



The European Union - Republic of the Philippines

Project Number ALA/PH/99/50

**Support to Agrarian Reform
Communities in Central Mindanao**

Project Completion Report

Final – July 2008



STARCM was a special project of the Government of the Philippines funded by the European Union (EU) and implemented by the Department of Agrarian Reform (DAR)

SUPPORT TO AGRARIAN REFORM COMMUNITIES IN CENTRAL MINDANAO (STARCM – ALA/PH/99/50)

PROJECT COMPLETION REPORT



This report has been drafted with financial assistance from the Commission of the European Communities. The views expressed herein are those of the Consultant and do not represent any official opinion of the Commission or member states of the European Union.

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ACRONYMS AND ABBREVIATIONS

ADB	Asian Development Bank	IPHO	Integrated Provincial Health Office
ADP	Agricultural Development Plan	IQMS	Infrastructure Quality Monitoring System
ARCP	Agrarian Reform Communities Project (ADB funded)	IRA	Internal Revenue Allotment (of LGUs)
ALDA	ARC Level of Development Assessment	LAD	Land Acquisition and Distribution (of DAR / CARP)
ARB	Agrarian Reform Beneficiary	LBP	Land Bank of the Philippines
ARC	Agrarian Reform Community	LGUs	Local Government Units (Provincial and Municipal)
ARCDP	ARC Development Plan	LogFrame	Logical framework matrix
ARCHIS	ARC Health Information System	M&E	Monitoring and Evaluation
ARSP	Agrarian Reform Support Project (EU funded)	M/CIT	Municipal/City Implementing Team (of STARCM)
ARMM	Autonomous Region of Muslim Mindanao	MAO	Municipal Agriculture Officer
AWP	Annual Work Plan	MARO	Municipal Agrarian Reform Officer
BARBD	Bureau of Agrarian Reform Beneficiaries Development	MCH	Maternal and Child Health
BAWASA	Barangay Water and Sanitation Association	MFI	Microfinance institution
BDCD	Beneficiaries Development and Coordination Division	MICC	Microfinance Coordinating Committee (of STARCM)
BHC	Barangay Health Committee	MIG	Management Information Group (of STARCM)
BHS	Barangay Health Station	MILF	Moro Islamic Liberation Front
BHT	Barangay Health Team	MIS	Management Information System
BHW	Barangay Health Worker	MLO	Manila Liaison Office (of STARCM)
BLGU	Barangay Local Government Unit	MOA	Memorandum of Agreement
GoP	Government of the Philippines	MPB	Multipurpose Building
BMG	Barangay Monitoring Group	MRDB	Mindanao Rural Development Project (WB funded)
BMT	Beneficiary Monitoring Team	NCC	National Credit Committee
CAC	Cooperative Accreditation Criteria (of LBP)	NEDA	National Economic Development Authority
CARP	Comprehensive Agrarian Reform Program	NGO	Non-Government Organisation
CDA	Cooperative Development Authority	NIA	National Irrigation Administration
CDF	Community Development Facilitator (of STARCM)	O&M	Operation and maintenance
CMT	Cooperative Management technician (of LBP)	OVI	Objectively Verifiable Indicator (LogFrame)
DA	Department of Agriculture	PAP	Participatory Action Planning
DAR	Department of Agrarian Reform	PARO	Provincial Agrarian Reform Office or Officer
DARCO	DAR Central Office (in Quezon City)	PBD	Program Beneficiaries Development (of DAR / CARP)
HSRA	Health Services Reform Agenda	PCFC	Peoples Credit and Finance Corporation
DBM	Department of Budget Management	PCIC	Philippine Crop Insurance Program
ICC	Investment Coordinating Committee (of NEDA)	PFI	Private Finance Institution
DENR	Department of Environment and Natural Resources	PMC	Project Management Committee (of STARCM)
DF	Development Facilitator (of DAR)	PMO	Project Management Office (of STARCM)
DFA	Department of Foreign Affairs	PO	People's Organisation
DOH	Department of Health	POW	Program of Works
GWP	Global Work Plan	PPDC	Provincial Planning and Development Coordinator
DOLE	Department of Labour and Employment	PRA	Participatory Rural Appraisal
DPWH	Department of Public Works and Highways	PSC	Project Steering Committee (of STARCM)
DSWD	Department of Social Welfare Development	PSO	Project Sub-Office (of STARCM)
EC	European Commission	RF	Access to Rural Finance (Project Component)
EU	European Union	RHU	Rural Health Unit
FA	Financing Agreement (for STARCM)	SEC	Security and Exchange Commission
FAD	Finance and Administrative Division (of STARCM)	TA	Technical Assistance (national and international)
FAPsO	Foreign Assisted Projects Office (of DAR)	TB	Tuberculosis
FHAS	Family Health Action Sessions	TRP	Technical Review Panel (of STARCM)
IA	Irrigators' Association	TSS	Technical Support Services (of STARCM)
FP	Family Planning	USM	University of Southern Mindanao
ICV	Information, Communication and Visibility	VAT	Value Added Tax
GFI	Government Finance Institution		
IDO	Irrigators' Development Officer		

1 INTRODUCTION

STARCM was an integrated rural development project implemented by the Department of Agrarian Reform (DAR) with grant funding from the European Union (EU). The objective was to increase the self-reliance and living standards of farming households in fifty Agrarian Reform Communities (ARCs) of Central Mindanao.

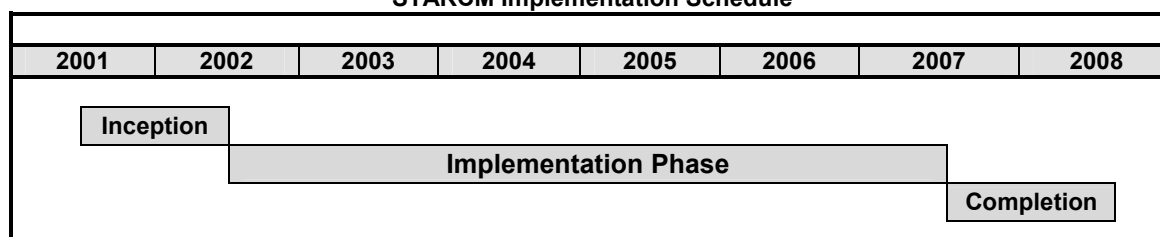
The Project originated from a proposal prepared by the DAR in February 1998. The proposal requested the European Commission (EC) to provide financial and technical assistance to support agrarian reform activities in Central Mindanao. There was an earlier proposal for the EC-assisted Agrarian Reform Support Project (ARSP) to be extended from five provinces in the Visayas and Northern Mindanao to include ARCs in Central Mindanao but subsequent discussions resulted in an agreement to propose a new project rather than expand ARSP.

The decision to prepare a new project was followed in September 1998 by a formal request from the National Economic Development Authority (NEDA) for the EC to field a project appraisal mission. The appraisal mission was in the Philippines for six weeks in June and July of 1999 and prepared a proposal for a project covering ARCs in four provinces of Central Mindanao. The document for a financing decision was prepared by the Programming and Economic Cooperation Unit of the Directorate General for External Relations (RELEX) in August 1999. It outlined the project much as presented in the final report of the appraisal mission and was duly approved.

