

Document of
The World Bank

Report No: 70933-PH

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
MINDANAO RURAL DEVELOPMENT PROJECT - PHASE 2 PROJECT
LN 7440-PH
22 MARCH 2007

TO THE

REPUBLIC OF THE PHILIPPINES

July 18, 2012

ABBREVIATIONS AND ACRONYMS

ARMM	Autonomous Region for Muslim Mindanao
CFA	Counterpart Funding Assistance
CFAD	Community Fund for Agricultural Development
DA	Department of Agriculture
LGU	Local Government Unit
NRM	Natural Resource Management
PAD	Project Appraisal Document
PDO	Project Development Objective
PO	People's Organization
RI	Rural Infrastructure
RPCO	Regional Project Coordinating Offices
SIGA	Sustainable Income Generating Activities
OGI	On the Ground Investment Assistance
GEF	Global Environment Facility

Regional Vice President:	Pamela Cox
Country Director:	Motoo Konishi
Sustainable Development Leader:	Mark Woodward
Task Team Leader:	Felizardo Jr K. Virtucio

Reallocation of Proceeds

*PHILIPPINES — MINDANAO RURAL DEVELOPMENT PROJECT PHASE 2 -
NATIONAL RESOURCE MANAGEMENT PROJECT
P096836
GEF GRANT NO. TF094704
Restructuring Paper*

1. The proceeds for *Philippines, Mindanao Rural Development Project Phase 2 – National Resource Management Project, GEF Grant No. TF094704, P096836* is proposed by the Government of the Philippines (GoP) to be reallocated as follows:

Category of Expenditure	Allocation (US\$)			% of Financing
	Current	Proposed Reallocation	Revised	
(1) Goods	423,000	0	423,000	100%
(2) Consultants services	292,000	107,500	399,500	100%
(3) Training Workshops	1,309,000	(200,000)	1,109,000	100%
(4) OGI Sub-Grants under Part B of the Project	2,246,000	0	2,246,000	100% of the amount disbursed
(5) SIGA Sub-Grants under Part C of the project	1,663,000	0	1,663,000	100% of the amount disbursed
(6) Incremental Operating Costs	418,000	92,500	510,500	100%
TOTAL AMOUNT	6,351,000		6,351,000	

2. The latest (7th) Implementation Support Mission, conducted from January 30 to February 13, 2012, showed that the MRDP 2's progress in physical and financial accomplishments continues to accelerate. Full-year 2011 disbursements reached \$11.4 million, a 150 % increase from the \$4.53 million disbursed in 2010. In fact, the 4th quarter 2011 disbursements (\$4.51 million) are nearly equal the total disbursements in 2010. Consequently, the end-2011 disbursement target of 29.5% has been exceeded during the mission (30.5%).

Further acceleration in implementation and disbursements, especially of rural infrastructure (RI) subprojects was expected given the hefty 53% and 332% increase in the value of sub-projects brought to the procurement and on-going stages, respectively, since the previous mission. There were also reasonable improvements in the procurement performance of the Community Fund for Agricultural Development (CFAD) and Natural Resources Management (NRM) components of the project. As a result, disbursements have nearly increased by 10 percentage points over about 5 months since the 7th Bank mission, reaching 40.2 percent.

In addition, an evaluation of the mid-term outcome results shows that the mid-term outcome targets have been either met or exceeded. Hence, the Overall Implementation Progress rating of the project has also been increased from Moderately Satisfactory to Satisfactory.

This improvement in disbursements can be traced to the increasing efficiency and effectiveness of the project support staff, both at the central and regional levels, in processing subproject proposals and in overseeing the subproject implementation of the participating LGUs. The project received a rating upgrade in Procurement (from Moderately Satisfactory to Satisfactory) due to continuing compliance with the procurement provisions of the Loan and Global Environmental Facility Grant Agreements even as the pace in overall procurement accelerated, especially for Rural Infrastructure (RI) subprojects.

3. More specifically, for the NRM/GEF component, its overall performance has been satisfactory, having achieved significant progress in improving the pace of implementation. It has made significant inroads in addressing lingering financial management concerns (i.e., liquidation) and operational demands (i.e., verification of reported accomplishments, survival of planted species, protection of fish sanctuaries, etc.). Thus, the overall physical and financial standing of all the project sites improved since the Mid-term Review.

Since May 2011, there was almost 16% increase in the funds downloaded and a 17% increase in liquidation for Year 1 sites during the 7th mission period. Physical accomplishment for Year 1 sites is about 99% and liquidation rate is about 90%. For Year 2 sites, there was a 53% increase in the funds released and about 169% increase in the liquidation. Year 2 sites have accomplished 45% of its physical targets and have liquidated about 69% of the loan proceeds downloaded. For Year 3 sites, about PhP16.5 million has been downloaded to all of the 11 LGUs

More importantly, reports from the stakeholders and implementers indicate that there are already positive outcomes emerging from the Year 1 subprojects. For example, the People's Organizations (POs) in Nasipit and Linamon have been able to generate savings from their subprojects and will be using these to finance activities that will either enhance coverage or benefit more members. The LGUs of Nasipit, Linamon and Don Marcelino have also committed continued allocation of their development fund to sustain their investments. It was also noted that there has been an increase in the fish biomass in the fish and marine sanctuaries in the sites visited.

Component performance can, however, be further improved if the following remaining operational concerns/ needs are addressed: (a) the winding-up/completion of all the Year 1 subprojects; (b) increased supervision and assistance to Year 3 subprojects; (c) improved supervision capacity in Region 9 RPCO; (d) improved supervision support for Autonomous Region for Muslim Mindanao (ARMM) and Region 9; and (e) improved liquidation of funds of some partner agencies.

4. In order to sustain the momentum of accelerated implementation and address the remaining gaps identified during the mission, more technical support and supervision

from the Project Support Office (PSO) and the Regional Project Coordinating Offices (RPCOs) are needed. The proposed US \$ 200,000.00 reallocation is, therefore, necessary to augment the resources of the staff providing technical assistance and monitoring the implementation of On the Ground Investment Assistance (OGI) and Sustainable Income Generating Activities (SIGA)” for the 11GEF sites.

The Department of Agriculture advised that the Project has enough savings from the Training and Workshop Category to support this proposed reallocation since the LGUs had already undergone training prior to the release of the comprehensive allotment. The proposed reallocation will, therefore, not change the overall budget requirement of the NRM/GEF component of the MRDP 2.