.1 | 87.4 | 83.2 | 80.7 | | 59.1 | 15 ^b |
| Total fertility rate, 2000 (number of children) | | | | | | | | |
| | 3.38 | 3.92 | 3.84 | 3.76 | 3.97 | | 3.49 | 12 ^b |
| Population growth, 1995–2000 | | | | | | | | |
| | 2.02 | 1.86 | 2.08 | 2.32 | 1.19 | 1.31 | 1.75 | 8 |

a. A rank of 1 indicates the most desirable outcome.
b. Shows rank among 15 regions; no data available for Region XIII.

Sources:
On malnutrition: *Philippine Nutrition: Facts and Figures (National Nutrition Survey 1998)*, Food and Nutrition Research Institute (from FNRI web site <www.fnri.dost.gov.ph>).
On water and sanitation: *Field Health Service Information System 2000*, Department of Health National Epidemiology Center (from Department of Health web site <www.doh.gov.ph>).
On literacy and fertility: *2000 Philippine Statistical Yearbook*, National Statistical Coordination Board.

the data on factors affecting health outcomes indicates the following:

- Nutritionally, children in ARMM show signs of long-term malnutrition with rates of stunting at almost double the countrywide level, and showing the highest prevalence among all regions. Short-term malnutrition, measured by wasting, is somewhat less marked, but still higher than national average. While the prevalence of underweight children appears to be about average, this can likely be explained by the fact that children are so stunted that their weight-for-height would appear to be relatively good. Levels of anemia among children are much higher than national average, and again are the highest in the country. On the other hand, levels of iodine deficiency disorders are very low, most likely a result of high consumption of seafoods in the Region.
- ARMM has the poorest indicators of access to safe water and sanitation and of women's literacy among all regions. In fact, the region with the second lowest rate of functional literacy for women, Western Mindanao (Region IX), is adjacent to ARMM and probably has populations with similar literacy rates. Similar large gaps exist in levels of access to water and sanitation

between ARMM and the second-worst off regions (seven and 17 percentage points, respectively).

- Fertility rates in ARMM are relatively high, although population growth overall is lower than the national average. This latter may be a function of emigration due to the conflict. It is notable that population growth is not only higher in Maguindanao and Tawi-Tawi (4.02 and 3.84) than in Lanao del Sur and Sulu (–0.58 and 0.14). These may reflect population movements either into Maguindanao and Tawi-Tawi (of displaced Muslims?) or out of Lanao del Sur and Sulu (of evacuees and possibly Christians seeking “safer” communities?). It is also possible that the conflict is raising death rates or pushing parts of the population into areas where they cannot be counted during the census.

The impact of the conflict is apparent from the Region's mortality statistics. “Trauma/gunshot wounds” is the leading cause of mortality in Sulu and the fifth highest in Lanao del Sur. In Maguindanao, where “trauma” is reported together with “accidents,” this cause ranked highest among the known causes in the reported list, suggesting that the conflict is having a direct impact on mortality in Maguindanao as well. Only Tawi-Tawi remains relatively untouched by the conflict in this

regard. Nationwide, "accidents" ranks fifth as a cause of death but "trauma" does not appear in the top 10.

Data on morbidity resulting from the conflict (stress-related disorders and disability) are unavailable, and nearly all health workers interviewed during field visits said they had received no cases of trauma and knew of no such outcomes. On the other hand, teachers met by the study team frequently mentioned the effects of the conflict on children as a problem in schools. Data from a small study on psychological needs in Pikit in the neighboring province of North Cotabato (Lopez et al 2002) gives further indication of the psychological trauma that may be present among those affected by the conflict in ARMM.¹⁹ Among the 282 respondents in the sample, nearly all of them experienced at least one form of traumatic event, with the most common form being evacuation (94 percent). Other common forms of traumatic experience included looting (59.8 percent), lack of shelter (52.7 percent), and evacuation due to calamities (32.7 percent); 28 percent reported deaths among relatives, 22.1 percent of which were violent traumatic in nature. Among respondents, there was a high incidence of hyperarousal (25.6 percent) and of intrusive symptoms (24.9 percent),²⁰ indicating that a large proportion of the sample population were still in the acute phase of the stress response syndrome, despite the fact that two years had passed since the major battle in Pikit. The study team attributed these conditions to the continuing incidents which, though only sporadic, present a continuing threat.

There is no information on physical disabilities that may have resulted from the conflict. It should be noted that, unlike in a number of other conflict-affected countries, the conflict in Muslim Mindanao is not enmeshed with civilian communities, but rather takes place in enclaves, camps located in jungles or other remote areas. When civilian communities are affected, incidents are episodic, and increasingly in the recent past, civilian communities have received warning of the imminent fire-fight and have time to leave before the outbreak of conflict.

These factors may mean that direct physical injuries to noncombatant populations are minimized. It is nevertheless important to investigate the incidence of injuries due to the conflict.

The disadvantages of poverty—the high rates of malnutrition, poor water and sanitation, and low female literacy—are inevitably exacerbated by the conflict, the result of displacement of affected populations or of conflict-related stress and trauma. Even the high fertility rates may partly relate to the conflict, as there appears to be some belief among men, particularly, that it is important to have many children to replace those lost to the conflict or to protect the numbers of this minority population. Although no data were found to document the prevalence of this belief, staff and clients in the health facilities visited by the study team mentioned it several times during interviews.

5.2. Health care system

Except for fertility rates, the above proximate determinants of health outcomes are largely influenced by factors external to the health sector. And although the health sector leadership can play an important role of advocacy and coordination, it can do little to directly influence these factors. One factor that can have an impact on health outcomes and that lies within the control of the health sector is the performance of the health care system itself. Access to preventive and basic curative health services, in particular, could reduce rates of infectious disease, micronutrient deficiencies, and maternal mortality among the poorest families. Access to family planning services could reduce fertility rates and illegal abortions. An efficient and accessible health care system is therefore an essential ingredient for accelerated human development in ARMM.

Available data on health system outputs²¹ indicate that the levels of utilization of basic health services are very low in ARMM relative to the rest of the country (table 5.3). For almost all common indicators, ARMM ranks lowest in service cover-

¹⁹ While not located in ARMM, Pikit is close to the border with Maguindanao and shares the same population group. Pikit experienced a major outbreak of conflict in 2000, followed by sporadic incidents in the two years immediately before the survey was conducted. It was again the site of major conflict since February 2003, after the survey was carried out.

²⁰ Hyperarousal includes startle reactions, hyperalertness, vigilance for the return of danger, nightmares, and psychosomatic complaints. Intrusive symptoms are characterized by repeated interruption of thoughts by thoughts related to the trauma.

²¹ The reader is alerted to the wide differences in data reported by different sources. This study has accepted the National Statistics Office Maternal and Child Health Survey of 2001 as the best possible source for information on health service levels. Data from service statistics reported in the DOH National Epidemiology Center's *Field Health Service Information System* (as published in the DOH web site at <www.doh.gov.ph>) as well as from service statistics provided to the study team by Integrated Provincial Health Offices in the four provinces of Basilan, Lanao del Sur, Maguindanao, and Tawi-Tawi, show considerably better levels of service outputs than data obtained from the household survey. Although it is not unusual for such differences to exist between survey data and service statistics—and a similar trend appears for the national data—what is disturbing is the marked difference in relative ranking of ARMM service levels compared with other regions. Where survey data show ARMM ranking last or almost last for most indicators of maternal and child care, the DOH service statistics show ARMM ranking between second and fifth best in the country for comparable indicators. It is difficult to give credence to these results given what is otherwise known about the health system in the Region, in addition to the generally accepted principle that survey data are generally more reliable than service statistics.

Table 5.3 Health system outputs in ARMM (percent)

| Output | Philippines | II | I | IV | Region V | XII | ARMM | Rank among 16 regions ^a |
|--|-------------|------|------|------|----------|------|------|------------------------------------|
| Women with 4 or more prenatal visits, 2001 | 65.3 | 66.8 | 71.8 | 60.4 | 64.6 | 73.7 | 48.8 | 14 |
| Children 0–5 months old protected against neonatal tetanus through mother's tetanus toxoid vaccination, 2001 | 55.6 | 46.8 | 64.5 | 65.5 | 67.8 | 55.7 | 35.3 | 16 |
| Women who received postnatal care, by postnatal care provider, 2001: | 64.5 | 62.3 | 62.9 | 54.5 | 63.0 | 55.5 | 69.1 | 3 |
| Doctor | 47.1 | 24.7 | 37.9 | 40.8 | 29.3 | 25.5 | 16.0 | 16 |
| Nurse/midwife | 39.9 | 43.8 | 48.0 | 40.3 | 51.4 | 53.0 | 36.4 | 13 |
| Traditional Birth Attendant | 12.8 | 30.7 | 14.2 | 18.9 | 19.3 | 21.5 | 47.6 | 1 |
| Children 12–23 months fully immunized, 2001 | 61.3 | 46.1 | 64.3 | 63.7 | 53.2 | 65.5 | 21.3 | 16 |
| Children under 5 years who received nutritional supplement during last six months, 2001: | | | | | | | | |
| Vitamin A | 75.6 | 74.4 | 73.1 | 78.5 | 67.5 | 78.6 | 37.2 | 16 |
| Iodine capsule | 57.8 | 60.6 | 54.0 | 60.6 | 51.6 | 58.3 | 30.7 | 16 |
| Iron drops/syrup | 68.2 | 66.8 | 69.5 | 67.0 | 57.6 | 69.1 | 40.5 | 16 |

a. A rank of 1 indicates the most desirable outcome.
Source: 2001 Maternal and Child Health Survey, Final Report, National Statistics Office.

age (third lowest for women receiving a sufficient number of prenatal visits). The one exception is the share of women receiving postnatal care, which is higher in ARMM than in the country overall. However, a larger percentage of women in ARMM receive postnatal care from traditional birth attendants, rather than from professional health personnel. Service statistics from the DOH (*Field Health Service Information System 2000*) show that 53.2 percent of deliveries in ARMM were attended by health professionals, 35.7 percent by trained birth attendants, and 10.4 percent by untrained birth attendants, compared with 69.0 percent, 26.6 percent, and 3.9 percent, respectively, for the country as a whole. Though comparative data on place of delivery were unavailable for the study, one could impute that more births take place at home, attended by traditional birth attendants, which may be an important contributing factor to the high maternal mortality ratio.

Another measure of performance of the health care system is the access to family planning services. Information from the national 2002 Family Planning Survey shows that the total contraceptive prevalence rate among married women of reproductive age in 2002, already low by international standards for the country as a whole at 48.8 percent, was only one-third of this level in ARMM at 16.2 percent. Use of more effective, modern methods of contraception among such women was even lower at

10.5 percent in ARMM, compared with 35.1 percent for the country as a whole. Although cultural and religious factors reducing demand would explain at least part of this low contraceptive prevalence rate in ARMM, a lack of access to family planning services is also playing a part, as indicated by the high unmet demand among married women of reproductive age in the Region. This unmet need seems *not* primarily desired for the purpose of spacing children rather than for limiting the total number of children (table 5.4). None of the other regions in Mindanao shows levels of unmet need as substantial as that in ARMM.

Study team visits to health care facilities in Maguindanao province and discussions with health care managers of all five provinces indicate that the health care system is starved of resources. The most frequently cited problems were lack of drugs, staff shortages, and lack of funds to cover costs of travel to remote areas. Deterioration of infrastructure and equipment was not mentioned as often, perhaps because upgrading of health infrastructure tends to be a popular form of support among donors or even by the Regional Government itself.

In fact, the review of public sector expenditures on health shows just how under-resourced the sector has been overall. Per capita public expenditures on health in ARMM, including expenditures by the National Government, the Regional Government, and LGUs, add up to only 41 percent of per

**Table 5.4 Unmet need for family planning, 2002
(percent of married women of reproductive age)**

| Region | Not using any | Using any | Using only |
|-------------|---------------|-----------|------------|
| ARMM | 35.0 | 28.0 | 6.9 |
| IX | 22.1 | 14.1 | 8.1 |
| X | 16.3 | 9.0 | 7.3 |
| XI | 17.2 | 6.9 | 10.3 |
| XII | 14.8 | 7.6 | 7.1 |
| XIII | 21.1 | 10.3 | 10.3 |
| Philippines | 20.5 | 10.6 | 9.9 |

Source: 2002 Family Planning Survey, National Statistics Office

capita public sector health expenditures in non-ARMM areas. If, in addition, it is noted that (a) these figures do not include expenditures by PhilHealth on health care for its members, which in ARMM are almost negligible compared with the rest of the country, and (b) that there are few private sector facilities in the Region relative to the rest of the country, then the severity of the Region's health system starts to become evident.

A closer examination of health system resources in the Region shows a more nuanced situation, however (table 5.5).

Consistent with earlier observations about the expenditure bias in favor of personnel, the numbers of health personnel in government facilities in ARMM relative to the population served is not particularly low compared with the rest of the country. No data are available on health personnel in non-government facilities, although there are likely to be fewer of these in ARMM than in the rest of the country given the small number of private facilities. Complaints about staff absenteeism/nonreporting of staff and/or concentration of staff in bigger cities and larger facilities is taking place, at least in the more remote areas.