The Financing Agreement (FA) for STARCM was signed by the European Commission on 22 February 2000 and by the Republic of the Philippines, represented by the Department of Foreign Affairs (DFA), on 23 August 2000. The total cost was estimated at 23.325 million euro (€) which was equivalent to 1.048 billion peso when the Project began and had risen to 1.590 billion peso by the time it ended^{1/}. The EU contribution was budgeted at €18.422 million (79%) while the combined contribution of the DAR, Local Government Units and People's Organisations was estimated at €4.903 million (21%).

The project began when the contract of services for international technical assistance was signed on 11 May 2001 and was designed to be implemented over a period of seven years. A provisional global work plan outlining activities and providing an annual breakdown of costs was approved by the Project Steering Committee in mid-November 2001. A final version of the Global Work Plan (GWP) was submitted to the EC Headquarters in Brussels and approved along with the first Annual Work Plan (AWP) in mid-March 2002.

STARCM Implementation Schedule



The first year of the project was concerned with general start-up activities and planning for the five-year implementation phase that began in mid-May 2002. Social preparation and community-based planning was conducted throughout 2002 and the first of the infrastructure sub-projects were started in the last quarter of the year. Agricultural production and enterprise development sub-projects were started in the first quarter of 2003. The peak years for the approval and implementation of both agricultural and infrastructure sub-projects were 2005 and 2006. The implementation phase officially ended in mid-May 2007 even though there were still more than 150 sub-projects to be completed.

Addendum N^o 1 to the Financing Agreement was signed by the DFA on 06 September 2006. The purpose was to realign the EC and GOP budget against cost category headings but the addendum also extended the operational phase of STARCM by nineteen months to 31 December 2009 and the validity of the Community's financial commitment by one year to 31 December 2010. It is not known why these extensions were made but as no extra budget was provided for the extension, the Project continued to plan for closure at the end of May 2008.

By the end of 2007 it had become clear that it would be impossible to complete all of the infrastructure sub-projects in time to allow an orderly handover and close STARCM by May 2008 so the operational phase of the Project was extended by two months to 31 July 2008.

This completion report was presented at the final Project Steering Committee meeting held on 6 August 2008 in Quezon City. It follows the outline suggested in the March 2004 version of the EC guidelines for Project Cycle Management.

^{1/} the INFOEURO exchange rate was 44.91 peso/euro when the project started in May 2001, rose to a high of 74.98 peso/euro in January 2005, fell back to 60.64 peso/euro in January 2008 and was back up to 68.19 peso/euro for the month of June 2008.

2 EXECUTIVE SUMMARY

The purpose of STARCM was to increase the self-reliance and living standards of farming households in selected Agrarian Reform Communities in the provinces of Sultan Kudarat, Cotabato, Lanao del Norte and Lanao del Sur. This objective was firmly aligned with both GOP and EC priorities for developing rural communities and reducing poverty in Mindanao.

STARCM was proposed to augment the efforts of DAR and other agencies in the delivery of support services and livelihood opportunities under the Comprehensive Agrarian Reform Program (CARP). The target group was all households actively farming in the selected ARCs. This included both Agrarian Reform Beneficiaries and non-ARBs. The project was implemented between May 2001 and July 2008 and covered fifty-two ARCs of which twenty-four were in the province of Cotabato, thirteen in Lanao del Norte, eight in Sultan Kudarat, and seven in Lanao del Sur. Taken together they covered 185 barangays of forty-three municipalities/cities and contained around 61,000 households.

The project was designed to address four constraints to the improvement of income and living standards in the ARCs: (i) the inadequacy or degraded condition of rural infrastructure; (ii) low levels of agricultural production and productivity; (iii) weak or non-functional farmer's organisations; and, (iv) the difficulties faced by farmers and cooperatives accessing formal credit services. The project had four operational components each corresponding to one of the four main problem areas.

Support infrastructure component

The aim of the Support Infrastructure component was to provide rural infrastructure that better supported agricultural production and improved living conditions in the ARCs. A list of sub-projects that would achieve these aims was generated by the target communities at participatory planning workshops conducted in the first half of 2002 and revised when the ARC Development Plans were updated in 2004.

The first infrastructure sub-project was approved in September 2002 and 257 sub-projects with a total cost of P567.079 million (€8.655 million) were approved during the course of the project. The implementing partners were barangay, municipal, city or provincial LGUs with staff from the municipal or city engineering offices responsible for survey and design work as well as for technical supervision during the implementation phase. The LGUs and proponent organisations made cash or in-kind contributions equivalent to between 10% and 30% of the total cost of each sub-project. LGUs and/or People's Organisations were responsible for the operation and maintenance of completed facilities.

249 sub-projects had been completed by the end of July 2008. These included: (a) farm-to-market access involving the rehabilitation of 139 km of barangay feeder roads and the construction of 337 m of bridges and crossings; (b) communal irrigation schemes covering 2,306 ha made up of 1,201 ha on rehabilitated schemes and 1,105 ha on newly constructed schemes; (c) the construction of forty-three domestic water supply systems serving 16,101 households; (d) post-harvest facilities including forty-one drying pavements and thirty multipurpose buildings; and, (e) the construction of social infrastructure including thirty-four barangay health stations, eleven day care centres, two marketing centres and thirteen two-roomed school buildings.

Disbursements for the EC contribution to infrastructure sub-projects amounted to P432.436 million (€6.588 million) which represented 45% of the total in-country disbursements. The LGU and PO counterpart amounted to P134.644 million (€2.068 million).

36,999 households (60% of all those in the ARCs covered) benefited in some way or another from the investments in infrastructure. The most widespread benefits were unquantifiable improvements to the quality of life and living standards resulting from easier access to clean drinking water, improved health services, marketing facilities, day care centres and elementary schools. There were however 12,700 households that reported savings in expenditure or increases in income resulting from the improvement of barangay feeder roads and/or the use of drying yards and storage facilities. Another 1,837 households will enjoy substantial financial benefits from increased rice production on the newly constructed or rehabilitated irrigation schemes.

Agricultural Production and Enterprise Development

The aim of the Agricultural Production & Enterprise Development (APED) component was to increase agricultural production and the income from rural enterprises. EC grant funds were used to allow farmers and People's Organisations to make productive investments that they would not otherwise have been able to afford. A list of the agricultural and enterprise projects with potential in each ARC was generated during the ARC planning meetings in the first half of 2002. This was followed by focus group discussions involving farmers, barangay officials and LGU agricultural technicians to prepare more detailed Agricultural Development Plans during the second half of 2002 and first half of 2003.

372 APED sub-projects were approved with a total cost of P250.623 million (€3.774 million). The first sub-projects were started in April 2003. The implementing partner was most commonly the municipal or city office of agriculture, but increasing use was made of POs and NGOs to procure inputs and supplies in the latter years. All sub-projects included technical training at the outset and the municipal/city agricultural officer and LGU

agricultural technicians were responsible for supervision and providing technical advice as the projects were implemented.

