

Project Name	Philippines-Coastal Marine Project (GEF)
Region	East Asia and Pacific
Sector	Agriculture
Project ID	PHGE59933
Borrower(s)	Department of Agriculture
Implementing Agencies	Local Government Units (LGUs) in Participating Provinces of Mindanao; coordination by the Department of Agriculture (DA)
Environment Category	B
Date of PID	October 22, 1999
Projected Appraisal Date	May 30, 1999
Projected Board Date	November 16, 1999

Background

1. Poverty in the Philippines is predominantly a rural problem, with nearly half of the rural population accounting for two-thirds of the poor in the country. The agriculture sector of the country accounts for about a quarter of the country's GDP, employs half the work force, and generates a fifth of total export earnings; and the vast majority of the rural poor are engaged in farming or in artisanal fisheries. Agriculture sector performance has been declining since the 1970s: the rate of growth of agriculture decelerated from 5.8 percent during 1970-80, to average of 2.2 percent during 1990-95. Linked to reviving agriculture sector growth, the improved management of the critical natural resource base in the upland areas is the other major development challenge for the country, and has important implications for ensuring the sustainability of broad-based rural growth, and for rural poverty alleviation. It will also require an increase in rural non-farm production activities. Since 1975, the share of industry in total employment has remained virtually unchanged, being about 16% of total employment, and only about 6.5% of rural employment.

2. Responding to the above concerns, poverty alleviation is a central feature of the development objectives which the Government has set for itself, in drawing up the development plans for the next five years. With rural poverty making up for most of the country's total poor, the intensification and better management of the agriculture sector is seen to be extremely important for realizing this objective. At the same time, the enactment of the Local Government Code has devolved most of the responsibilities related to supporting agricultural development and the management of the upland (where many of the poor live, and practice farming) and coastal areas, to local government units (LGUs). However, various issues related to the institutional environment and capacity at the local level militate against LGU ability to deliver on its responsibilities in this regard.

Project Objectives and Approach

3. Past experience has shown that an effective program of poverty alleviation requires a sustained long term commitment and involvement, which

is often difficult to ensure through a single investment operation. Consequently, a phased long term program involving a series of four Adaptable Program Loans (APL), each covering a period of between 3 to 4 years, is proposed so as to effectively realize the above objectives, and secure sustainability in institutional capacity building and poverty alleviation. The proposed program also responds to the fact that Mindanao, which despite the considerable potential for increasing agriculture production, has witnessed an increase in the incidence of rural poverty since the early 1980s.

^a Accordingly, the APL program is designed as a targeted poverty reduction program for the rural poor and indigenous communities of Mindanao, aimed specifically at improving incomes and food security in the targeted rural communities within the 24 provinces of Mindanao. This would be achieved from the implementation of better targeted agricultural and fisheries-related rural development programs, and improved LGU institutional, management and financial systems.

At the same time, given the long history of conflict on the island of Mindanao, the realization of sustained rural growth and visible benefits to conflict affected populations, will directly contribute to reinforcing the Government's efforts at consolidating the peace initiatives for the island.

4. APL1, which is the subject of this document, would focus on a few selected provinces (North Cotabato, Sultan Kudarat, Agusan del Sur, Compostela Valley, Maguindanao), to test out the approach, and initiate the process of engaging LGUs and rural communities in designing and implementing a rural development program, in close association with concerned national government agencies (NGAs). Accordingly, it is designed as a targeted poverty reduction program for the rural poor and indigenous communities of Mindanao, aimed specifically at increasing agricultural production and improvements in agricultural productivity, as well as the diversification of rural economic activities. The experience and lessons from APL1 will help scale up the program under APL2 to other provinces in Mindanao which meet eligibility criteria. APL1 would realize these objectives by:

^a Meeting community needs for essential rural infrastructure, to foster increased agricultural productivity and access to potential markets; facilitate the introduction of sustainable agricultural production systems and diversification of present cropping systems; improved access to financial resources and agricultural inputs; and more effective technical support services. In doing so, the project would supporting the Government in the implementation of the Agriculture and Fisheries Modernization Act (AFMA).

^a Enhancing devolution and local autonomy, by reinforcing the implementation of the Local Government Code (LGC), as it relates to aspects concerning agricultural and fisheries development and improved natural resources management. The first phase project would aim to strengthen rural development planning and implementation capacity of the different levels of LGUs, in partnership with concerned NGAs; improve monitoring and evaluation of ongoing rural development initiatives; and strengthening community participation in LGU planning for rural development.

A strong participatory approach, using a program of social assessments, and involving the rural community, the LGUs, and local representatives of national government agencies (NGAs) would be a central feature of project

implementation. The program of physical investments to be supported under the project would be demand-driven and based on local priorities.

Project Description

5. The design of the project has been guided by a social assessment carried out in selected municipalities of the first two program provinces of North Cotabato and Sultan Kudarat. In support of smallholder farmers and the rural poor, the project is being designed to target key constraints which have been inhibiting growth in agricultural production and improvements in agricultural productivity. As mentioned above, the specific components to be financed under the project would be demand-driven and based on local priorities, to be determined through a program of workshops and consultations during detailed project preparation. Based on the work done to date on issues related to rural development, including discussions on the proposed project with LGUs and intended beneficiaries, the components would be as indicated below.