The number of hospitals per capita is significantly lower in ARMM than in the rest of the country (0.58 versus 2.23 per 100,000 population). That is explained largely by the very low number of private hospitals in the Region (0.12 versus 1.4 per 100,000 population), although the ratio of government hospitals to population is also relatively low. These data indicate that there is one hospital in ARMM per 172,000 population (compared with one hospital per 45,000 population in the country overall). The majority of hospitals in ARMM are small

hospitals with capacities of 10 to 25 beds per hospital (as is typical of rural hospitals in the rest of the country). It is important to note, however, that the above statistics on hospitals in ARMM, and probably on doctors and nurses as well, may understate somewhat the level of access in the Region given the fact that hospitals in Cotabato City, which is located within the province of Maguindanao but is not administratively part of ARMM, also serve the population of Maguindanao. Also, Marawi City, located within the province of Lanao del Sur, was not part of ARMM until 2001, and its hospitals were not included in the above statistics.

There are a relatively large number of rural health units (RHUs) per capita in ARMM, but a very small number of *barangay* health stations, which raises the question of coverage in the more remote areas in the Region. In addition, with only 74 doctors in the Region, it is clear that many of the 90 RHUs are not staffed with a doctor, assuming in particular that many of the doctors would be based in the Region's 11 hospitals.

Finally, it is important to note that the geography of ARMM—with large expanses of mountainous areas in the mainland provinces of Maguindanao and Lanao del Sur and particularly with the remote island provinces of Sulu and Tawi-Tawi (the boat ride from Tawi-Tawi to the closest mainland city of Zamboanga takes 14 hours)—imposes especially onerous burdens on the Region's health system that are not felt

Table 5.5 Health system capacity in ARMM

| Indicator | Philippines | ARMM | Rest of the country |
|--|-------------|-------|---------------------|
| Number of government health personnel per 100,000 population, 2000 | | | |
| Doctors | 3.85 | 3.07 | 11 |
| Dentists | 2.54 | 2.20 | 7 |
| Nurses | 6.18 | 5.89 | 10 |
| Midwives | 21.50 | 24.00 | 7 |
| Number of hospitals per 100,000 population, 2001 | | | |
| Government | 0.84 | 0.46 | 16 |
| Private | 1.40 | 0.12 | 16 |
| Total | 2.33 | 0.58 | 16 |
| Number of rural health units per 100,000 population, 1997 | | | |
| | 3.14 | 3.73 | 5 |
| Number of barangay health stations per 100,000 population, 1999 | | | |
| | 18.84 | 13.39 | 15 |

Source: Author's calculations based on data from 2002 Philippine Statistical Yearbook, National Statistical Coordination Board

in other parts of the country. The existence of isolated populations, either in mountainous terrain or on islands, requires a larger number of *barangay* health stations, staffed with well-trained midwives and *barangay* health workers, with a good network of RHUs as back-up. Access to hospitals is difficult in emergencies, in many cases simply impossible. It is also difficult to fill staff positions in remote facilities—particularly doctors in small hospitals or in RHUs, or midwives in remote RHUs and *barangay* health stations.

5.3. Determinants of health system utilization

As was done in the education section of this study, a series of multivariate regressions was run to examine the relative effects of demand and supply variables on the use of health services. Two variables were used to measure health service utilization: whether a respondent's child aged 1–4 years had received any vaccination at all; and whether the respondent herself (women aged 15–49 years) had visited a health facility in the last 12 months. Regressions were also run on outcome variables measuring whether the child had completed the full set of vaccinations, as well as whether the child had had fever or cough, but these regression results yielded R-squareds that were almost negligible

(that is, very little of the variation in the dependent variable could be explained by variations in the factors measured on the right side of the equation), and these other results are not reported.

The regression results show that a child living in ARMM was 25 percent less likely to have received any vaccination than a child in the NCR. No similar significant effect was shown for children residing in other regions in Mindanao or in other parts of the country. The magnitude of this ARMM effect is eliminated, though, when household-specific variables are added into the equation. In the latter case, mother's education was shown to have a small but statistically significant positive effect on vaccination of the child while household size and the mother's religion (whether or not she is Muslim) had small negative effects on vaccination, even after accounting for the possible effect that wealth and the other reported household factors might have had on the outcome. The family's wealth status (measured by the wealth quintile into which the family is classified) also had an impact on vaccination. A child belonging to a family in the poorest wealth quintile was 9 percent less likely to have been vaccinated than one whose family belonged to the wealthiest quintile. Smaller and less significant negative effects were also observed for children in families in the second and third poorest quintiles.

Table 5.6 Regression results—Determinants of receiving some vaccination and visiting a health facility

| Dependent variable | Some vaccination | Child facility type vaccination | Visited facility | |
|--------------------|------------------|---------------------------------|------------------|-------------|
| ARMM | -0.25751*** | 0.0593*** | -0.01049 | -0.10706** |
| Other Mindanao | -0.00671 | 0.0593** | 0.017315 | 0.058439** |
| Luzon and Visayas | 0.000198 | 0.083281*** | 0.00483 | 0.072392*** |
| Lowest Quintile | -0.14062*** | 0.115837*** | -0.09048*** | 0.041555* |
| 2nd Quintile | -0.04761*** | 0.12034*** | -0.03136* | 0.067527*** |
| 3rd Quintile | -0.02769** | 0.077671*** | -0.02226* | 0.042272** |
| 4th Quintile | -0.00423 | 0.074136*** | -0.00688 | 0.054945*** |
| Age | | 0.090583*** | | 0.062373*** |
| Age Squared | | -0.00135*** | | -0.00089*** |
| Rural | -0.02123 | 0.007426 | -0.01618 | 0.002234 |
| Household Size | | | -0.00702*** | -0.00525** |
| Child born | | | | 0.268061*** |
| Sick Child | | | | 0.202191*** |
| Migrant | | | 0.016264* | 0.008488 |
| Mother's Education | | | 0.011097*** | |
| Muslim | | | -0.020925*** | |
| Pseudo-R squared | 0.141912 | 0.077343 | 0.199919 | 0.126335 |

*** = significant at .001 level; ** = significant at .01 level; * = significant at .05 level.
 Note: These regressions have been corrected for region-level weighting and clustering.
 Source: Authors' calculations, based on data from the 1998 Demographic and Health Survey.
 The reference category for the residence variables is the NCR, meaning that the coefficients indicate the difference of residing elsewhere relative to residing in the NCR.

The mother's reported use of a health facility was also negatively affected by a number of these household characteristics. Residence in ARMM reduced the probability that a mother used a health facility by 10 percent relative to mothers in the NCR, even when variables on a variety of household characteristics were added into the equation. This could imply that supply factors in ARMM, specifically the relative lack of general health services, were having an impact on access to women's use of services. The absence of this "ARMM effect" on vaccination, after household-specific factors have been accounted for (as mentioned above), is probably a tribute to the strength of the national Extended Program on Immunization, including its activities in ARMM, which has been one of the best-performing public health programs in the country. The fact that living in non-ARMM Mindanao or other regions of the country showed a larger probability of use of a health facility compared with the NCR seems somewhat puzzling unless one considers that health facilities in the non-NCR regions, particularly for the first level of care, are likely to be less expensive than those in the NCR. Household size again has a negative relationship with mother's use of a health facility, implying that use of health services (whether for vaccination or other services) becomes more difficult for larger families either because the mother has less time to access the service or the cost of services becomes more difficult to bear. It should be noted that living in a rural area, as opposed to an urban area, had no impact on use of a health facility, either for child vaccination or for the mother, which seems to indicate that there is really little difference in demand or supply conditions between urban and rural areas. This is not particularly surprising given the information (in section 2.2.1) on relatively low wealth status in urban areas.

5.4. Getting the health system to peak performance

The challenges to the health system in ARMM are substantial. ARMM receives a disproportionately small share of a gravely depleted public health budget. Its population has greater health needs than the rest of the country, caused by extreme poverty and chronic conflict. The conflict, in addition, constrains health system activities. The Region's geography imposes special demands on the system. The various indicators reviewed above tell of:

- households unable to secure for themselves average health outcomes attained by other Filipinos due to

physical isolation, poverty, low literacy, and poor housing conditions:

- communities with living conditions marked by insecurity, conflict, and lack of access to basic services; and
- a health care system unable to fully compensate for these disadvantages at the household and community levels.

Much of this picture is caused by factors that lie outside the health sector itself, including the level of economic and social development in the Region and the persistence of armed conflict. Yet much can still be done within the reaches of health sector policy to improve the situation and bring better health and health care to the people in ARMM. Plotting a clear strategy for the future will be a critical step.

Fortunately, the health sector in ARMM enjoys the advantages of a sector that, nationwide, has been introducing improved measures in maternal and child health and other priority public health programs for the past couple of decades, as well as having undertaken a substantial drug reform program in the late 1980s. Although implementation of these programs has been only partly successful, and particularly less so in ARMM, the technical know-how underpinning these reforms is available and has been proven effective through scattered programs around the country. More recently, the national DOH has been leading an effort to institute a comprehensive Health Sector Reform Agenda (HSRA) that addresses the systemic issues of financing and service delivery that are expected to bring significant improvements in health care. DOH-ARMM has participated in learning activities related to HSRA, and as a consequence has been able to integrate many of HSRA's principles into its strategic plans. In fact, the Regional Government's health development program as presented to the study team lies very much along the lines recommended below. This study's recommendations will, it is hoped, serve to validate the identified priorities, and add detail and bring fresh perspectives to that program, which still remains in a sketchy form.

The health reforms recommended for ARMM include bringing more funds into the health system, establishing an efficient health care delivery system, establishing efficient support systems for managing health operations, and promoting programs that respond to the special health needs of the Region.

5.4.1. Bring more funds into the health system

Section 5.2 showed the extreme degree to which the health sector in ARMM has been deprived of public sector

resources, when contrasted with the health sector in the rest of the country. Armed with objective expenditure analysis to support their case, the Regional Government and DOH-ARMM can be more forceful in demanding a fairer share of resources for the health sector in ARMM, even in the midst of budgetary constraints. The LGUs in ARMM are an increasingly promising source of funds. Having been spared the responsibility for financing health care while still enjoying the benefits of an IRA formula that theoretically covers local health services, the LGUs can—and indeed should—be called upon to add to the health financing pool. In addition, greater than average health needs, the impact of the armed conflict, and the difficult geographic conditions, all make for proportionately greater requirements; arguing these points would strengthen the case for larger allocations from the National Government.

However, budget resources are only one potential source of funds. The Regional Government should lobby for a more rapid expansion of PhilHealth operations in the

Region. Establishment of local PhilHealth offices in ARMM and provision of technical assistance to local health providers, both public and private, would facilitate accreditation and maximize utilization of benefits. Payment of premiums for membership of poor families in the Indigent Program of PhilHealth would be a natural vehicle for LGU financing of health care, given that the National Health Insurance Law mandates that LGUs are responsible for such payment. The national PhilHealth can also be asked to assist in organizing consultations among local chief executives at provincial, city, and municipal levels in ARMM to help them reach agreement on who will finance premiums for the poor as it has been doing all around the country. Local chief executives can be reminded that LGU sponsorship of Indigent Program memberships will leverage counterpart funds from the National Government as required by law, further increasing resources for health. Those payments to PhilHealth return to the LGU in the form of capitation benefits to participating RHUs as well as the full package of PhilHealth benefits for Indigent Program members. LGUs in other parts of the country have found these terms quite attractive.

User charges represent another source of funds, and are already widely applied in the Region (as in the rest of the country). The small box for "voluntary donations" is now ubiquitous in RHUs and a variety of fees is common in public hospitals. Many hospitals, in addition, have private rooms and other special perks available to those willing to pay more. These user charges are particularly popular among hospital managers who then have more resources to work with—to the extent they are able to retain earnings and are not required to remit them to the provincial treasury—but they are also widely believed to be a deterrent to timely and appropriate use of services by the poor. Although most hospitals have a system to identify indigents, who are



then exempted from fees and may even receive free drugs (if these are available), such systems are time-consuming, subject to political interference, or are simply ineffective at identifying the truly poor. Hospital managers also often claim that revenues from paying patients are used to subsidize services for the poor, yet it is often unclear how much of those revenues do eventually reach the poor. In brief, user charges should be applied with great care and only if solid assurance can be had that public resources meant to serve the population as a whole, and the poor in particular, are not siphoned off to the better-off who can afford to pay the additional charges.

One final source of funds, particularly relevant for ARMM, is the donor and NGO community. Over the last few years, an increasing number of donor agencies, including the World Bank, have expressed interest in offering assistance to ARMM. The Regional Government will need to give highest priority to developing a systematic framework for development in the Region, and in the health sector specifically, to guide donor assistance and minimize the very real risk that such assistance will end up being splintered, duplicative, inappropriate, or just plain wasteful—as so much donor assistance has been in the past. While it is true that many donors come in with an agenda of their own, it is also true that most will welcome seeing their assistance contribute to a bigger scheme for development and will often show greater flexibility if the bigger picture is presented to them.