370 APED sub-projects had been completed by the end of July 2008. These resulted in: (a) an expansion of the area planted with fruit trees, banana, coconut and rubber (3,971 ha planted by 6,467 households); (b) an increase in the number of households deriving income from livestock and poultry (1,261 households with draft or pack animals, 951 households with swine or goats, 498 households with chickens or ducks); (c) increased production of vegetables and other high value crops (708 farmers on 82 ha); (d) easier access to farm machinery (45 ARC cooperatives owning and operating cultivation machinery, rice threshers or corn shellers); (e) improved access to post-harvest facilities (17 new rice mills, 4 corn mills and 9 copra driers operating in the ARCs); and (f) the development of rural enterprises (840 households involved in non-agricultural enterprises assisted by the project).

The EC contribution to APED sub-projects and the associated costs for training farmers and implementing partners amounted to P175.268 million (€2.614 million) which represented 18% of total EC in-country disbursements. The cash and in-kind counterpart provided by the participants, LGUs and POs was between 15% and 35% of the total sub-project costs and amounted to P75.355 million (€1.160 million).

More than 4,700 households earned additional income from vegetable production, the carabao and pack animals, banana plantations, swine and goat raising, poultry production, duck raising, inland fishing or rural enterprises. However, not all of them continued beyond the first production or breeding cycle which meant that the financial benefits were not sustained. A more realistic idea of the number that will continue to benefit was gleaned from benefits monitoring reports which showed that 3,048 households or 85% of those recorded as beneficiaries at the time the sub-projects were completed, were still benefiting more than a year later. Incremental household incomes ranged from an average of P1,297 per year for those raising poultry (where most of the eggs and culls were consumed or given away) to an average of over P52,000 per year for those engaged in inland fishing.

Extrapolation to the more recently completed sub-projects and the addition of 5,600 farmers that will enjoy sustainable income from the fruit, coconut and rubber trees when they come into bearing, leads to an estimate of 8,500 households having a sustainable source of additional income from the agricultural and enterprise sub-projects.

Institutional Strengthening component

The aim of the Institutional Strengthening component was to improve the capacity of people's organisations and Local Government Units to plan, implement and manage development projects. The component was responsible for the orientation and training of implementing partners, the facilitation of ARC development planning and strengthening the organisations and barangay local government units managing agricultural and infrastructure sub-projects.

Thirteen NGOs were contracted to mobilise Community Development Facilitators (CDFs) and undertake institutional strengthening activities at the ARC level. There was originally one CDF assigned per ARC but the number was revised to one CDF per three ARC barangays in April 2005 to cope with the expansion to new barangays and the increasing number of POs being assisted. Nine Irrigators' Development Officers were added to work with Irrigators' Associations in April 2006.

By the end of the Project, there were 437 POs managing and helping to sustain the benefits from completed sub-projects. APED Interest Groups, that were informal unregistered groups formed specifically for the implementation of agricultural projects, made up almost two-thirds of the organisations managing STARCM-assisted sub-projects. Cooperatives were the second most common type of PO and there were seventy-two responsible for multi-purpose buildings and solar driers, cultivation machinery, rice threshers, rice mills, corn mills and rural enterprises. Forty-eight Barangay Water and Sanitation Associations (BAWASAs) were organised and trained for the operation and maintenance of potable water systems. Nine Irrigators' Associations (IAs) were formed or strengthen to be responsible for the operation and maintenance of irrigation facilities.

Fifty-nine of the POs managing income-generating projects had sustained an operating surplus for two or more years by mid-2008. The operating surplus or net income of these POs, mainly cooperatives, ranged from P6,000 to P300,000 per annum and was invested in additional machinery or equipment, loaned to members, used to start new ventures and/or returned to members as patronage refunds and dividend payments.

Interventions to complement the construction of barangay health stations with training and other initiatives to improve the delivery of rural health services were started in the latter part of 2005. The aim was to strengthen primary health care programs for maternal and child health, family planning / birth spacing and tuberculosis control. A pool of trainers from the provincial and municipal health offices was trained and conducted a series of workshops for the members of thirty-four barangay health teams (BHTs) and the midwives assigned to barangays where health stations were constructed. ARC Health Information Systems were installed at the beginning of 2007 and data collected by the BHTs were used to identify unmet health needs and assist with the formulation of Barangay Health Plans. Seminar-workshops were arranged for 152 of the Barangay Health Workers assigned in ARCs. The training course covered child health and nutrition, management of common childhood diseases, immunisation, breastfeeding, lactation management, maternal health, birth spacing, the identification and treatment of tuberculosis, record keeping and local referral systems.

There were ninety-two barangay local government units managing multi-purpose buildings, solar driers, barangay health stations, day care centres and/or school buildings constructed under the support infrastructure component. Members of the barangay councils received training on project management and were assisted with the formulation of appropriate bylaws and resolutions for operation and maintenance of the facilities. The barangay councils were also involved with coordinating activities during the implementation of sub-projects and were trained to continue the benefits monitoring system after STARCM phased out.

Rural Finance component

The inclusion of €1.0 million as a credit fund for on lending to ARC cooperatives was one of the few weaknesses in the original design of STARCM. The credit components of earlier EC funded projects in the Philippines had failed to achieve sustained improvements in access to formal credit or reduce the dominant position of informal money lenders in rural communities. The design flaw was apparent from the beginning but the project was obliged to at least make an attempt at compliance with the provisions of the Financing Agreement. The credit strategy elaborated during the second half of 2002 involved a combination of cooperative strengthening in partnership with the Land Bank of the Philippines (LBP) and the provision of institutional credit to microfinance institutions through the Peoples Credit and Finance Corporation (PCFC).

The LBP partnership for cooperative strengthening consisted of training and coaching to enable ARC cooperatives to meet the LBP Cooperative Accreditation Criteria and become eligible for loans as newly accessing cooperatives. There had been only limited success by the end of 2004 so it was agreed that the focus should shift from enabling coops to meet the accreditation criteria to improving business operations. The partnership with LBP for cooperative strengthening ended in March 2005.

A Memorandum of Agreement (MoA) for the DAR/STARCM-PCFC Institutional Credit Program was signed in June 2003. Under the partnership PCFC provided microfinance institutions (MFIs) with investment credit for on-lending to their clients while STARCM provided institutional credit to strengthen the capacity of MFIs to serve borrowers in the ARCs. There were ten PCFC accredited MFIs operating in the project area. The first batch of institutional credit proposals was approved in August 2005 and subsequent revisions to the credit ceilings took the amount of institutional credit available to MFIs up to P15.653 million. STARCM transferred a total of P8.802 million to the trust fund account and the PCFC extended twenty-one institutional loans totalling P11.278 million to the participating MFIs. However, only three MFIs availed of new loans in 2005 and 2006 and with a balance of P8.048 million at the end of 2006, the DAR/STARCM-PCFC institutional credit fund was severely underutilised. The main reason was that other lenders such as the National Livelihood Support Fund, the Small Business Corporation and the Peace and Equity Foundation were offering investment credit at a lower rate of interest than PCFC.