^a Rural Roads: The project would support a program of rehabilitation of rural roads (new construction would be considered as an exception, where it is fully justified by potential for agricultural development), which link agricultural production areas to the transport network, and roads within and between barangays, the lack of which has adversely impacted agriculture sector growth.

^a Small-scale irrigation: Rehabilitation of communal irrigation systems (CIS), and selectively, the construction of new projects which benefit small farmers.

^a Rural Water Supply: for rural communities in the targeted areas, which do not have access to safe potable water supply, and where health of the rural/agricultural labor force has been adversely impacted as a result.

^a Community Funds for Agricultural Development: To address the diverse priorities of communities, Community Funds for Agricultural Development (CF) will be set up at municipality level. These will finance demand driven sub-projects which are consistent with DA's program and priorities for supporting agricultural and fisheries development.

^a Enhancing Devolution and Local Autonomy: Measures aimed at: (i) strengthening role and capacity of the Local Development Councils and LGUs for rural development planning, related resource management and monitoring; (ii) linking technical skills enhancement related to the specific programs to be implemented; (iii) strengthening the capacity of rural financial intermediaries to effectively deliver credit; and building M&E capacity locally; and (iv) supporting national government agencies in adapting to their new roles in supporting LGUs under devolution.

^a Coastal/Marine Biodiversity Conservation: Complementing the above initiatives, and as an integral part of the overall MRDP Program, the allocation of funds totaling US\$1.25 million has been approved by the GEF secretariat, to finance the incremental costs of promoting coastal and marine biodiversity conservation and sustainable use in the coastal waters of Mindanao.

^a Overall Program Management: Support for overall Program Management and Administration, Monitoring and Evaluation, and for technical studies and survey work for subsequent phases of the APL.

Total project costs are estimated at US\$41.0 million. Based on negotiations which were recently completed, the project would be supported by a Bank Loan of 27.5 million and a GEF grant of US\$1.25 million. Implementation is expected

to be spread over a period of three and a half years.

Project Implementation

6. Overall, the program would fall under the Department of Agriculture (DA), and directed by a Program Management Board (PMB), chaired by the Secretary DA, which has already been established under an Executive Order from the President. A senior official in DA's Regional Offices in each of the participating Regions will be responsible for overseeing and facilitating MRDP implementation from the DA's perspective. Given the Mindanao wide context of the program, the Program Coordination Office (PCO), to be staffed by the DA, would coordinate and support the implementation of the program. However, as indicated earlier, the project is intended to support provincial rural development programs; consequently, it is envisaged that implementation responsibility for the components will lie with the concerned offices of the LGUs within the participating provinces (at provincial, municipal and barangay levels); involvement of the local level offices of the concerned national government agencies is foreseen in supporting the LGUs. In line with this, direct project planning and implementation responsibility would be vested in the LGUs.

Lessons Learned

7. In designing the proposed program, lessons from a variety of sources have been taken into account; these were incorporated in the project preparation terms of reference. A review of the Bank's experience with rural development projects in different parts of the world, has highlighted the following lessons: (i)) commitment and ownership to the program is vital, not just by Government, but by implementing agencies and the rural people directly affected; (ii) project design must be simple, and should draw upon proven technologies; and the goals must be realistic and precise; (iii) project design must be flexible; (iv) beneficiary participation, at both the planning stage and during implementation, is necessary; (v) credit and farm inputs are often critical to success; (vi) arrangement for infrastructure maintenance have to be in place from the start; (vii) community organization and build up should precede infrastructure development.

8. The Bank has supported numerous projects in agricultural development, irrigation and rural infrastructure in the Philippines. The overriding lesson from this experience is that centrally planned and executed investments in rural infrastructure tend to receive secondary attention from the line ministries at the center. As a result, delays are endemic, monitoring of quality is limited and sustainability in terms of maintenance and operation is uncertain at best. The conclusion is that active local participation and responsibility from planning to design to implementation is essential. This approach is consistent with the Government's substantial fiscal decentralization.

Environmental Aspects

9. The environmental impacts associated with the project relate to construction related effects of road construction and rehabilitation; possible unintended land use change as a result of new road construction; construction impacts of small scale irrigation and water management. According to environmental guidelines prepared for the project none of the sub-projects

proposed for MRDP qualify as environmentally critical projects as defined under Philippines regulations. The project has potential environmental benefits through its improvements in rural land management and its potential for strengthening environmental and natural resource management capacity at the level of LGUs. During project preparation a set of environmental guidelines for review and screening of project sub-components has been developed. These guidelines have been incorporated in to the Operations Manual. The guidelines outline how the EIS will be integrated into the planning, design and implementation of MRDP sub-projects.

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Note: This is information on an evolving project. Certain components may not necessarily be included in the final project.

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Annex

Because this is a Category B project, it may be required that the borrower prepare a separate EA report. If a separate EA report is required, once it is prepared and submitted to the Bank, in accordance with OP 4.01, Environmental Assessment, it will be filed as an annex to the Public Information Document (PID).

If no separate EA report is required, the PID will not contain an EA annex; the findings and recommendations of the EA will be reflected in the body of the PID.