5.4.2. Establish an efficient health care delivery system

No health system, however rich, will have sufficient resources to meet all the health needs of the population it serves. The managers or leaders of the health system therefore need to seek a system that is as efficient and responsive as possible within the limits of the available resources. One of the most important determinants of the overall cost-effectiveness of the health system is the organization of the network of health facilities. The number and types of facilities, their geographic distribution, the types of services offered in each facility, the number of beds in inpatient facilities, the numbers and skills of health personnel in each facility, the quality of care—all these factors together constitute the health delivery system.

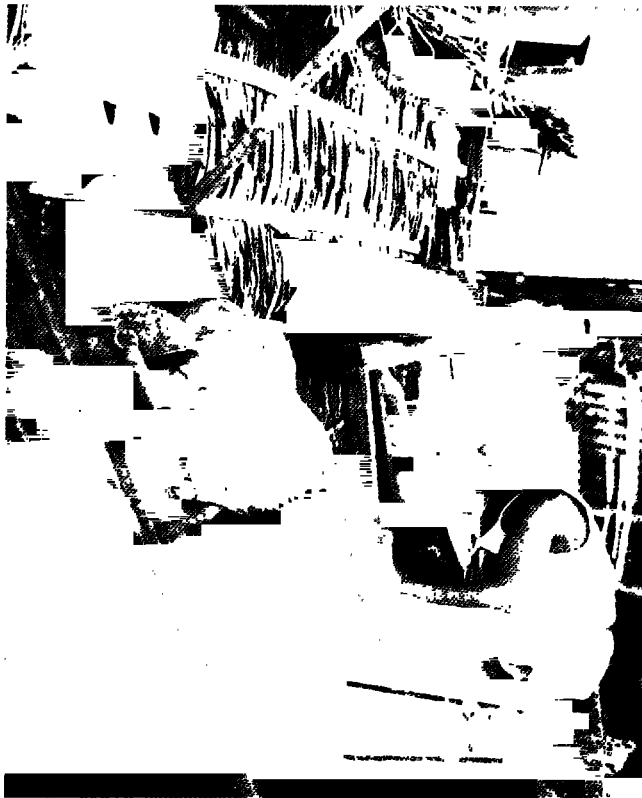
The health care system in ARMM is similar to that in the rest of the country in that it has a primary care provision that

is mainly focused on public health services (maternal and child care) provided mostly by midwives and with many small hospitals. It is different from the rest of the country in that there are few private providers, almost no large hospitals (there is only one 100-bed hospital), very low bed capacity (2.7 beds per 10,000 in the public sector compared with 3.2 for the country as a whole, in both cases, excluding beds in

The first task for health planners in ARMM is therefore to develop a good plan to rationalize the network of health facilities in the Region.

retained hospitals), and very few specialist doctors. Like many health systems worldwide, one problem with the system is the self-referral to hospitals of patients who could be treated at an outpatient primary care facility, resulting in underutilization of primary care providers and an unnecessary and costly burden to hospitals. The large number of 10- and 25-bed hospitals means that most hospitals are too small to maintain the minimum required staff and infrastructure/equipment for efficient and high-quality operations, even for a basic hospital. Yet, if all these hospitals were enlarged, they would be too expensive to maintain and there would be too many of them. Like the rest of the country, ARMM has more hospitals than it needs and too many of these hospitals are too small.

The first task for health planners in ARMM is therefore to develop a good plan to rationalize the network of health facilities in the Region. First, primary care must be enhanced. The Region's geographic configuration makes the role of the *barangay* health stations especially critical, and concrete measures must be taken to ensure that there are sufficient numbers of these facilities and that they are appropriately staffed. With only one doctor per 32,000 population, ARMM is far from meeting national standards of one doctor per 20,000 at the primary health care level. While efforts must be made to bring these doctors out to the RHUs (including offering incentives for accepting assignments in remote areas), these must be complemented with programs to empower nurses and midwives in RHUs to take up a greater range of tasks, including



providing basic curative services, that might normally be carried out by doctors.

A good rationalization plan would then take up the thorny issue of hospital care. To the extent that geographic and demographic conditions permit, the ideal situation would be to have fewer but larger hospitals, well dispersed among the population, with special arrangements made where access is particularly difficult, as in the island provinces of Tawi-Tawi and Sulu, or the lake communities of Lanao del Sur. The first task would be to identify which of the many small hospitals should be upgraded to larger, better staffed and better equipped facilities serving larger catchment populations. Location, current patient flows, current staffing, and existing infrastructure and equipment will all figure in the rationalization decisions. Taking into consideration the Region's geography, it may be possible to justify continued operation of a few relatively small (and therefore inefficiently sized) hospitals, but such decisions should be made with the aim of balancing conflicting objectives of making health care accessible, while also maintaining standards of

quality. In all cases, careful thought should be given to the appropriate service mix, staffing mix, bed capacity, internal organization, and level of specialization of the hospital, etc. Hospitals not selected for upgrading may be merged administratively with larger hospitals and converted into satellite facilities of these larger hospitals (e.g., diagnostic facilities, outpatient clinics) or converted into RHUs. Preparation of such a health facility rationalization plan is strongly recommended as a precondition for large-scale investments in health facilities in ARMM, whether under government or donor sponsorship (including the World Bank-funded ARMM Social Fund Project).

It is inevitable that these proposed changes will draw fire from local politicians, health care staff, or even local populations, as most people will not be happy about losing their local hospital. Health sector leaders and local chief executives in favor of change will find that managing the "politics" of health reform will be a major part of their job. The more successful health system reforms in other countries have shown that, with good communication, a transparent and participatory process, one or more "champions" among local politicians, and great reserves of patience (on the part of those trying to usher in change), people (and even more, local politicians) can eventually be made to understand that a relatively high-quality hospital some distance away is better than a low-quality hospital closer to home.

5.4.3. Establish efficient support systems for managing health operations

Health and development planners tend to forget that a health facility does not consist of infrastructure and equipment alone. The proliferation of "infrastructure" projects that call for construction or repair of *barangay* health stations, RHUs, or hospitals but remain silent on the staff who will work in the new structures or on the provision of drugs and other supplies is testament to that. At times, the unrealistic assumption is made that the new structure will attract the necessary staff. It rarely does. Rationalizing the health care delivery system calls for rational decision-making on staff deployment and drugs and other supplies management, as much as on which piece of physical infrastructure will be repaired and equipped. The appropriate complement of staff, drugs and other supplies, and effective management must combine with infrastructure and equipment to complete the elements of what economists

call the “production function” of health care. If these elements are not brought together in the appropriate quality and proportions, poor health care results.

When funds are limited, it becomes even more important to manage health inputs responsibly. For drugs, for example, enormous savings could be made by introducing more efficient procurement methods. Pooling drug requirements among different facilities and even among municipalities, cities, and provinces would allow bulk purchasing, and in turn improve prices. Transparent and competitive bidding procedures (as opposed to the opaque one-on-one negotiation processes commonly used in the country today) can also lead to significant savings. Together with improved procurement, better drug logistics systems (stock management, ordering, delivery, etc.) will bring further gains. Finally, transparent management of and accountability for

public funds that are allocated for drug purchase will reduce “leakages.” Better systems for drug procurement, logistics, and financing have been known and applied worldwide—and in some cases in some parts of the Philippines—for almost two decades. Health sector leaders and local chief executives in ARMM with the welfare of the population at heart would do well to introduce such systems in the Region as soon as possible.

More difficult to achieve and yet more critical, the proper management of health human resources remains a big challenge. The quality of staff, and the need to upgrade and update skills—in technical, clinical, managerial, communications, and person-to-person skills—are the most obvious issues. But these are only the tip of the iceberg. Deployment of staff needs to be reviewed and appropriate redeployment carefully planned and executed. Health managers should be able to col-



lapse and create positions. Most importantly, it is important to “break the cycle of poor performance.” This means correcting flaws in the recruitment and selection process and empowering health sector managers to reassign or even dismiss non-performing staff.

As in the case of health facility rationalization, reforms to a drug system or to a health human resource system will surely meet political resistance, particularly among those whose personal interests are at stake. These reforms will need to be

The study on psychosocial needs in a conflict area shows the need for immediate psychosocial intervention to strengthen the coping skills and to enhance the psychological resilience of individuals in conflict-affected communities.

undertaken with firmness, fairness, and political savvy. Again, strong technical analysis to underpin objective decisions, a transparent process, open communication and consultation, and one or more influential champions will be necessary.

Finally, just as in the education sector, systems to improve information management and to strengthen budget and financial management will be needed to improve operational efficiency.

5.4.4. Promote programs that respond to the special health needs of the Region

After being granted autonomy, ARMM continued to implement the national programs aimed at managing major public health concerns, including maternal and child health, reproductive health, family planning, tuberculosis, and malaria control. Given the continued prominence of these public health concerns in the Region’s disease burden, and given the impact that extreme poverty still has on the health of the population, the Regional Government will need to continue giving full attention and support to these programs. In addition, although food supply, water, sanitation, and housing programs are not the direct responsibility of health sector managers, it should be in their mandate to promote

such programs actively and to work closely with their colleagues in other sectors to ensure that other sectors’ policies and programs support health-promoting measures (e.g., promotion of locally available healthy foods, education on sanitary practices).

One example of a program response that is well suited to the Region’s unique characteristics has been the effort to use *ulamas* as advocates for reproductive health, including family planning, under the Fifth Country Program of the United Nations Population Fund (UNFPA). Introduced in Maguindanao and now expanding into other parts of the Region, this program draws lessons from successful programs in other Islamic countries, (e.g., Egypt) that underscore to the *ulamas* that reproductive health programs are consistent with, and even promote, Islamic teachings.

While health managers and staff in ARMM are conversed in the rationale and methods underlying these traditional public health programs, there is surprisingly little effort, or even awareness of the need, to respond to the health consequences of the armed conflict. The study on psychosocial needs in a conflict area cited above (Lopez et al 2002) indicating the widespread presence of acute symptoms of post-traumatic stress disorder (PTSD) shows the need for immediate psychosocial intervention to strengthen the coping skills and to enhance the psychological resilience of individuals in conflict-affected communities. Delaying intervention at this stage increases the risk that people go into the more chronic form of PTSD, which is both more difficult to detect and manage and which creates greater social dysfunction in the long term. Both health and social protection agencies in the Region should take the lead in calling for immediate psychosocial intervention, particularly among communities directly affected by the conflict. If further investigation shows a high incidence of physical injuries and disabilities as a result of the conflict, it will also be necessary to introduce rehabilitation programs.

5.4.5. Autonomy: ARMM’s version of devolution?

Coming as it did several years after the creation of ARMM, the nationwide devolution of the health system to LGUs in 1991 was not implemented in ARMM. Even when it passed its own regional LGC in 1995, the Region chose to retain the full functions of the pre-devolution national DOH at the regional level, with DOH-ARMM continuing to man-



age all publicly owned health facilities along with the budgets and resources meant for those facilities. This unique situation brings both advantages and disadvantages. In principle, devolution can lead to responsive, flexible public services, better adapted to local circumstances. This has indeed happened in parts of the country where LGU leaders have made efforts to focus on improving health care for their constituents. However, devolution can also generate inefficiencies in the health care system by leading to fragmentation of services and to the breakdown of the referral system. The important exercise of planning a more rational delivery system is particularly complex when the catchment population for certain facilities crosses administrative borders or when neighboring LGUs maintain duplicative facilities just across these borders. With management of the public system still centralized at the regional level, ARMM may be spared some of the cross-LGU complications that are common (and serious) in the post-devolution health system nationwide. On the other hand, staff at DOH-ARMM are particularly troubled by the seeming indifference of LGUs in the Region to the health needs of their populations, which is a predictable consequence, perhaps, of regional, centralized management.

Autonomy has given the Region a unique opportunity to study the advantages and disadvantages of devolution as it has unfolded in the rest of the country, and to adopt its own version of devolution, one that does not necessarily have to lie at either extreme of centralized management or full devolution. At the very least, greater consultation and participation by local chief executives and other local authorities in the process of health sector development could create a supportive constituency for the sector. Local chief executives could, for example, be asked to sit on a Regional Health Board to participate in policymaking. Greater participation would also increase LGUs' motivation to contribute financially to health services, whether in the form of direct funding for publicly provided services or sponsorship of premiums for indigent populations in PhilHealth's Indigent Program. Alternatively, the Region could consider devolving all health services to the provincial level, preserving the advantages of size and scale while bringing services closer to the beneficiaries. The recent entry of Basilan and Marawi City into ARMM will make it necessary for ARMM officials to rethink their policies on devolution very shortly, given that these two LGUs are entering with previously devolved health systems. It is an opportunity that should not be wasted.



6. The Social Protection System in ARMM

For over three decades since the 1970s, social stability has been a hardly recognizable concept to the average Muslim household in constant exposure to armed conflict and violence. On the one hand, armed conflict and violence are not only cyclical in occurrence between the migrant settlers (from Luzon and the Visayas) and the Muslims, but also among Muslim clans and families clashing over unsettled land disputes and over local rivalries in the political and power positions in government. On the other hand, the national government forces invariably take the side of the migrant settlers in the armed divide, transforming the conflict into an ideological equation nurtured on both sides by geopolitics. The cycles of armed conflict have also been creating significant psychosocial impacts that impede human development and stunt the formation of social capital and, in the long haul, feed on social institutions that would eventually provide social protection services. Throughout all this, people in Muslim areas of Mindanao, particularly in ARMM, have had little more than traditional family and clan support networks to fall back on in times of psychosocial crisis or sudden income loss. Organized government support in the form of relief and rehabilitation has existed but this has been overburdened by the enormous need.