Even though the institutional credit fund remained under-utilised, the participating MFIs increased their outreach to 5,864 active borrowers in thirty ARCs by the end of 2006. This was higher than the number of ARCs originally targeted and close to meeting the target of 6,000 ARC households being able to avail of microfinance loans extended by MFIs. The value of the MFI loan portfolio in ARCs reached P 58.061 million by the end of 2006. The outreach was greatest in Lanao del Norte where four MFIs had 3,836 active borrowers and least in Lanao del Sur where there were none.

With no indications that the MFIs would resume borrowing from the institutional credit fund in the near future, the DAR/STARCM-PCFC Institutional Credit program was ended in May 2007. The PCFC subsequently returned P8.965 million including interest and the purchase of outstanding loans at an 85% discount rate. A portion of the returned funds was used for training and technical assistance to help the participating MFIs design, develop and pilot new "micro-agri" loan products tailored to the needs of farming households. The cost of the training workshops and on-site coaching was P2.766 million which meant that total expenditure against the Credit Fund amounted to €41,560 or only 17% of the budget as revised by Addendum N^o.1 to the Financing Agreement.

Sustainability of benefits

The sustainability of improvements to infrastructure will largely depend on the ability of POs and LGUs to fund the necessary repairs and maintenance. The municipal, city and/or barangay local government units have signed memoranda of agreement (MOA) to maintain solar driers, multipurpose buildings, barangay feeder roads, river crossings and marketing centres. MOA have been signed between the LGUs and line agencies for building maintenance as well as for the staff and operating costs of barangay health stations, day care centres and school buildings. Whilst these arrangements are adequate on paper, and the LGUs have so far met their obligations for operation and maintenance, the long-term maintenance of roads and other infrastructure can not be assured because the demand for LGU funds far exceeds supply from the internal revenue allotment and local taxation. The barangay feeder roads are at greatest risk of deteriorating over time and repairs to major damage caused by flash floods and other extreme climatic events will continue to rely on support from the provincial governments.

The situation is slightly different for the potable water systems and irrigation schemes where a Barangay Water and Sanitation Association or an Irrigators' Association was formed or rejuvenated specifically to take responsibility for the completed facilities. There was no need for additional MOA on such projects but the barangay councils were encouraged to pass resolutions to support the IA or BAWASA in implementing the agreed policies for maintenance and become actively involved in settling disputes and enforcing sanctions on members not abiding by the PO's rules and regulations. Even with the training and assistance provided under

STARCM, the capacity and commitment of some POs to organise and fund ongoing repairs and maintenance is uncertain. Further support will be needed to motivate the POs and institutionalise the payment and collection fees.

The sustainability of economic benefits from increased agricultural productivity will depend on the participants' ability to deal with pests, diseases and other constraints as well as the relative prices of inputs and produce. All of the completed APED sub-projects were visited to determine what additional assistance was required to sustain benefits. This resulted in refresher training for selected beneficiaries known as Lead Farmers. The Lead Farmers were trained to augment the technical advice provided by LGU technicians. More than 1,200 farmers from 125 interest groups and PO's received additional training during 2007 and 2008. Topics included artificial insemination and carabao breeding, forage establishment and disease control for goat production, pest and disease control for vegetable production, poultry brood management and, pruning and fertilization of fruit trees, pest and disease control for banana and the care and management of newly established rubber and coconut trees. Having received additional training, the Lead Farmers will provide technical advice to other sub-project participants in the ARC. Community livestock para-technicians were trained to supplement the services of the LGU technicians concerned with livestock. 268 para-technicians resident in the ARCs were trained to be familiar with the diagnosis and treatment of common ailments of goats, horses, swine, poultry, cattle and carabao. These measures along with the refresher training provided for LGU Agricultural Technicians will help ensure that significant numbers of ARC households are able to continue exploiting the opportunities provided by APED sub-projects.

The LogFrame assumption that "enterprises and technologies promoted by the project and adopted by the farmers would continue to produce attractive financial returns" was looking more like a risk by the time STARCM ended. The prices of agricultural inputs, notably fertilizers and formulated animal feeds had increased by more than 50% over the previous year and many farmers were already cutting back on the use of fertilizers, pesticides and concentrates. Although the farm gate prices of rice, vegetables, livestock and other commodities increased over the same period, many farmers can no longer afford to continue using the same levels of inputs which is likely to reduce profitability and income. This could lead to farmers dropping out of swine, poultry, fish or vegetable production that rely on improved technology and costly inputs to achieve the levels of income achieved when the sub-projects were completed.

Project costs

The total cost of the project was estimated at €23.325 million in the Financing Agreement. The EU contribution was €18.422 million (79%) while the combined contribution of the DAR, Local Government Units and People's Organisations was estimated at €4.903 million (21%). Addendum N^o.1 to the FA was signed on 06 September 2006. Both the EC and GOP contributions were realigned against cost category headings but there was no change to the overall contributions or total cost of the project.

The total in-country costs were estimated at €20.730 million which fluctuated between P940.100 million and P1.554 billion with variations in the peso/euro exchange rate.

Budget, Disbursement and Expenditure of EC funds (Peso) ~ 11 May 2001 to 30 June 2008

FA Cost Category	Budget / ¹	Disbursement / ²	% FA	Expenditure	% FA
2. Local Technical Assistance	79,226,010	79,945,546	101%	79,945,546	101%
3. Local Staff	29,275,200	28,515,759	97%	28,535,476	97%
4. Research and Training	13,234,830	9,685,950	73%	9,678,450	73%
5. Contracting NGOs	92,094,900	90,855,415	99%	90,789,330	99%
6. Works and Equipment	649,299,540	667,951,808	103%	640,878,689	99%
7. Credit Fund	15,247,500	2,603,432	17%	2,603,432	17%
8. Operational Costs	77,762,250	73,446,460	94%	72,512,707	93%
10. Information and Visibility	9,148,500	6,222,493	68%	6,222,493	68%
11. Contingencies	-	-	-	-	-
Total	965,288,730	959,226,862	99%	931,166,122	96%

The in-country disbursement of EC funds amounted to P959.227 million which was equivalent to €14.826 million or 94% of the FA budget / ³. Disbursement of P565.269 million under the Works & Equipment cost category was in the form of advances to LGUs, POs and NGOs for the implementation of infrastructure and APED sub-projects. The advances made to implementing partners were only treated as expenditure when liquidated.

^{1/} Budget as realigned by Addendum No.1 and converted at the average monthly INFOREURO exchange rate of 60.99 peso/euro. Disbursement or expenditure converted to euro did not exceed the FA budget in euro for any cost category.

^{2/} In-Country disbursement includes P16.507,773 (€364,410) paid by the EC Delegation for imported vehicles.

^{3/} Actual disbursement in peso converted at the annual average INFOREURO exchange rate of the European Commission.

EC expenditure amounted to P931.166 million (€14.826 million or 92% of FA budget). There was a difference of P27.073 million between the disbursement and expenditure for Works & Equipment as a result of unliquidated advances on forty sub-projects at the end of June 2008. This had been reduced to P11.490 million on twenty-five sub-projects by the end of July.

The GOP-DAR contribution was reduced from €2.346 million to €1.618 million by Addendum N^o1 to the Financing Agreement. This was for local staff, a portion of the operational costs and project management costs incurred by the DAR Central Office. Expenditure, which was the full amount downloaded to the DAR-STARCM account in Kidapawan City plus the basic salary of assigned DAR staff and other operational expenses, amounted to P94.348 million or €1.659 million when converted using the INFOREURO exchange rates.

POs and LGUs provided cash and/or in-kind counterpart for all infrastructure and agricultural sub-projects. The value of the LGU/PO contribution reached P213.032 million (€3.275 million) by the end of June 2008. This was greater than the FA budget even with the realignment of €727,500 from the GOP-DAR contribution for Local Staff. The LGU/PO counterpart represented 26% of the total expenditure on sub-projects and was greater than the minimum counterpart equity of 20% for infrastructure and 10% for agricultural projects specified in the Financing Agreement.

Lessons learned

STARCM was the last of a series of integrated rural development projects funded by the EC in the Philippines. It built on the experience of its predecessors but still came up against many of the same problems and constraints. The following are some of the more important lessons learned:

- (i) The project design needs to be flexible. Many factors and conditions that were important at the time of appraisal will change over the life of a seven-year project like STARCM and the project must be able to adapt strategies and revise activities in response to changing circumstances.
- (ii) Preparing comprehensive operations manuals and training implementing partners at the beginning of the project helps ensure that the limits and conditions of project support are clearly and consistently presented to prospective beneficiaries.
- (iii) Ownership is key to the success and sustainability of sub-projects and a strong sense of ownership is best developed by encouraging the full participation of stakeholders in all stages of the process. This needs to begin with the identification and prioritisation of sub-projects and continue through implementation to the arrangements for maintenance and operation
- (iv) Giving LGUs and POs the responsibility for managing sub-project funds and procuring inputs is a successful strategy for empowerment and developing ownership. Added benefits are that it reduces the project's administrative burden and avoids disputes with implementing partners over the quality and quantity of materials purchased.
- (v) Organising groups of sub-project participants for the inspection of livestock, machinery, fruit tree seedlings and other supplies helps force suppliers to meet quality standards and avoids disappointment and disputes over the inputs provided. (It is also another means of increasing ownership).
- (vi) Organising and training beneficiary monitoring teams and barangay monitoring groups is a successful strategy for facilitating the timely resolution of problems and developing community ownership of sub-projects.
- (vii) The capacity of municipal LGUs to implement, and the capacity of barangay LGUs to supervise and monitor sub-projects are crucial determinants of the number of sub-projects that can be implemented each year and neither should be overestimated in an attempt to meet physical targets.
- (viii) PO training is more effective when designed to address specific problems faced by an organisation rather than when undertaken according to some pre-conceived plan of what training a typical organisation will require.
- (ix) The greater the benefits gained from a sub-project (financial or otherwise), the more likely it is to be sustained. It is therefore important that risks to the sustainability of benefits are identified and addressed during the planning and design stages of the sub-project rather than being left until after completion.

Other lessons are documented in the final section of the report.

Issues and recommendations

There were two important issues that had not been resolved by the time the project closed: one was the continuation of technical and organisational support to sustain the benefits from sub-projects; and the other was the completion of sub-projects and liquidation of advances in Lanao del Sur and Lanao del Norte.

A lot of effort was put into firming up the arrangements for sustaining benefits during the final year of the project but, as noted above, there is no real assurance that the DAR field offices or LGUs will be able to continue assisting POs and interest groups after the funding support from STARCM ends. There is still uncertainty over

funding for an extension of the Comprehensive Agrarian Reform Program and the mayors tend to allocate funds for the implementation of new projects rather than continuing the support for completed projects. This is the reality of the situation but it is never-the-less recommended that:

- R.1) The **MAROs and DFs** should exert efforts to continue the Benefits Monitoring System as a mechanism for bringing technical difficulties and/or organisational problems to the attention of those responsible for assisting the BLGUs, POs and APED interest groups managing completed sub-projects.
- R.2) The **municipal and city LGUs** should provide the members of CARP implementing teams with financial and logistic support for them to continue providing whatever technical and organisational support is needed to help sustain the benefits from sub-projects.

Despite concerted efforts during the final year of the project, there were still uncompleted projects and unliquidated advances in the Islamic City of Marawi, six municipalities of Lanao del Norte and five municipalities of Lanao del Sur. The amount involved was less than two percent (2%) of the total amount entrusted to LGUs for the implementation of sub-projects but it would be unwise to abandon efforts to get the LGUs to account for the remaining funds just because STARCM has ended. It is therefore recommended that:

- R.3) The **DAR Provincial Offices** in Lanao del Sur and Lanao del Norte should continue to monitor the progress on uncompleted sub-projects where work is continuing using the LGU's regular funds.
- R.4) The **LGUs** should submit liquidation reports to the STARCM Closure Team in Kidapawan City up until the end of August and to DAR Regional Office XII thereafter.
- R.5) The **DAR Central Office** (in the case of Lanao del Norte) and the **DAR-ARMM** (in the case of Lanao del Sur) should inform the LGUs that they will not be eligible for funding from any other Foreign Assisted Projects until the funds advanced for STARCM sub-projects have been accounted for.
- R.6) The **EC Delegation** should take steps to block funding from the World Bank administered trust fund for activities in the municipalities and cities which have failed to liquidate advances for sub-projects on STARCM.
- R.7) The **EC Delegation** should inform the EU member states that certain municipalities / cities in the Lanao provinces have failed to liquidate advances for sub-projects on STARCM and should be regarded as high risk municipalities / cities for the implementation of future bi-lateral aid projects.

Finally, it is recommended that:

- R.8) The **EC Delegation** should contract a post completion review mission in the 3rd or 4th quarter of 2009 to provide, among others, an independent assessment of the impact and sustainability of benefits.

3 REVIEW OF PROGRESS AND PERFORMANCE AT COMPLETION

3.1 Policy and Programme Context

The objective of STARCM was to improve living standards and the quality of life in agrarian reform communities and thereby contribute to the alleviation of rural poverty in Central Mindanao. These objectives were consistent with implementation of the Comprehensive Agrarian Reform Law and firmly aligned with both Government and EC priorities for developing rural communities and reducing poverty.

The Medium-Term Philippine Development Plan (MTPDP) for 2001-2004 was adopted in July 2001 soon after STARCM began. It envisioned sustainable development anchored on growth with social equity. Of thirteen chapters representing priority areas of the Arroyo administration, those to which the aims of STARCM were most clearly aligned were Chapter 10 - Accelerating comprehensive rural development, and Chapter 11 - Pursuing sustained peace and development in Mindanao. The need for equitable access to development resources and opportunities was recognised as essential for poverty alleviation and a continuation of the land reform program was considered central to broad based rural development.

The Comprehensive Agrarian Reform Program, or CARP, was launched with the passage of the Comprehensive Agrarian Reform Law (Republic Act 6657) in 1988. The task of expropriating and redistributing lands to farmers and farm workers was to have been implemented over a ten-year period from 1988 to 1998. However, due to various constraints which included a shortfall in funding, the program was extended for ten years by virtue of Republic Act 8532 making the CARP a twenty-year program extending from 1988 to 2008^{1/}.