Recently, however, a strategic shift from welfare to development of self-reliant community networks has started taking place under the leadership of DSWD-ARMM, with support from the national DSWD. This shift is paving the way for establishment of a solid social protection system that is particularly appropriate for a situation of conflict and extreme poverty.

6.1. The *datu* system in Muslim communities—The traditional safety net in times of peace and of conflict

The major ethnic groups among Muslims in Mindanao are the Maguindanaoans in the old Cotabato province, the Maranaos in Lanao, and the Tausugs in the Sulu archipelago. There are smaller ethnic groups like the Iranuns along the border of the old Cotabato and Lanao, the Yakans in Basilan, the Samas (also Samals) in Tawi-Tawi, and the Badjaos along the coast of Basilan and the Zamboanga Peninsula. All ethnic groups are governed basically by the *datu* system, some of which federated into sultanates dating back centuries.

The *datu* system as a basic unit of governance is ruled by royal families or clans (composed of intermarried families) with a *datu* as the head. The elders among families or clans form into a council that helps the *datu* in the governance of the whole clan and the ethnic group. In the case of the few sultanates, it is the sultan who serves as the head of the ethnic group. The governance of the *datu* system or the sultanate is highly feudal in character and form, where the heads and council of elders are determined by royal blood relationships, family ties, and wealth.

Whether in time of peace or of conflict, the *datu* system dominates every social, political, or economic aspect of life. The *datu* is expected to be the provider of livelihood and employment, and assistance in time of need. Because the *datu* system and the local government meshed into one system during the last century, the *datu*s and the leaders of the royal families and clans of the ethnic groups have also become the

local government officials. Elections of local government officials become token formalities of the decisions of the council of elders from the various clans. In some instances when decisions of the councils are divided, elections become violent and conflicts are resolved once more in the councils of the *datu* system rather than in the formal institutions of government. In many instances, LGUs have become employment agencies for members of the royal family, the clan, and the ethnic group, in that order. Nepotism and corruption are not necessarily viewed as negative practices because the *datu* system is now superimposed onto the system of local government.

In times of major conflict, such as the outbreak in 2000, whole communities displaced by armed violence appear to be all accommodated in the government evacuation centers. But away from the attention of the media are the greater number of households that are accommodated in resettlement areas within the lands of the *datu*s. In the resettlement areas, the internally displaced persons are provided with residential land on which they build their houses and a fraction of a hectare to be tilled as small farms. These people are also hired as seasonal farm helpers, though labor standards may not be observed. In *Social Assessment of Conflict-Affected Areas in Mindanao* (World Bank 2003), it was observed that employment as farm helpers increased significantly in the period after the 2000 conflict, because the *datu* landowners had an excess of farm laborers from among the displaced farmers who resettled on the *datu* land.

6.2. Social protection—Traditional social welfare services

Under the sustained and cyclical conditions of armed conflict and violence, social protection has been provided to affected households and communities to a limited extent in the form of *relief* immediately after conflict and *rehabilitation* between episodes of conflict usually until the next conflict disrupts the prior rehabilitation efforts that have been taken root to prepare the ground for *development*. For the past decade, the gap between episodes of conflict has become narrower, and the conflict itself has become wider and more violent. In such conditions, the provision of relief services only is

possible. This has kept DSWD-ARMM almost continually preoccupied with providing such services to conflict-affected communities since its establishment after devolution to ARMM, especially during 2000 and recently, in renewed armed conflict in and around the Buliok Complex in Liguasan and Pikit (skirmishes are still being waged in many interior *barangays* of Maguindanao, Lanao del Sur, and North Cotabato, unknown to many and usually unreported to the media).

ARMM, through the devolved functions of DSWD, has made an internal assessment of its performance over the period 1998 to 2002 (DSWD-ARMM 2002a). The following paragraphs highlight some elements of its performance.

There are five major welfare service programs of DSWD-ARMM being implemented that correspond to defined beneficiaries, namely the programs in Family and Community Welfare (for parents of disadvantaged families and economically depressed communities), Children and Youth Welfare (for children and youth in disadvantaged and difficult situations), Women Welfare (for the prevention and eradication of women's exploitation), Disabled Persons Welfare (for the disabled among the elderly, children, youths, and women), and Emergency Assistance (for victims of natural and human-generated disasters, mostly rooted in armed conflict).

A total of 206,767 families were directly served by the five major welfare programs of DSWD-ARMM over the period, compared with a target of only 175,410 families. However, the support system (and follow-up case work) to families that were served has been significantly disrupted, largely because DSWD-ARMM has also been at the forefront in providing relief and rehabilitation to communities affected by the conflict. It is one of the few government agencies, and in some areas the only one, offering relief services for families in these communities, as well as resettlement sites and evacuation reception centers. The spate of conflicts puts DSWD-ARMM on a constant emergency footing. This also means that its personnel in the regular welfare programs are also regularly called to work in the conflict areas.

The programs have a service presence in 864 *barangays*, or 40 percent of ARMM *barangays*, most of which are the poorest in ARMM (and in the country). Service delivery is hampered by the inadequate road system in Maguindanao and Lanao del Sur,

and by the isolation of communities due to the archipelagic geography of Basilan, Sulu, and Tawi-Tawi.

The financial resources used in five years amounted to P65,542,181 at a cost of P317 per family served, or an annual cost of P63.69, which represents an efficient program in terms of the cost-beneficiary ratio.

In 2002, the Malaysian Government deported Filipino workers in Sabah. Although not considered part of its regular welfare and assistance services, DSWD-ARMM processed the repatriation of 15,770 deportees in Tawi-Tawi, Basilan, and Sulu (including Zamboanga), and provided relief services in receiving centers and transportation expenses for return to their places of origin.

6.3. Evolution toward development of community-based social structures

Despite the exposure to conflict situations, and in maintaining the regular social programs, DSWD-ARMM is assisting in the development of the most economically depressed and conflict-affected communities through special projects that are not funded from regular government sources. The use of these projects to focus on such communities has been demonstrated in the implementation of the Country Program for Children with funding assistance from UNICEF, and the Comprehensive and Integrated Delivery of Social Services (CIDSS) Program.

Both these programs use a participatory approach in generating the profile of the minimum basic needs of the community in focus. This profile must be seen in the larger context of extreme poverty and conflict viewed through the eyes of the community, and the specific context of problems identified and prioritized with the corresponding action plans formulated into projects by the community. These community projects are led and managed by smaller units of the community organization, which serve as the community welfare and development structure engaged in a continuing stream of action planning to address the problems identified.

In some areas, special projects are now also serving as models for a convergence program among some of the different local governments, ARMM, and national line agencies sharing counterpart financial and technical support with communities to

address the multiple facets of poverty and conflict at the local level. Thematic concerns being addressed have gone beyond welfare and basic social services, into community infrastructure, livelihood, agriculture, and postharvest facilities. DSWD-ARMM is working toward the *barangay* and municipal multiagency structures operating in a coordinated manner, though it is experiencing a variety of difficulties because of the respective bureaucratic protocols and inability of some workers in participating agencies to work collaboratively with other agencies. Despite this, some projects remain community led and initial resources are leveraged to attract more funds for community use (see box 6.1).

Some local governments contribute their share to the community-led projects in various ways, by shouldering the costs, for example, of the salary of the CIDSS worker (since most workers are project hired), the production equipment, the construction of a day care or multipurpose center, additional pitcher water pumps, or the counterpart share of the community project fund.

Some hard lessons learned from the special projects have provided firm ideas for replication. Most of the projects identified are small, and because of their community-led character, require small funds that can be supported by a combination of initial external financing and counterpart sharing (mostly in kind) from the community proposing the project. The use of small funds that are readily accessible to the community contributes to formation of social capital, discourages elite-capture, and reduces (if not altogether eliminates) corruption. It also helps local politicians build closer links to their constituents because of the social capital formed by small community-led projects.

The implementation of the special projects has not been all that successful. In fact, some projects are outright failures. But the main approaches have been developed and some important lessons have been learned. Today, special projects, especially under the CIDSS Program, are implemented in 382 of the poorest *barangays* and in 79 of the poorest municipalities in ARMM. Because of the promise of the special-projects approach as a strategy for human development and formation of social capital, they should be fully assessed for their potential use as a regular approach to the delivery of welfare services and development by looking at the actual field results and impact.

The people of *barangay* Bulod (Sultan sa Barongis, Maguindanao) used to be skeptical of any form of help promised by any government agency. The *barangay* is not only isolated because of the absence of basic infrastructure connecting it to mainstream society, it has also long been a neglected community in which government basic social services are a rarity. But community members had not realized that, even with help from outside, they would, principally, have to help themselves by learning to work together.

Suspicious community leaders needed a lot of persuading to take the initial steps of undertaking the minimum basic needs process to help identify issues that the community wanted to address first. All issues identified appeared very basic, and all seemed a priority to be addressed considering the extreme poverty condition as reflected in the minimum basic needs benchmark results. There was a lot of “wait and see” and community members expressed more doubts when for a while, the community failed to move beyond deciding which of the needs requiring community action could be undertaken, mainly by themselves, with the help of a few external resources. Eventually, the need for a water system as a source of potable water for daily household use was eventually agreed on.

Through the Comprehensive and Integrated Delivery of Social Services (CIDSS) Program and through the representation of the *barangay* chairperson, a small fund was provided to the community for a water system. A project plan was then prepared, and pumps were installed with labor and some materials provided as counterpart inputs from the community. Schemes were developed and implemented for user charges to be collected from the community for the required maintenance of the pumps and later for the eventual establishment of more pumps.

The results achieved in community action planning spread to other basic concerns, such as the need for solar driers among the farmers that also served as a common sports area for the children of the community. Parallel action planning was also initiated by women to set up a day care center, which also served as a health center.

From the suspicious community that Bulod once was, it has become a coping and initially self-directing community encouraged by the strides of small projects, and aided by small funds. One community member quipped, “we thought ‘to-see-is-to-believe’ was about the government extending help to us. I realize that seeing and believing is more about us (the community) trying to work together solving our problems.”

Source: Adapted from *The CIDSS Monitor* and interviews with Maguindanao DSWD workers.

6.4. Proposed steps in the delivery of social protection services

To scale up the delivery of social protection services in the particular and difficult environment of ARMM, and based on the above initial assessment of performance outcomes, the following steps are proposed:

- *Community-based poverty mapping instruments, such as the minimum basic needs instrument now widely used to measure degrees of poverty, should be improved to make it more user-friendly, more attractive, simple, and easy to present.* This instrument should also be used by the community as a tool to track poverty changes over time, locate vulnerable households and identify their vulnerabilities, target welfare and development services to vulnerable households, and identify community resources to be used for projects. The use of this instrument in mapping various poverty indicators

engages many in the community, generating participation right from the start. Mapped poverty indicators in a simplified presentation format increase community ownership of problems, encouraging debate on issues and helping build social cohesion. The formal presentation by the community of its mapped poverty indicators should be made one of the important early requirements prior to financial assistance to communities. To achieve this, a *standard guide and pool of trainers who will train field and community workers should be developed to upgrade the use of the mapping instrument by communities.* Once this is done, and after the trainers have gained more experience, and after the subsequent review of the installation processes, it may become necessary to adopt into law the requirement for all *barangays* to use and satisfactorily present their poverty profiles through mapped indicators before the local, Regional, or National Government releases the *barangay*

share of development funds or other forms of financial assistance.

- *A cadre of barangay facilitators skilled in community-led development processes should be developed per municipality to scale up the delivery of welfare and development services by communities to their members generally and to vulnerable households in particular. The number of barangay facilitators would vary depending on the number and size of the barangays in each municipality. Ideally, a facilitator can effectively work on three to four contiguous barangays.*
- *Using special projects such as under the CIDSS Program as a means of convergence for multiagency services at the community level should be explored and assessed in depth. The particular institutional arrangements required for interagency coordination should take advantage of the autonomous status of ARMM to reduce, rather than add to, interagency protocols and bureaucratic red tape and so help enhance service responsiveness. The RLA should consider laying down a policy basis for interagency coordination and resource sharing, and for programs such as CIDSS to become regular programs rather than special programs. Moreover, the Regional Governor might consider an executive order for this purpose.*
- *NGOs providing services in extremely poor communities, as well as post-conflict rehabilitation and development in ARMM, should be used to facilitate participatory processes at the barangay level to complement DSWD-ARMM program reach. Some of these NGOs can act as trainers in barangay facilitation; others should also be trained in facilitation work to achieve DSWD-ARMM program standards if they are tapped as program implementers. Such NGOs include the Community and Family Services Inc., Kadtuntaya, and Bangsa Moro Women's Foundation (Cuguanon Foundation); Al Mujadilah (Lanao del Sur); ACORD (Basilan); and MUFTI (Tawi-Tawi).*
- *The objectives of achieving social protection and human development outcomes based on the earlier assessment and proposed steps should feed into the sustained planning and institutional capability development initiatives of ARMM, and of DSWD-ARMM in particular. The strategic plan formulated by DSWD-ARMM*

(DSWD-ARMM 2002b) may need subsequent updating and revision in the area of goals and strategies.