The Department of Agrarian Reform has taken the lead in implementing CARP with the two main components of the program being Land Acquisition and Distribution (LAD) and Program Beneficiaries Development (PBD). Expenditure for LAD was greatest over the first fifteen years of CARP, but since 2003 the expenditure for LAD and PBD has been at a similar level of around P4 billion per year. Accomplishments under LAD, in terms of both the area distributed and the number of farmer beneficiaries, have declined since 1994 whilst the delivery of support services under the PBD component has steadily increased, notably through the involvement of Foreign Assisted Projects following the first extension of CARP in 1998. DAR's strategy for the provision of support services is based on the concept of Agrarian Reform Communities (ARCs). These are barangays or clusters of barangays where land transfer is more than seventy-five percent complete and there are more than 300 ARB households. The ARCs became focal points for a range of development interventions to help ARBs make their land productive and capitalise on the opportunities provided by security of tenure. STARCM was not concerned with land tenure improvement but designed to augment the efforts of DAR and other agencies with the delivery of support services and the provision of livelihood opportunities in agrarian reform communities.

From the outset of bilateral cooperation with the Government of the Philippines in 1986, the EC focussed on initiatives to combat poverty through integrated rural development and natural resources management. The EC financed a series of such projects in rural areas with a high incidence of poverty. This form of assistance was characterised by projects and programmes with a number of complementary interventions and the strong involvement of People's Organisations, Non Government Organisations and Local Government Units. At the time STARCM was proposed, the principles underlying EC development cooperation, as agreed at the 2nd EC-Philippines Senior Officials' Meeting held in Brussels in November 1999, were: (1) poverty reduction; (2) a geographic focus to support the peace process in Mindanao; (3) consolidation of achievements from past EC-Philippines cooperation; and (4) exploration of a sectoral approach in collaboration other donors. STARCM built on the experience from earlier projects assisted by the EC and the support provided for Government efforts to accelerate rural development in Mindanao was consistent with objectives and strategies outlined in the EC's Country Strategy Paper (CSP) for 2002-2006.

STARCM was implemented at a time of shifting EC aid strategies and the CSP 2002-2006 foresaw the adoption of sector-wide approaches and a trend away from the traditional areas of rural development to trade related assistance and other sectors like health and governance. However, while the mode of implementation and types of assistance changed, the overall objective of the EC cooperation programme continued to be to provide support for sustainable economic and social development. Mindanao remained as a geographic focus not only because of the high levels of rural poverty but also because of the continuing conflict with a resurgent separatist movement that took on a new significance in the post-911 era. STARCM may have been the last of the large integrated rural development projects but it was, when designed and at completion, highly relevant to the EC's priorities for poverty reduction and support for the peace process in Mindanao.

¹ / House Bill 4047 to extend CARP for a further five years was deliberated but had not been passed by the Lower House before it adjourned for the summer recess on 11 June 2008.

3.2 Objectives Achieved

3.2.1 Overall Objective

The overall objective of STARCM was to contribute to the alleviation of rural poverty in four provinces of Central Mindanao. The extent to which this objective was achieved was measured using data reported by the National Statistics Coordination Board (NSCB). The official estimates of poverty incidence in 2003 and revised estimates for 2000 were released in June 2006. The data showed significant reductions in the number of households living below the poverty threshold in Cotabato and Lanao Del Sur and both provinces were among the ten most successful provinces in reducing poverty between 2000 and 2003.

Province	Annual Per Capita Poverty Threshold (in Pesos)			Poverty Incidence Among Families (%)		
	2000	2006	Inc / (Dec) (%)	2000	2006	Inc/(Dec)
Cotabato	9,990	13,315	33.3	41.6	27.7	(13.9)
Sultan Kudarat	10,544	13,036	23.6	48.8	40.7	(8.1)
Lanao del Sur	13,892	16,567	19.3	54.7	52.5	(2.2)
Lanao del Norte	11,296	15,225	34.8	49.3	44.1	(5.2)

Whilst it is unlikely that STARCM contributed much towards reducing poverty between 2000 and 2003, it continued to fall between 2004 and 2006 which corresponded to the years when STARCM made the greatest investments in livelihood and income generating sub-projects. It is impossible to quantify the contribution of these sub-projects to reducing poverty at the regional, provincial or even municipal level but there is clear evidence from the pre-completion household survey that STARCM helped to reduce poverty in the barangays where sub-projects were implemented.

3.2.2 Project Purpose

To increase the self-reliance, living standards and quality of life of households actively farming in fifty selected Agrarian Reform Communities of Central Mindanao.

Achievement of the Project Purpose or specific objective was measured using three Objectively Verifiable Indicators (OVIs) for living standards and the quality of life in ARCs. One was concerned with the number of households reporting financial benefits from agricultural and infrastructure sub-projects, one with the number of ARC households living above the poverty threshold and one a composite index of ARC development used nationwide by the Department of Agrarian Reform.

OVI 1 *The male and female members of 15,000 rural households report sustained financial benefits from STARCM assisted sub-projects.*

The financial benefits from sub-projects were measured through impact assessments in 2005 and 2006 and then continued to be recorded as part of a benefits monitoring system (see section 3.6.5). The household income and savings reported for different types of sub-project are summarised in Table 2 with more details given in Annex G.

More than 4,700 households earned additional income from sub-projects concerned with vegetable production, carabao dispersal, pack animals, bananas, swine and goat raising, poultry production, duck raising, inland fishing and rural enterprises. However, not all of the participants continued beyond the first production or breeding cycle which meant that the financial benefits were not sustained. A more realistic idea of the number that will continue to benefit can be gleaned from the monitoring reports for 120 of the agricultural and enterprise sub-projects completed before the end of 2006 (Table 2). This showed that 3,049 households or 85% of those recorded as beneficiaries at the time the sub-projects were completed, were still benefiting more than a year later. Although the production and income from many enterprises is seasonal, there were 2,212 households (62% of original number) that reported income during the 1st Quarter of 2008. Extrapolation to the more recently completed sub-projects (735 households) and the addition of 5,600 farmers that will enjoy sustainable income from fruit, coconut and rubber trees when they come into bearing leads to an estimate of 9,384 households having a sustainable source of additional income from the agricultural and enterprise sub-projects.

Although the savings from infrastructure are not as great as the increases in income from APED sub-projects, there are already around 12,700 households that have reported financial benefits such as a reduction in the cost of hauling products along rehabilitated roads or a combination of reduced losses and better prices through the use of storage facilities and drying pavements. The construction of marketing centers, health stations and day care centers, which benefited another 12,349 households, also reduced expenses for travelling to other barangays or municipalities but the savings can not be quantified. Finally 1,837 households will enjoy substantial benefits from increased rice production on the newly constructed or rehabilitated irrigation schemes.

Combining the figures quoted above with an allowance for the number of households that benefited from more than one infrastructure or agricultural sub-project leads to an estimate of 15,674 farming households benefiting from increased income (9,384 households) or reduced expenditure (6,290 households) as a direct result of the sub-projects supported by STARCM.

Table 2				
Financial benefits from agricultural and infrastructure sub-projects (from the benefits monitoring reports of 207 completed sub-projects)				
Increased income from APED projects				
Type of sub-project (No. sub-projects reporting)	No. Households at sub-project completion.	No. Households reporting benefits as of March 2008	No. Households with income in 1 st Qtr 2008	Average income per household (Peso/Year)
Poultry Production (4)	123	118	57	1,297
Goat Raising (13)	332	307	63	3,965
Fish Production (4)	120	40	34	4,107
Household Enterprises	96	66	66	4,562
Carabao Dispersal (39)	951	909	611	6,031
Banana Production (16)	813	681	643	7,438
Duck Raising (11)	259	184	108	9,321
Vegetable Production (17)	418	275	166	15,458
Swine Raising (8)	232	229	224	17,384
Inland Fishing (5)	249	240	240	52,183
Totals (120 Sub-projects)	3,593	3,049	2,212	
Reduced expenditure from Infrastructure projects				
Type of sub-project (No. sub-projects reporting)	No. Household with access to facilities.	No. Households reporting financial benefits as of March 2008	No. Households with savings in 1 st Qtr 2008	Average savings per household (Peso/Year)
Drying Pavements (30)	5,094	766	766	441
Multi-Purpose Buildings (29)	6,070	2,142	348	678
Feeder Road Rehab (28)	9,816	9,816	9,816	924
Totals (87 Sub-projects)	20,980	12,724	10,930	

OVI 2 The number of rural households living above the poverty threshold in ARCs covered by STARCM is increased from 11,700 in 2002 to 15,700 by December 2007.

The number of ARC households living above the poverty threshold was measured as part of a pre-completion household survey conducted by the Notre Dame of Marbel University Research and Publications Centre in September 2007. A standardised questionnaire was administered to 3,230 of the same respondents covered by the baseline survey conducted in September 2004.

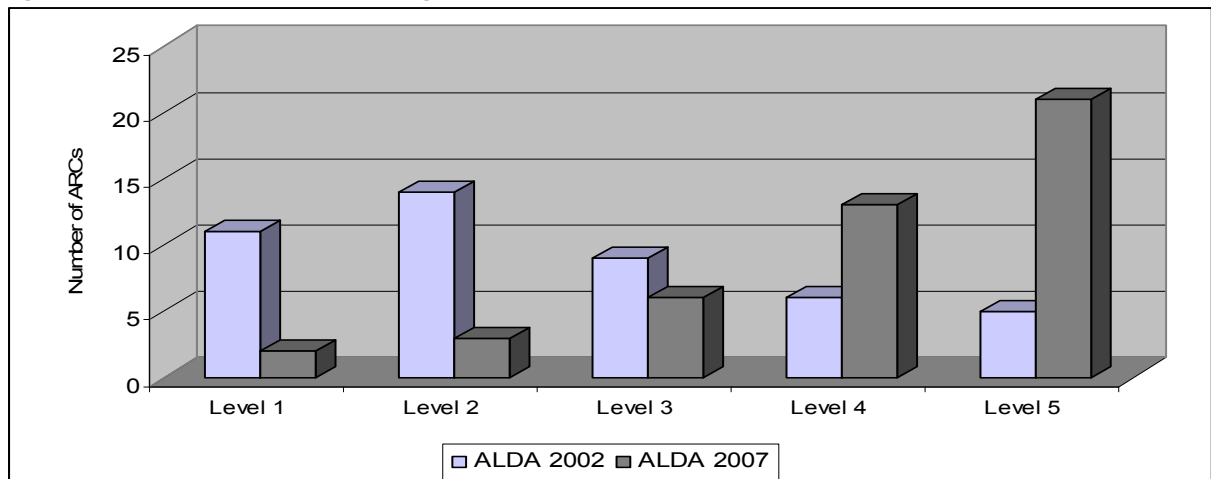
Table 3							
Baseline and Pre-Completion survey data on households above the poverty threshold							
Province	No. HH in ARCs	HH above poverty threshold (2004 baseline)		HH above poverty threshold (2007 pre-completion)		Rate of Change (baseline to pre- completion)	
		No. of HH	%	No. of HH	%	HH-HH	%-%
Cotabato	19,659	4,504	23%	7,157	36%	2,653	13%
Sultan Kudarat	13,217	2,445	18%	3,600	27%	1,155	9%
Lanao Norte	22,935	5,227	23%	10,326	45%	5,099	22%
Lanao Sur	5,233	646	12%	1,582	30%	936	18%
Project Wide	61,044	12,237	20%	22,135	36%	9,898	16%

Analysis of the data suggested that the number of households living above the poverty line had increased by 9,898 or 16% over the three year period between surveys. This was clear evidence of a general improvement in economic circumstances in the ARCs although it would be difficult to disaggregate the effect of STARCM's interventions and investments from other factors influencing household income and expenditure.

OVI 3 The number of ARCs achieving an ARC Level of Development Assessment rating of 4 or above is increased from eleven in December 2002 to twenty-five by December 2007.

The ARC Level of Development Assessment or ALDA is a composite index used by DAR to measure the growth of ARCs and the extent by which interventions under CARP and other government programs lead to socio-economic development. The six Key Result Areas against which progress is measured are: (i) land tenure improvement, (ii) organizational maturity, (iii) economic and physical infrastructure support services, (iv) farm productivity and income improvement, (v) the provision of basic social services, and (vi) gender and development. Weighted scores from more than 200 sub-categories of the KRAs are combined to classify each ARC on a scale from 1 for an ARC with a low level of development to 5 for a high level of development

Figure 1: Improvement of ALDA ratings between 2002 and 2007



The Community Development Facilitators fielded by NGOs worked with DAR Development Facilitators and staff from the provincial field offices to update the ALDA ratings in the last quarter of each year. Results from the 2007 assessment showed that the number of ARCs rated as Level 4 or Level 5 had increased to thirty-four in the provinces of Sultan Kudarat, Cotabato and Lanao del Norte. No data were available for the ARCs in Lanao del Sur. The improvements were directly related to the impact of organisational strengthening activities and the agricultural and infrastructure sub-projects implemented in each ARC.

3.2.3 Results

Key results in the STARCM LogFrame corresponded to outputs expected from the four operational components that in turn reflected the four main problem areas addressed by the project. These were the problem areas identified by the Project Appraisal Mission in July 1999 and around which the project was designed, namely:

- (i) weak or non-functional farmer's organisations;
- (ii) the inadequacy or degraded condition of rural infrastructure;
- (iii) low levels of agricultural production and productivity; and,
- (iv) the difficulties faced by farmers and cooperatives accessing credit services.

Result 1: Improved capacity of POs and LGUs to plan, implement, manage and maintain development projects.

The project worked with more than 150 barangay level POs for the implementation and subsequent management of infrastructure, mechanisation, agricultural and enterprise sub-projects. Progress against the OVI for organisational maturity was measured through the Organizational Maturity Assessment conducted as part of the ALDA each year. The number of POs with an organisational maturity or OM rating of 75% or above increased from fourteen in 2003 to thirty-two by the end of 2007 as a result of the POs' involvement in sub-projects and the associated organisational strengthening activities. In very general terms, this reflected improvements in: the capacity of the POs to make and implement plans; the ability to formulate and implement policies to address organisational and operational problems; improved financial management capacity; and the capacity to monitor and appreciate the benefits generated for its members.