The organizational structure is top heavy and too lean at the ground level where the demand for services is greatest. Finally, maintaining the program cost beneficiary ratio for welfare programs at current performance is ideal, and the regularization of the special projects, such as those under CIDSS, should be promoted in the difficult and unstable circumstances of the ARMM environment.

- *To gear up for the proposed steps, more resources will necessarily be needed. Costing exercises to determine the projected resource requirements should be based on realistic and sound assumptions. Care should be taken to consider recurrent cost implications of any project initiated to avoid the common mistake of erecting service infrastructures through community-based approaches only to find that no services can be rendered because of the absence of service personnel or other necessary inputs. As in the past, looking for funds from the national government budget may prove to be futile in the short term, especially in the light of budget cuts in the IRA share of LGUs, deficit spending at all levels of government, and shortfalls in revenue collections. Tapping and expanding existing grants or loans from external sources may show some possibilities. The World Bank has two loan funds exclusively for Mindanao, namely the ARMM Social Fund and the Mindanao Rural Development Program (MRDP). The ARMM Social Fund has, among other elements, a financing window for community demand-driven and community-led projects in human development. It covers exclusively all the ARMM provinces of Sulu, Tawi-Tawi, Basilan, Lanao del Sur, and Maguindanao. MRDP also has a special window for community-led projects, especially in agriculture. For the first phase of the program, MRDP has included Maguindanao as one of the provinces of ARMM.*



7. Closing the Gap in Human Development Outcomes—A Strategic Framework for the Coming Decade

Previous chapters have highlighted several major facets of human development in ARMM, including (a) that ARMM suffers from serious deficits in human development outcomes compared with those in the rest of the country; (b) that these deficits have not been mitigated by compensatory levels of public spending for this disadvantaged region; (c) that, in fact, public spending on education, health, and social protection in ARMM is substantially lower than that in the rest of the country; and (d) that a combination of significant increases in public spending on human development as well as internal reforms in governance and delivery systems for human development services could be important to closing the gaps in human development outcomes. Success on this last point is going to be a crucial component of any sustainable peace and development program in Mindanao. This final chapter looks at the concrete steps that might be taken to carry out the recommended actions.

One note before proceeding: for ARMM, no strategy for human development would be complete without a call for a humane and permanent resolution of the ongoing conflict in the Region. The responsibility for this action lies with all parties, from the country's leadership at the highest levels to the Regional Government, the armed factions, and further down to the communities, families, and individuals resident in the Region. It is hoped that the depiction in this study of the costs of the conflict in terms of losses to human development, particularly for the children of the Region, will serve as one more reminder of why an end to the conflict in Muslim Mindanao must be the overriding objective for all concerned.

7.1. Recommended strategy

The full set of recommended actions for achieving human development in ARMM is presented in the Annex. Taken as a whole, the matrix suggests a package of strategic actions—at the political as well as bureaucratic levels, in resource mobilization as well as expenditure prioritization, in specific sectoral issues as well as broad institutional and management matters—that are intended to reinforce each other in facilitating and securing progress. Two key points about the matrix should be emphasized:

- There is ample justification for substantially increasing the level of public expenditures for human development in ARMM and the case has been made for realizing such an increase in future spending to be funded especially by the National Government, LGUs, and donors. Yet the key stakeholders in ARMM governance, particularly the Regional Government, should also demonstrate that there is indeed a broad-based will to reform internal governance and regional service performance, which would greatly help secure increased resources. Increased resources and internal reform will reinforce each other more effectively while the probability of increased resources would decline without evidence of in-depth internal reform. *Hence, one set of recommendations (section 1 of the Annex) revolves around a series of 'stepped' stepwise actions to increase public expenditures for human development and increase regional autonomy in budget management, while increasing transparency and accountability and*

demonstrating broad-based consensus on key policy directions in human development.

- There are a number of strategic actions in the individual sectors—education, health, and social protection—that reinforce as well as articulate and amplify the larger message of increased public spending and improved governance for human development. Sectoral agencies in ARMM, with the support of their counterpart agencies at the national level, have ample opportunity to pursue sectoral initiatives that can help the Region in moving out of its systemic constraints. Sector-specific initiatives will bolster actions on governance and public financing issues even as progress on the latter issues are likely to help accelerate and sustain sectoral improvements. *Hence, a second set of recommendations (sections 2 to 4 of the Annex) revolves around sector-specific measures to clarify sectoral goals and service standards, strengthen management and operational capacities, and undertake selective investments in line with sector-specific priorities.*

Given these two points, one can readily recognize that implementation of the matrix of strategic actions is most likely to occur in terms of simultaneously achieving five separate but interrelated concrete developments, namely:

1. A medium-term public expenditure framework for ARMM, which outlines an indicative plan for targeted increases in public spending on human development over a three- to five-year period, funded from all sources.
2. A regional policy agenda (backing the expenditure framework), which establishes the framework for human development spending and demonstrates broad-based political consensus on key human development sector policy directions and for greater transparency and accountability in management of staff and other resources.
3. A regional basic education plan, which outlines the basic goals, essential standards, critical improvements, policy on *madaris*, key changes in management and operating systems, funding policies, demand-side programs, and links between tertiary institutions and basic education.
4. A rationalization plan for the regional health network,

which provides for models of service delivery, facility investment policies, sources of funding, support systems, and measures to meet special health needs.

5. A social protection program policy centered on community-led development, which uses the experience from successful CIDSS projects and adopts community-based poverty-mapping instruments, such as the minimum basic needs, as its core targeting tool.

If vigorous and positive movement along these five areas of activities is seen, the chances of effective and sustained action on the ground are increased considerably. Not only will each action create favorable conditions, but the success of one action will also make other actions more successful.

7.2. Implementing the strategy

The agenda is vast and challenging, but a logical sequence and natural priority emerges from among the proposed package of actions. In broad terms, the human development strategic plan would unfold in two sequential but overlapping phases. The first phase will be a period of consensus-building and technical preparation. Engaging major



partners to mobilize additional resources for human development, preparing a plan for stepwise transition to increased funding, greater budget autonomy and greater accountability in human development, carrying out a census of government employees, resolving the debate on the appropriate goals and institutional forms of an education system serving a minority Islamic community, and developing a health facility rationalization plan are among the actions that would fall under this category and that should be initiated immediately. This would also be the time to prepare technical studies on improved procurement and financial management systems.

One set of recommendations revolves around a series of parallel stepwise actions to increase public expenditures for human development and increase regional autonomy in budget management, while increasing transparency and accountability.

management and information systems for health and education services, and an improved poverty mapping instrument for targeting community-based projects. This initial phase would peak during the first two years of the strategic plan but continue at a moderate pace as new issues emerge during subsequent years.

The second phase will consist of programs to undertake specific policy measures and investments, as targeted and framed by the consultations and technical studies. This phase would start to pick up in the second year of the implementation period and grow in intensity as consensus is reached on priorities, as external funding becomes available, and as implementation capacity in the Region grows. It should reach a peak by around the third to fifth years of the period, but should continue at a high level of activity until the long-standing gaps in service delivery and institutional capacity are bridged, likely for another decade.

The matrix of strategic actions presented in the Annex gives an indication of timing and priority for each individual action proposed.

7.3. Key actors

Such an ambitious program, intervening as it does in a setting of such immense need, can only be achieved with the involvement of the broadest possible array of partners. There is a role for every major actor in the Region—national, regional, and local governments; education, health, and social welfare officials and staff; civil society and the communities it represents; and external donors and funding agencies. Although all these actors have their respective parts, the lead role in this process belongs to the Regional Government, which must motivate partners to take concerted action. Within the Regional Government, leadership must come from the top, in the Office of the Regional Governor, joined by other parts of the Regional Government in providing support to the three key regional sector agencies. The matrix of strategic actions in the Annex indicates the proposed lead agency or agencies for each individual action in the strategy.

7.3.1. Regional Government

Without significant resources of its own, the Regional Government must nevertheless deliver on the promises of regional autonomy on the strength of its leadership and its moral ascendancy. In exerting leadership, it must focus on promoting coherent movement along the above five areas of activities. Along with its technical agencies, the Regional Government has specific responsibilities to:

1. *Build a national constituency for closing the human development gaps.* This study might be useful as an advocacy tool for building a national constituency for closing the gaps in human development outcomes in ARMM. Dissemination of the study might focus on reaching members of the Cabinet, Congress, media, academe, managers and professionals of key national agencies (DepEd, DOH, and DSWD), national security agencies (such as the Department of National Defense), and the donor community. It might be useful to highlight the fact that improvement of human development outcomes in ARMM is a crucial aspect of peace and development in Mindanao, which in turn is a high priority issue of national security and political stability.
2. *Exercise regional political leadership.* The Regional Government has shown an example in exercising regional leadership in the implementation of national

government programs and projects in ARMM through helping secure the issuance of such executive policies as Executive Order 124 (implementing the ARMM Social Fund for Peace and Development) and Executive Orders 125 and 125-A (further devolving functions of national government agencies to the ARMM Regional Government). Political leadership of the Regional Government will be crucial in securing coherent progress in all the five areas of activities outlined above, particularly in the first two items, namely the medium-term public expenditure framework for ARMM and the policy agenda.

3. *Exercise sectoral technical leadership.* The regional agencies for education (DepEd-ARMM), health (DOH-ARMM), and social welfare (DSWD-ARMM) will need to provide the technical leadership in their respective sectors, though technical assistance from their counterpart national agencies would be constructive. Resources and opportunities provided by existing foreign-assisted projects in education, health, or social welfare, might be useful for providing the technical building blocks for the basic plans of each sector. Existing projects like the ARMM Social Fund Project or the Basic Education Assistance for Mindanao Project, among others, can provide the technical resources for regional agencies to develop the plans indicated in the matrix of strategic actions.

7.3.2. National Government

The National Government has a strategic role to play. Representing the entire nation, it must secure the peace and prosperity that are critically needed to enhance the country's standing among potential international investors and partners. It must also provide all necessary support to the one among 16 regions in the country that has the poorest human development outcomes, as a means to reducing disparities between rich and poor across the country. And as the principal financier of regional operations, it must share accountability for the Region's performance. The National Government's specific responsibilities are to:

1. *Act as the Region's champion in the national arena,* taking the lead in advocating to close the gap in human development outcomes between ARMM and the rest of the country, with Congress, among donors, and among

the general population. Leadership for these actions must come, as it already does, from the highest levels in the Government, at the Office of the President. However, in this regard, as in its other roles under this agenda, the National Government must show deference for the Region's constitutionally mandated autonomy, and endeavor to form a partnership of equals with the Regional Government

2. *Increase national government transfers to the regional government budget* and ensure that the human development sectors receive a more than proportionate share of those increases. In the face of the evidence on discrepancies in per capita spending on human development between ARMM and the rest of the country, even the tight budget situation cannot excuse the National Government, and DBM in particular, from seeking to identify all possible sources for reallocation from less urgent or lower priority items in the national budget. Defense of ARMM's budget position during Congressional budget hearings is an equally important task.

3. *Concede increasingly greater budgetary autonomy to the Regional Government.* True autonomy can only come when the Regional Government has authority over its budget, in the way that LGUs have autonomy over their IRA shares. It is true that the regional government bureaucracy is young, and lacking the experience that LGUs already enjoyed when the LGC came into effect. Nevertheless, only hands-on experience will provide the opportunity to learn, and the National Government should gradually but steadfastly yield budget management authority to the Regional Government, in the process providing the technical support needed to build capacity in the Regional Government.

4. *Provide technical assistance to regional government line agencies.* The national agencies for education (DepEd), health (DOH), and social welfare (DSWD) possess know-how and experience gained from decades of implementing human development programs nationwide. With a vastly larger field of operations on which to build its expertise, these national agencies have much to teach the ARMM counterparts. Both the national DOH and the national



DSWD have been providing substantial amounts of technical assistance to ARMM counterparts, but the national DepEd's assistance has been limited. The urgent need to articulate a policy agenda for education in ARMM consistent with national education standards provides a unique opportunity for constructive cooperation between national and regional agencies.

7.3.3. Local government units

LGUs are conspicuously absent from the human development sectors in the Region. And yet local chief executives have much to gain politically from close identification with delivery of services that are so universally valued by political constituents. Furthermore, an IRA formula that assumes devolved responsibility for health and social protection services and a Special Education Fund (20 percent of real property taxes) earmarked for education expenditures ensure that LGUs have room in their budgets for human development services. The LGUs need to start sharing responsibility for human development activities in their communities. Other key actors—from national and regional government leaders, to donors, to civil society—should combine to advocate for

this, if necessary working to revise the regional LGC to mandate such a role for LGUs and negotiating for appropriate sharing arrangements. Technical assistance to help LGUs review their current uses of funds to identify possibilities for reallocation from lower priority items would facilitate this change. Comparison with similar LGUs in non-ARMM areas of the country could help set appropriate targets. In the longer run, LGUs would benefit from support to help build local capacity in planning and managing human development-sector programs.

7.3.4. Donor agencies

Substantial external assistance will be critical in the Region for the foreseeable future, given the gap between resource needs and availability, and many donor agencies are prepared to help fill that gap. A few are already active in the Region. To facilitate donor assistance, the National Government (specifically, DBM) will need to make appropriate adjustments in the Region's budget ceiling to ensure that the assistance is in addition to the existing levels, not a replacement. Counterpart funding, to complement donor support, will need to be accommodated within this increased ceiling. Assistance from donors can take any of

the following forms, separately or in combination, and is intended to:

1. *Facilitate the dialogue among key partners* to generate broad consensus on the main pillars of accelerated human development in the Region. It is of valuable assistance to provide the occasion and setting for negotiations and discussions among the National Government, Regional Government, and LGUs; among donors and NGOs; and between different levels of government and the donor and NGO communities. For

LGUs are conspicuously absent from the human development sectors in the Region. And yet local chief executives have much to gain politically from close identification with delivery of services that are so universally valued by political constituents.

For example, support for discussions on formulating the medium-term public expenditure framework would be of immediate value. Also, sponsorship of a series of workshops on the appropriate roles of public and private religious education and corresponding priorities for public funding would help speed up implementation of badly needed improvements for the Region's education system.

2. *Give technical assistance* for more extensive analysis or technical development of key elements of the Region's human development strategy. Donor agencies could facilitate the flow of ideas from other areas of the country or even other parts of the world where relevant lessons have been learned. The experience with Islamic education in other countries would be valuable, for example, as would expertise on health facility rationalization. Expertise to help with systems development and other aspects of planning and policy development is also urgently needed.
3. *Provide budget support, conditional on policy reforms.* Given the serious funding shortfall in human development in ARMM, budget support would be an appropriate

intervention, particularly in the early years of the strategic plan. To ensure that systems are put in place to enhance long-run efficiency and accountability in the human development sectors, this support should be conditional on policy reforms, such as those recommended in this study. For example, this funding instrument could be used to finance a stepwise transition to increased funding at regional government level, greater budget autonomy, and greater accountability in the human development sectors. Budget support could also be provided directly to LGUs that agree to enhance their involvement in human development (for example, by sponsorship of PhilHealth memberships for the poor).

4. *Provide funds for capacity building and establishment of new systems* for management and accountability (e.g., human resources management systems, procurement, and financial management systems). Donor funds could cover the cost of computerized information and modern communications systems.
5. *Provide support for larger-scale investments* in the education, health, and social protection sectors, including upgrading these sectors' human resources, infrastructure, and equipment. This is the traditional role of donor partners. To ensure that precious resources are used efficiently, in accordance with sector-specific development plans, the Regional Government and its technical agencies will need to actively coordinate with the donors, and donors will also need to hold regular consultations.

7.3.5. Civil society

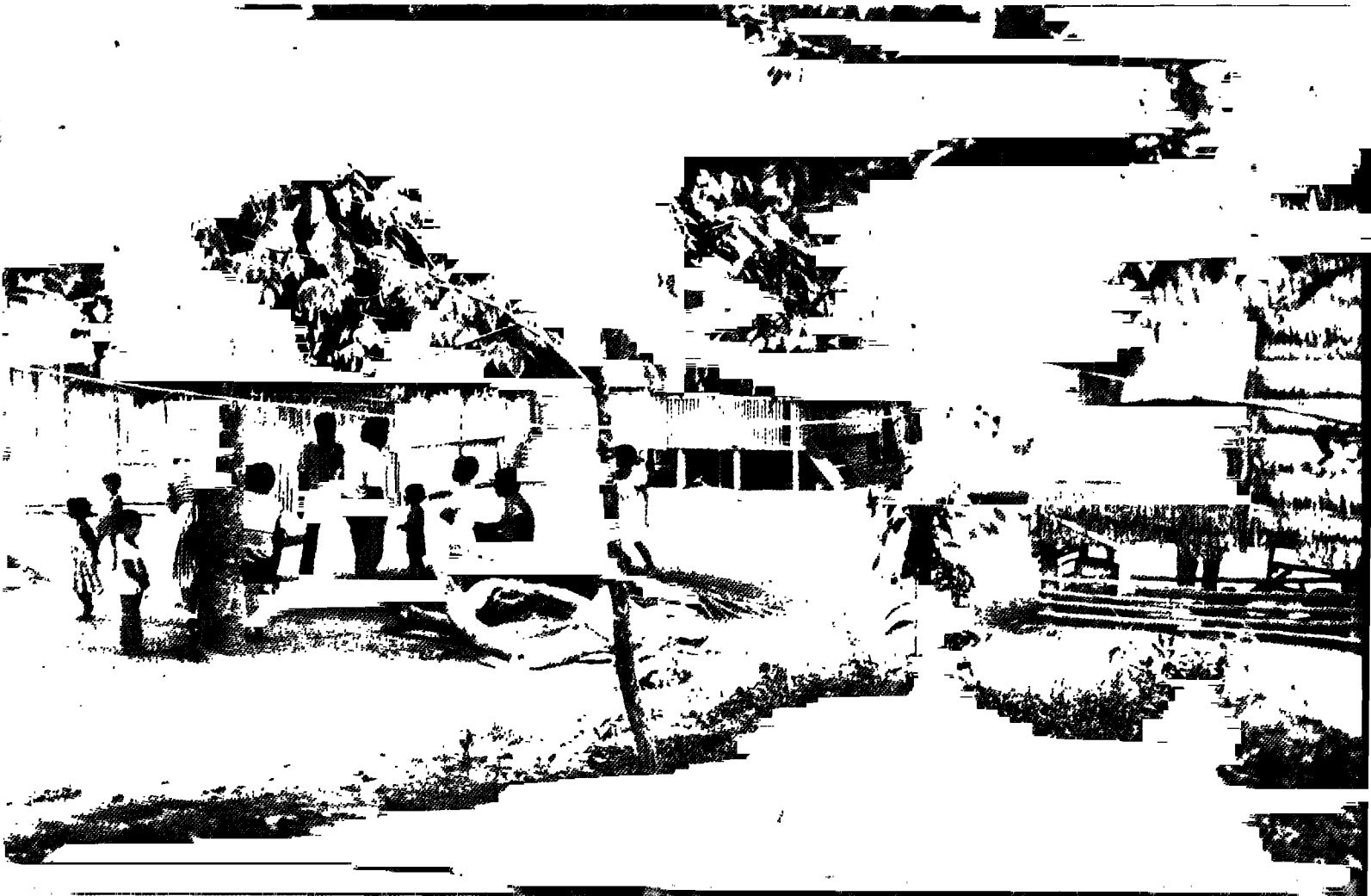
Where a government and its institutions are young, as with the ARMM Regional Government, and particularly when a society is emerging from a period of conflict and instability, active participation by civil society in the development efforts is especially valuable. The NGOs of the Region can contribute specifically, if they:

1. *Advocate for better human development services and more resources* on behalf of the communities they represent. NGOs can advocate for increased budgetary allocations for human development from LGUs by, for example, helping local chief executives recognize the value of human development services for their constituencies and by helping the people recognize their

rights to better services. Similar advocacy can take place at the national level.

2. *Monitor performance of all levels of government, and human development sector agencies in particular.* Civil society monitoring can apply to all aspects of the human development strategic plan, including, for example, monitoring of funding levels for human development or of compliance with transparency and accountability standards (e.g., for procurement and financial management reforms), or ensuring that education and health personnel are in regular attendance at their place of work.

3. *Fill the service gaps where government agencies are unable to deliver.* NGOs can themselves contribute to the provision of human development services where government reach is limited. Community-led activities, especially in remote areas, are particularly suitable for NGO support. A critical part of NGO involvement would be creating the social structures for self-help that would allow communities to become self-reliant in the long run, and teaching community members to assert their rights as well as fulfill their obligations vis-à-vis the various levels of government.



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Annex

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

1. Governance and Financing

Strategy: Negotiate and implement a medium-term governance and financing framework that would increase public expenditures for human development (HD) and strengthen regional autonomy in budget management. In parallel stepwise fashion, take a series of confidence-building measures to increase transparency and accountability in management of staff and other resources, and demonstrate political consensus on key policy directions in HD. Involve civil society in monitoring actions of all governments.

| Purpose/Course of Action | Timing | Ease of Delivery | Potential Impact | Resources Needed | Lead Agency |
|--|-----------|--|--|--|---|
| <p><i>A. Increase public expenditures for human development, financed by a mix of sources including the National Government, local governments, and donors. Use increased funding to increase shares of nonpersonnel expenditures, i.e., maintenance and other operating expenses and capital outlays</i></p> | | | | | |
| A.1 Formulate proposed medium-term financing and expenditure plan for HD based on principles of (i) substantially increased overall funding from National Government (NG), local government units (LGUs) and official development aid (ODA); and (ii) more than proportionate share of increases reserved for maintenance and other operating expenses (MOOE) and capital outlays (CO) | Immediate | Technically difficult and politically complicated Important to provide policy basis and justification for proposals ODA funding likely to concentrate on CO. Hence governments must ensure sustainable recurrent cost funding | Multiyear guide to prospective budget envelope available for HD actions and reforms Provides baseline proposals for negotiations with financing sources | Modest, for technical assistance (TA) | Political leadership of Regional Government (RG) with support from Autonomous Region in Muslim Mindanao (ARMM) HD agencies Civil society to monitor implementation |
| A.2 Negotiate indicative levels of future NG transfers to RG for HD; these should be substantially higher than current levels | Immediate | Subject to political uncertainties in 2004; might be clearer with new administration after 2004. Start with 2005 budget NG must recognize that greater needs in ARMM and HD contribution to country-wide "peace dividend" justify increased NG funding levels | Crucial catalyst for moving forward on other sources of financing since this is currently the main source for HD expenditures in ARMM | Modest, for TA to RG and NG Substantial increases in NG allocations | Political leadership of RG and key support from NG leaders, Department of Budget and Management (DBM) |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| | | | | | |
|--|--|--|---|--|---|
| <p>A.3 Formulate a negotiated formula for LGU cofinancing of HD as part of revised regional devolution policy; this should be substantially higher than current levels</p> | <p>Immediate to medium term</p> | <p>Requires study on current uses of LGU funds to identify possibilities for reallocation from less urgent or lower priority items</p> <p>LGUs must be persuaded or mandated to share responsibility for HD</p> <p>Subject to political agreement between RG and LGUs</p> <p>Requires legislative action to revise devolution policy</p> | <p>LGUs have steady income source (Internal Revenue Allotment—IRA) that could provide sustainable source of funding</p> <p>Based on comparison with LGUs in other parts of the country, ARMM LGUs could make potentially large contributions to HD services</p> <p>Could be mobilized immediately, with strong political leadership from region</p> | <p>Modest, for TA to RG and LGUs</p> <p>Substantial increases in LGU allocations</p> | <p>Political leadership of RG and LGUs</p> <p>Civil society must participate in advocacy with LGUs</p> |
| <p>A.4 Negotiate with donors for indicative portion of expenditures likely to be covered by ODA projects in HD</p> | <p>Immediate to medium term</p> | <p>Crucial to obtain overall budget ceiling within which ODA projects can be identified and prepared</p> <p>Once budget envelope clear, project pipeline can be established</p> <p>Requires donor coordination within a common HD framework</p> <p>Project preparation and implementation capacities will be essential</p> | <p>Could provide early response to resource mobilization; offers greater financing stability despite uncertain fiscal position of NG</p> <p>ODA assistance generally, though not always, restricted to CO (infrastructure, equipment) and other investment costs (training, seed money for revolving funds, etc.)</p> <p>Government sources must provide the corresponding sustainable recurrent cost financing</p> | <p>Modest, for TA to RG line agencies and LGUs</p> <p>Substantial increases in ODA allocations</p> | <p>Political leadership of RG with key support from NG leaders</p> <p>Technical leadership from HD agencies in ARMM to develop common strategic framework</p> |
| <p>A.5 Negotiate indicative levels of RG local funds for HD expenditures</p> | <p>Immediate</p> | <p>Subject to future levels of RG local funds and political agreement between Regional Executive and Regional Legislative Assembly (RLA)</p> | <p>Amounts minimal, but important signal of RG commitment to HD from resources within its control</p> | <p>Modest, for TA to RG and RLA</p> | <p>Political leadership of RG with support from HD agencies and RLA</p> |
| <p><i>B. Increase autonomy in budget allocation and management for the Regional Government</i></p> | | | | | |
| <p>B.1 Negotiate with NG and Congress for less itemization of its budgetary appropriation to ARMM</p> | <p>Stepwise transition over immediate to medium term</p> | <p>Can start with 2005 budget. RG should demonstrate efforts to increase accountability (see points D and E below)</p> <p>Need monitoring system, initially</p> | <p>Regional initiatives to improve HD outcomes supported by informed decision-makers in RG</p> | <p>No additional resources needed</p> | <p>RG leadership to negotiate with NG/DBM and with Congress</p> <p>Civil society monitoring</p> |
| <p>B.2 Define part or all of NG transfers to ARMM under IRA-type formula</p> | <p>Medium term</p> | <p>Same conditions of accountability as B.1</p> | <p>Would provide more stable funding source than annually negotiated budget</p> | <p>TA to develop appropriate allocation formula</p> | <p>RG leadership to negotiate with NG and with Congress</p> |
| <p>B.3 Expand local revenues of RG and LGUs</p> | <p>Long term</p> | <p>Limited prospects for expanding tax base, except in long term</p> | <p>Would reduce dependence on NG allocations</p> | <p>No additional resources in immediate future</p> | <p>RG</p> |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| Purpose/Course of Action | Timing | Ease of Delivery | Potential Impact | Resources Needed | Lead Agency |
|---|--|---|--|---|--|
| <i>C. Demonstrate political consensus in passage of key regional legislation or broad-based executive decision(s) providing policy directions in human development (see sections on education, health, and social protection in this matrix)</i> | | | | | |
| <i>D. Conduct organizational and staffing review and develop human resources development plan for human development agencies in ARMM</i> | | | | | |
| D.1 Conduct a census of RG employees to update the staff rolls and identify nonexistent, absentee, or unqualified employees | Immediate | Technically complex and politically difficult | Eliminate most egregious abuses in public sector employment Savings from elimination of "ghost employees" can be used to (a) hire "real" service providers, especially in remote areas; (b) increase salaries; and/or (c) finance MOOE and CO | Moderate for TA and costs of census Substantial, if incentives for voluntary separation or early retirement needed | RG leadership and managers of HD agencies |
| D.2 Clarify and enforce standards and processes for hiring and firing of RG employees | Immediate | Policies must be transparent and widely disseminated | Objective criteria set for human resources (HR) actions Sanctions for nonperformers | Modest, for TA | RG leadership for policy Top and middle managers in HD for enforcement |
| D.3 Develop staff deployment plans for HD agencies consistent with strategic directions in each sector | Immediate, part of HD sector master plans | Crucial to obtain early decisions on policy directions (e.g., decentralization, devolution, priorities) to guide organization and staffing | More efficient use of HD resources (should be HD HR but sounds/looks funny) Better coverage of underserved areas | Modest, for TA Substantial, if incentives for redeployment needed | Top and middle managers of HD agencies |
| D.4 Identify priorities for capacity building, training, retooling; and implement staff development programs | Immediate to long term | Part of HD sector master plans | Improve the match between staff members and their job descriptions Staff productivity and morale crucial to goals | Modest, for TA to HD agencies Substantial to implement training programs | Top and middle managers of HD agencies |
| D.5 Proceed with planned reorganization and restructuring of agencies to rationalize the regional bureaucracy | Immediate to medium term | Technically complex and politically difficult | Rationalize the regional bureaucracy | Modest, for TA | RG leadership |
| D.6 Define and/or update job descriptions for all positions in government; define results agreements for each staff member on the basis of these job descriptions; institute regular performance evaluations based on these results agreements; and define region-wide policies for rewards and sanctions linked to performance evaluations | Medium to long term for job descriptions Annually over the long term for others | Initial effort to define job descriptions will be difficult; standard job descriptions should be used wherever possible Key is to sustain attention and effort over a long period as effects are cumulative Can be done for HD agencies only or all government agencies | Objective criteria set for HR actions | TA to HD agencies | Initially, RG leadership and managers of HD agencies Over the long term, top and middle managers of HD agencies |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| Purpose/Course of Action | Timing | Ease of Delivery | Potential Impact | Resources Needed | Lead Agency |
|---|---|--|---|---|---|
| <i>E. Adopt measures to improve transparency and accountability in resources allocated and used for human development, starting with procurement and financial management</i> | | | | | |
| E.1 Implement the new National Procurement Law (RA9184) and its Implementing Rules and Regulations (IRRs) | Immediate for adoption of Law and IRR Immediate to long term for capacity building | Key is to sustain attention and effort for enforcement Will require extensive capacity-building in competitive electronic procurement procedures, planning, and monitoring Will require establishment of a regional procurement coordinating and monitoring unit Civil society participation in monitoring public procurement activities needed | Demonstrates RG's commitment to transparency to minimize if not eliminate corruption Considerable savings in costs of goods and services purchased Just-in-time procurement | Modest, for TA to RG and HD agencies Advocacy TA for civil society participation | RG through its Regional Procurement Monitoring Unit Procurement units in HD agencies Civil society to monitor |
| E.2 Implement an automated accounting information system | Immediate | Key is to sustain attention and effort for enforcement Link up with national Commission on Audit (COA) to use [COA owns software & needs to give permission to ARMM] simplified bookkeeping software, and TA if needed | Signals RG's credibility and trustworthiness by demonstrating prudent use of its resources Reduce financial mismanagement and corruption | Modest, for TA to RG | RG leadership and managers |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

2. Education

Strategy: Bring to rapid conclusion the ongoing debates on the goals and institutional forms of the Regional education system—both public and private—to enable the system to proceed with the challenge of rebuilding and upgrading quality with the limited resources available. Institute a participatory management style and introduce improved management and operating systems. Improve the links between basic and tertiary education institutions.

| Purpose/Course of Action | Timing | Ease of Delivery | Potential Impact | Resources Needed | Lead Agency |
|--|-------------|---|---|--|--|
| <i>A. Articulate a clear and broadly shared agenda for educational development in ARMM</i> | | | | | |
| A.1 Formulate a multiyear regional basic education plan for ARMM that (a) clearly articulates broadly shared goals and acceptable service standards; and (b) defines a concrete program for increasing availability of schools in remote areas and upgrading the quality of the public school system | Immediate | Broadly consultative process to prepare agenda; public disclosure about process important Realistic implementation plan necessary but may be more difficult, given many needs in region Agree on allocation of responsibilities between RG and LGUs | Strengthen links between RG and LGUs leadership, and other education officials Persuade NG to allocate more resources for education in ARMM Persuade LGUs to mobilize more of own resources Achieve coordinated effort toward education goals and reduce wastage in sector | Modest, for preparing plan Substantial, for implementing plan | RG to initiate but need to involve LGU and Department of Education (DepEd); donor assistance may be needed |
| A.2 Formulate policy on <i>madaris</i> , reserving option of public support for <i>madaris</i> willing and able to meet national accreditation standards, particularly in areas not served by public schools | Immediate | Need survey to assess condition of <i>madaris</i> relative to national accreditation standards; information is not good now Consultative process is important; keeping political agenda separate from education agenda will be a challenge | By upgrading quality of <i>madaris</i> , increase enrollment and continuation rates, especially among the poor | Modest, for policy development Substantial, depending on the agreed public role of <i>madaris</i> | RG, LGUs, and DepEd, with possible donor assistance; community groups |
| <i>B. Increase efficiency of the education sector by improving key management and operating systems</i> | | | | | |
| B.1 Establish policy of shared management and accountability in system; devolve clear functions to local education managers with corresponding resource transfers | Immediate | Response to division superintendents and other local managers; political will and support for democracy by RG Accountability mechanisms needed; TA may be needed to experiment on what would work; performance may be difficult to measure | Improve initiative and effort by local education managers Improve sector decision-making | Modest; needs political commitment to shared management | RG with support from LGUs |
| B.2 Improve regular information collection and distribution system down to schools and students to map out needs and track performance | Medium term | TA needed to design system; need collaboration of local education managers | Improve resource planning and budgeting Improve sector decision-making | Substantial | RG with assistance of DepEd |
| B.3 Improve budgeting, procurement, and financial management systems at division and school levels | Immediate | Assess existing systems; design and pilot new system; train and implement Related to current DepEd project | Increase operational efficiency Improve transparency, reduce corruption Meet school needs better | Moderate | RG and LGUs with assistance of DepEd |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| Purpose/Course of Action | Timing | Mode of Delivery | Potential Impact | Resources Needed | Lead Agency |
|---|------------------------|--|--|--|---|
| B.4 Improve management systems especially for hard-to-reach places (such as conflict-affected areas and island provinces) | Immediate | Requires technical consultancy on system design and training of local managers and school personnel | Meet specific needs of schools in hard-to-reach areas | Moderate | RG and LGUs with assistance of DepEd |
| B.5 Improve teacher development and management systems | Medium term | Assess quality and deployment of teachers with respect to education agenda Improve teacher development programs, as well as compensation, evaluation, and promotion systems | Improve teacher attendance, instruction methods, and student learning Better deploy good teachers where they are needed | Substantial | RG with assistance of DepEd |
| <i>C. Ensure adequate resources for educational development in ARMM</i> | | | | | |
| C.1 Amend school funding formula to reflect education agenda and needs | Immediate | Formula to be underpinned by quality and service standards for public schools Identify and target under-resourced public schools | Upgrade public school standards and improve school performance Reduce wastage by allocating resources where they are needed | Modest, for change in funding formula Substantial, if implemented to address needs of under-resourced schools | RG with assistance from DepEd |
| C.2 Mobilize NG, LGU and donor resources for education | Immediate to long term | Implement public school upgrading plan in A.1(b) above LGUs need to take responsibility for specific education goals (See point A under Governance and financing section) | Improve school performance and achieve educational goals Reduce out-of-pocket spending by poor | Substantial | NG, LGUs, donors for funding RG takes lead on implementation |
| C.3 Design demand-side program for the poorest and disadvantaged areas, especially in conflict-affected areas | Immediate | Ensure that these special support programs imply additional funds Monitor accuracy of targeting May need coordinated nongovernmental organization (NGO) and donor assistance | Reduce out-of-pocket spending by poor, linked to education behavior Improve disadvantaged-school outcomes | Moderate to substantial, depending on level of support | RG and LGUs, with NGO and donor assistance |
| C.4 Set and implement policy for outstanding pool of illiterate and under-schooled adolescents and adults | Immediate | Assess size of problem in region, and set performance goals | Improve educational development for all | Moderate | RG and LGUs |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| Support Course of Action | Timeline | Case of Delivery | Potential Impact | Resource Needs | Lead Agency |
|---|------------------------|--|--|----------------|---|
| <i>D. Improve links between basic and tertiary education institutions</i> | | | | | |
| D.1 Develop close R&D relationship between schools and tertiary education institutions; especially for developing pedagogical methods for students in conflict-affected areas and in remote islands | Immediate to long term | Find technical solutions to improve education in hard-to-reach and conflict-affected areas; distance-learning methods may help evacuees and others where schools are disrupted or too remote | Improve quality of basic education Reduce dropout rates of students, and improve learning Increase relevance of tertiary education | Moderate | RG with assistance of Commission on Higher Education (CHED) and DepEd |
| D.2 Use university capacity to train education personnel and political and business leaders to find and promote solutions for peace and prosperity | Medium term | Regional universities already have existing inter-faith dialogue programs, but these need to be used in teacher development | Include peace and conflict resolution in education process | Moderate | RG with assistance of CHED and DepEd |
| D.3 Upgrade quality of tertiary education, especially in relation to teacher development | Long term | Determine public and private roles for this May need coordinated NGO and donor assistance | Improve returns to basic education Improve quality of teacher supply to basic education | Substantial | RG with assistance of CHED and donors |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

3. Health

Strategy: Immediately correct the serious under-funding through a mix of funding sources (National Government, local government units, PhilHealth, donors, user charges). Develop a master plan to guide strategic upgrading of primary and secondary facilities, ensuring that qualified staff are present before undertaking infrastructure projects. Increase support for priority public health programs and programs to reduce conflict-related trauma.

| Purpose/Course of Action | Timing | Ease of Delivery | Potential Impact | Resources Needed | Lead Agency |
|--|--|--|---|---|--|
| <i>A. Bring more funds into the health system</i> | | | | | |
| A.1 Increase share of health in ARMM budget | Immediate | Health sector should receive more than proportionate share of any increases in RG budget. (See point A under Governance and Financing section) Meanwhile, RG and NG to identify possibilities for reallocation from less urgent or lower priority items within the existing RG budget. | Increase resources to improve quality and reach of care Reduce out-of-pocket costs for poor | Substantial | RG and NG/DBM Civil society to advocate for increased resources |
| A.2 Increase LGU financing of health care through: (a) direct funding of health services; and (b) LGU sponsorship of indigents in PhilHealth Indigent Program (IP) | Immediate | Local chief executives (LCEs) must be persuaded or mandated to allocate greater share of IRA for health. LGU share in health financing would be an essential provision of the proposed revised version of the ARMM Local Government Code (LGC) RG and LGUs could cosponsor IP memberships | Same as A.1 above | Substantial | RG to initiate dialogue with LGUs, lead devolution discussions LGUs to allocate funds for health Civil society to advocate for increased resources |
| A.3 Increase PhilHealth activity in the Region through: (a) opening of PhilHealth office(s) in ARMM; (b) expanding IP coverage; (c) upgrading providers to meet accreditation standards; (d) encouraging private sector providers | Immediate for (a) and (b) Medium to long term for (c) and (d) | PhilHealth is already planning to do (a) and (b). Need to accelerate action (c) and (d) will require substantial investment funds (see also B.2 below) | Same as A.1 above; especially, reduce out-of-pocket costs for poor if covered under IP Improve physical and financial access to health providers | Substantial | National PhilHealth for (a) and (b) National and local PhilHealth, RG, LGUs, and donors for (c) and (d) |
| A.4 Mobilize donor and NGO funding for the health sector | Immediate | Donor coordination required, preferably within systematic framework for health system development | Same as A.1 above Donor coordination required to maximize impact | Substantial Modest to substantial (depends on donor) | RG and/or LGUs lead coordination efforts |
| A.5 Institute user charges but only with assurance that: (a) poor are exempted from fees and receive equal quality care; and (b) revenues are retained by facility. Preferably apply only for nonessential aspects of care (private rooms, etc.) | Immediate | Difficult to assure conditions (a) and (b) Community monitoring advisable for (a) | Increase resources to improve quality and reach of care Increase out-of-pocket costs with risk of excluding poor Public investments in "private wings" divert funds from priority public services | Modest to moderate (from health system clients) | Health facility managers with guidance from ARMM Department of Health (DOH) LGUs to permit retention of revenues |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| Purpose/Course of Action | Timing | Ease of Delivery | Potential Impact | Resources Needed | Lead Agency |
|--|--|---|---|--|--|
| <i>B. Establish an efficient health care delivery system</i> | | | | | |
| B.1 Develop a plan to rationalize the Region's health network, especially at primary and secondary care levels (The plan should consider staffing and funding realities) | Immediate (must precede step B.3) | Requires TA on health network planning Political consultation process is as important as technical analysis | Provide blueprint to enhance access to primary and secondary care of good quality, reduce unnecessary hospitalization, and reduce inefficiency/wastage in health investments and operating costs | Moderate | ARMM-DOH, in consultation with RG, LCEs, provincial health officers, municipal health officers, private providers and community representatives |
| B.2 As part of B.1, develop cost-effective and sustainable service models for remote areas | Immediate to medium term | Challenging task requiring inputs from experts in field operations Will require active community involvement | Expand the reach of the health system to the poorest families | Modest | ARMM DOH, in consultation with LCEs, MHOs |
| B.3 Invest extensively in primary facilities; invest selectively in secondary facilities in line with rationalization plan (All infrastructure projects must have ensured staffing and operating cost funding) | Medium to long term | Will require substantial investment funds Lack of qualified staff is a prime constraint Political consensus must be maintained in support of rationalization plan | Enhance access to primary and secondary care of good quality, reduce unnecessary hospitalization, and reduce inefficiency/wastage in health investments and operating costs Potential for enormous wastage if facilities are without qualified staff | Substantial | ARMM-DOH, LGUs, donors |
| <i>C. Establish efficient support systems for managing health operations</i> | | | | | |
| C.1 Introduce systems to improve health human resources (HHR) management, including (a) staff deployment in line with rationalization plan; (b) reform of HHR management system (part of civil service reform); and (c) skills upgrading | Immediate to medium term | Requires TA on HHR planning Involve communities in HR planning, especially for remote areas Strong political leadership required to pursue HHR (civil service) reform | Health personnel more productive Health system able to produce more and better services without increasing costs. | Moderate to Substantial, depending on conditions of civil service reform | RG for region-wide civil service reform; ARMM-DOH for HHR reform if centralized system; ARMM-DOH and/or LGUs if devolved; community representatives |
| C.2 Introduce systems to improve drug management, including (a) pooled procurement, using transparent competitive bidding; (b) improved drug logistics systems; and (c) transparent and accountable management of public funds for drugs | Immediate for (a); medium term for (b) and (c) | Requires TA on drug systems management Easier to do for centralized system; requires LGU agreement to pool procurement | Less frequent drug stock-outs in health facilities Lower prices for drugs Reduce out-of-pocket costs for poor Reduce leakages/corruption | Moderate | ARMM-DOH in consultation with local health managers if centralized system; ARMM-DOH and/or LGUs in consultation with local health managers if devolved |

Annex Matrix of Strategic Actions for Achieving Human Development in ARMM

| | | | | | |
|--|---------------------------|---|--|-------------|--|
| C.3 Introduce systems to improve (a) health information management and (b) budget and financial management | Medium term | Requires TA on information system and financial management system designs Will require moderate investment funds for software and hardware | Health system able to produce more and better services without increasing costs Reduce leakages/corruption Better monitoring of health inputs, outputs, outcomes | Moderate | ARMM-DOH in consultation with local health managers if centralized system; ARMM-DOH and/or LGUs in consultation with local health managers if devolved |
| <i>D. Promote programs that respond to special health needs in the Region</i> | | | | | |
| D.1 Increase support for priority public health programs including maternal and child, nutrition, and reproductive health, family planning, tuberculosis, and malaria programs | Immediate and medium term | Existing programs require increased resources Programs should be culturally sensitive (e.g., involving <i>ulamas</i> in reproductive health, family planning program) Increase integration in program delivery to fit broader health system reforms | Direct impact on health outcomes | Substantial | ARMM-DOH with local health managers |
| D.2 Undertake multisectoral health-promoting efforts (e.g., food supply, water, sanitation, housing) | Immediate to long term | Requires interagency coordination | Improve general health status; prevent illness Substantial long-term impact on health | Substantial | ARMM-DOH in coordination with concerned agencies; local health managers |
| D.3 Expand psychosocial interventions to reduce post-traumatic stress disorder (PTSD) | Immediate | Pilot community-based program exists in Pikit, North Cotabato Needs modest resources to expand Health staff not trained in PTSD management | Reduce immediate and long-term consequences of conflict-related psychological trauma Contribute to peace effort | Modest | ARMM-DOH and ARMM Department of Social Welfare and Development (DSWD) |
| D.4 Set and implement policy for outstanding pool of illiterate and under-schooled adolescents and adults | Immediate | Assess size of problem in region, and set performance goals | Improve educational development for all | Moderate | RG and LGUs |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

4. Community-Led Social Protection

Strategy: Promote continued evolution toward a system of community-based social structures that provide a vehicle for building social cohesion, establishing development-oriented projects and participatory processes, and providing a safety net in times of crisis or sudden income loss. Use successful community-led projects as demonstration models for other communities. Improve community-based poverty mapping instrument. Enhance capacity in ARMM-DSWD to lead the effort, and fully engage civil society as the principal partner.

| Strategic Action | Time | Challenges | Enabling Factors | Assessment | Lead Agency |
|---|---|---|---|--|---------------------------|
| <i>A. Select successful community-led best practices from Comprehensive and Integrated Delivery of Social Services (CIDSS) projects in poorest barangays to serve as demonstration and learning sites</i> | | | | | |
| <p>A.1 Assess and profile community-led (DSWD or NGO guided) best practices in social protection (SP) in ARMM</p> <p>A.2 Prepare selected communities as models and hosts for immersion and exposure for other visiting communities</p> <p>A.3 Manage replication activities by visiting communities in priority target <i>barangays</i></p> | <p>Immediate</p> <p>Immediate and sustained activity onward</p> <p>Medium term (second year onward)</p> | <p>High degree of cooperation needed among ARMM-DSWD, LGUs, and some NGOs to support both the host and visiting communities</p> <p>RG and LGUs to work out operational coordination and resource sharing support system</p> <p>Community exchanges only possible in relatively violence-free communities</p> | <p>Community-led best practices in SP provide concrete and doable people-to-people solutions to SP needs in the real environment of post-conflict and extreme poverty situations</p> <p>They also demonstrate powerful SP outcomes that rely on people-centered utilization of resources merely complemented by limited external assistance.</p> <p>Desirable self-help values become manifested which replace dependence, post-conflict depression, helplessness, and social exclusion</p> | <p>Moderate. First year resource requirements drawn from regular fund sources of both ARMM-DSWD and LGUs combined with counterpart fund from national DSWD</p> <p>Second-year resource requirements similar to first year but with more NG transfers</p> <p>Substantial. Third year onward needs even bigger NG transfers and donor assistance, in anticipation of increased project-driven demand</p> | <p>ARMM-DSWD and LGUs</p> |
| <i>B. Improve community-based poverty mapping instrument to be more user-friendly to poor communities</i> | | | | | |
| <p>B.1 Review poverty mapping instrument, make its use more participatory as a basis for prioritizing the poorest communities for the combined assistance of LGUs, ARMM, and NG</p> <p>B.2 Pass a law requiring all barangays to use the improved MBN mapping tool as basis for community profiling of basic SP needs; can be expanded to other community needs profiling</p> | <p>Immediate</p> <p>Medium term</p> | <p>Strong resistance from some LGUs are expected, especially in making community-led profiling mandatory for all <i>barangays</i></p> <p>Its use is also the first fundamental step in community-led processes and a clear indicator for community participation before any financial assistance takes place</p> | <p>Its use is also the first fundamental step in community-led processes and a clear indicator for community participation before any financial assistance takes place</p> | <p>Collaboration of ARMM and LGUs in resource sharing should be the basis for further assistance from NG and donors</p> | |

Annex. Matrix of Strategic Actions for Achieving Human Development in ARMM

| Proposed Course of Action | Timing | Scope of Priority | Potential Impact | Resources Needed | Lead Agency |
|---|---|---|---|---|---|
| B.3 Use the improved MBN tool to profile all barangays as part of basis for release of IRA share to complying barangays including other forms of assistance from RG and NG | Medium term (second year onward) | | Subsequent steps in community action planning rest on this fundamental step (from SP needs identification all the way to project development and implementation) | | |
| B.4 Train barangay officials, workers and facilitators on the use of the improved MBN mapping tool | Medium term (second year onward) | | | | |
| <i>C. Develop the policy basis for social protection program coordination and resource sharing to support scaling-up of community-led projects</i> | | | | | |
| C.1 ARMM-DSWD to consult with LGUs on program coordination and resource sharing | Immediate | Besides the ARMM Governor as champion of this revision to the ARMM LGC, other champions per province in the ARMM area should be recruited to gain support in law making and in actual resource sharing in SP projects. Local champions will reduce resistance to resource sharing | Resource sharing that contributes concretely to development of communities starting with community-led processes in SP should provide new ideas in constituency building anchored on development of people rather than on patronage and dependency politics | Modest. All activities in the first year are funded from regular sources with some budget items realigned for the purpose. Budget realignment should be done at the current period so that realigned budget can be used in time for the first and subsequent periods | ARMM Legislative Assembly with ARMM Governor as champion, ARMM-DSWD, LGUs |
| C.2 Formulate draft bill for further consultations with LGUs (this may be a component of the proposed revised version of the ARMM LGC) | Immediate | | | | |
| C.3 ARMM Legislative Assembly passes draft bill into law | Medium term | | | | |
| C.4 ARMM-DSWD and LGUs adopt CIDSS-like and community-led social protection projects as a regular program (rather than as a special program implemented by national DSWD through ARMM- DSWD) | Medium term (second year onward) | | | | |
| <i>D. Update the ARMM-DSWD Strategic Plan</i> | | | | | |
| D.1 Consultations on SP program framework made coherent with overall HD strategy in ARMM | Immediate | Oversight body constituting NG, ARMM, and LGUs created for the purpose and to reduce and manage resistance at all levels of government | The interdependence of LGUs, ARMM, and NG should work as a unified governance system for SP and HD in the Region. This is reflected primarily in any written plan, such as the strategic plan | Modest. To speed up the review process, donors, with ARMM and NG, can initiate and carry the cost of start-up activities | ARMM Governor, NG, and donors |
| D.2 In parallel, review recent ARMM-DSWD Strategic Plan for 2003-2005 for coherence and rationalization in resource sharing among LGUs, ARMM, and NG | Immediate | | | | |
| D.3 Review budget specifically on items for resource sharing among LGUs, ARMM, and NG to anticipate needed medium-and long-term resource requirements of ARMM SP plan (including budget requirements of ARMM-SF Project and other ARMM focused aid/loan funds) | Immediate and sustained regular activity onward | | | | |
| <p><i>Note:</i> ARMM = Autonomous Region in Muslim Mindanao; CIDSS = Comprehensive and Integrated Delivery of Social Services; CHED = Commission on Higher Education; COA = Commission on Audit; DBM = Department of Budget and Management; DepEd = Department of Education; DOH = Department of Health; DSWD = Department of Social Welfare and Development; HD = Human development; HHR = Health human resources; HR = human resources; IP = Indigent Program (of PhilHealth); IRA = Internal Revenue Allotment; IRRs = Implementing Rules and Regulations; LCE = Local chief executive; LGC = Local Government Code; LGU = Local government unit, MOOE = Maintenance and other operating expenses; NGO = Nongovernmental organization; ODA = Official development aid; PhilHealth = Philippine Health Insurance Corporation, R&D = Research and development; Regional Legislative Assembly, RG = Regional Government; SP = Social protection; TA = Technical assistance.</p> | | | | | |



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College of Public Administration & Development Studies
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Zamboanga City 7000
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P. Del Rosario Street
Cebu City 6000
Contact Person: Ms. Maxie Doreen Cabarron
Phone: (032) 253-1000 loc. 126
E-mail: knc@usc.edu.ph
Internet Address: www.usc.edu.ph
Library Hours: 7:30 AM – 8:00 PM, Monday to Saturday;
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THE WORLD BANK GROUP

The World Bank Office, Manila
23rd Floor, Taipan Place
Emerald Avenue, Ortigas Center
Pasig City, Philippines
Tel: (63 2) 637-5855
Fax: (63 2) 917-3050

The World Bank Group
1818 H Street, N.W.
Washington, D.C. 20433
USA
Tel: (202) 477-1234
(202) 477-6391