There were fifty-nine POs managing income-generating projects that had sustained an operating surplus for two years or more by mid-2008. The operating surplus or net income of these POs, mainly cooperatives, ranged from P6,000 to P300,000 per annum and was invested in additional machinery or equipment, loaned to members, used to start new ventures and/or returned to members as patronage refunds and dividend payments. The strengthening of Irrigators' Associations (IAs) began at the same time as the construction or rehabilitation

works and all nine of the IAs are now responsible for the operation and maintenance of completed schemes. Forty-six Barangay Water and Sanitation Associations (BAWASAs) are responsible for managing completed water systems and collecting fees to cover the costs of repairs and maintenance.

All of the municipal and city governments included the counterpart for STARCM assisted sub-projects in their annual investment plans and supplemental memoranda of agreement were signed to provide funding for the maintenance of barangay roads and social infrastructure such as the health stations, school buildings and day care centres. Similar memoranda of agreement were entered into by the municipal or barangay LGUs for maintaining solar driers, multipurpose buildings, barangay feeder roads and other communal infrastructure.

Result 2: Rural infrastructure that better supports farmer productivity and welfare

This result was concerned with the benefits from infrastructure sub-projects under the Support Infrastructure component. Completed sub-projects were monitored as part of the benefits monitoring system and this along with the impact assessments and sub-project evaluations conducted in previous years provided information for the following quantification of progress against the OVIs.

Increase in agricultural land served by all-weather roads and a reduction in haulage costs

The completion of road rehabilitation projects provided year-round vehicular access to more than 25,000 hectares of agricultural land and benefited over 20,000 households. Prior to being rehabilitated, the roads were all but impassable by hauler trucks and other vehicles during the rainy season. Farmers either had to rely on horses or carabao or wait for dry spells when the roads/tracks could be passed by motorised vehicles.

More than 9,800 households reported financial benefits from the improved roads with hauling costs being reduced by between P15 and P40 per sack as a result of the all-weather surfacing. The savings in haulage costs amounted to more than P13.5 million between October 2006 and March 2008 with an average of around P900 per household per year. There are also many households that no longer have to pay for transportation from the road to the drying center or market because traders now pick-up products at the roadside. Women reported additional benefits such as easier access to social services, shops and markets in the municipality and a reduction in the time children spend travelling to and from school in the rainy season.

Increase the irrigated area and the number of households with irrigated land

The newly constructed and rehabilitated irrigation schemes serve 1,837 farming households and the newly constructed schemes increased the irrigated area in ARCs by 1,105 hectares. Farmers on the schemes completed in 2006 and early 2007 reported dry-season yield increases of 45 to 80 sacks of palay per hectare which would equate to an additional income of P10,000 to P20,000 per hectare per cropping. The presence of irrigation systems also provides opportunities for other farmers to expand the area of productive farmland.

Women with financial and/or social benefits from rural infrastructure

The women members of more than 10,000 households obtained social or financial benefits from the completed infrastructure projects. Social benefits were in terms of more reliable access to clean water for domestic purposes, easier access to health services, more frequent visits of doctors and nurses and the proximity of day care centres. Financial benefits were savings on hauling costs and reduced transportation costs for visits to health facilities and market centres.

Increase in the number of households with access to potable water

The construction or rehabilitation of forty-six potable water systems provided more than 16,000 households with access to safe drinking water from communal tap stands. In most cases, water for drinking and other domestic purposes is available 24 hours a day.

The main benefits were a reduction in the incidence of water borne diseases and a reduction in the time women and children spend fetching and carrying water. The impact assessments and benefits monitoring have reported little or no occurrence of water borne diseases after completion of the water systems which is a significant improvement over the pre-project situation when they were getting drinking water from shallow wells or streams. The time saved fetching water varies from system to system, but typically ranges from twenty-five minutes to two person hours per household per day. In addition to saving time, women and children are less likely to have accidents while carrying water containers from nearby tap stands than from springs and creeks. The proximity and reliability of water close to the house also provides opportunities for economic endeavours such as swine raising or backyard gardening. Other unquantifiable but important improvements to living standards and the quality of life have resulted from improved sanitation and personal hygiene.

One negative, but unavoidable, consequence of the construction of water systems was an increase in household expenditure for water. There was only one place, Kibudtungan ARC in Carmen, where construction of the water system reduced expenditure. For the other systems, monthly payments range from P5 to P48 per month for a household getting water from a communal tap stand (Level II) to between P50 and P130 per household with a private connection (Level III). Most of those using the systems consider the benefits to outweigh the additional costs and three-quarters of the BAWASAs reported that more than 80% of the households are regularly paying their dues. There are some households that simply can not afford to pay, but in most cases poor collection rates are attributable to weaknesses in the BAWASA leadership and laxity in the enforcement of agreed policies.

Table 4				
Objectively Verifiable Indicators for the achievement of Key Results				
Key Result Objectively Verifiable Indicator		Status Planned end of Project		Accomplishment June 2008
Result 1– Improved capacity of POs/LGUs to plan, manage and maintain development projects				
1.1	POs achieving Organizational Maturity rating of 75% or above.	50	POs	38 76%
1.2	POs with women in decision making and leadership positions.	50	POs	63 100%+
1.3	POs managing income generating projects and able to sustain an annual operational surplus for two or more years.	60	POs	59 98%
1.4	Irrigators Associations operating and maintaining improved CISs	9	IAs	9 100%
1.5	BAWASAs operating and maintaining potable water systems	48	BAWASAs	46 96%
1.6	LGUs include ARC sub-projects in annual investment plans	43	LGUs	43 100%
1.7	LGUs funding maintenance plans for completed infrastructure	43	LGUs	43 100%
Result 2 – Rural Infrastructure that better supports farmer welfare and productivity				
2.1	Agricultural land served by all-weather barangay feeder roads	9,000	Ha	26,531 100%+
2.2	Households benefiting from reduced hauling costs	4,500	HHs	9,816 100%+
2.3	Increase in the irrigated area in ARC barangays	1,295	Ha	1,105 85%
2.4	Additional number of households with irrigated land	600	H/Hs	633 100%+
2.5	Women with financial or other benefits from rural infrastructure	9,600	Women	10,337 100%+
2.6	Households with improved access to potable water	18,000	HHs	16,101 89%
2.7	Households with improved access to post-harvest facilities	10,000	HHs	10,254 100%+
2.8	Households served by upgraded Barangay Health Stations	12,000	HHs	12,349 100%+
2.9	Households served by Day Care Centres	2,500	HHs	2,627 100%+
2.10	Students accommodated in new school buildings	810	Students	1,170 100%+
Result 3 – Sustainable increases in agricultural production and income from rural enterprises				
3.1	Households with additional income from farming systems incorporating vegetables and other high value crops	550	H/Hs	708 100%+
3.2	Households with additional income from small livestock or poultry	1,400	H/Hs	1,419 100%+
3.3	Households with additional income from fish capture / production	450	H/Hs	474 100%+
3.4	Increase in the number of households with farming systems incorporating fruit, rubber and other perennial crops	6,300	H/Hs	6,467 100%+
3.5	Increase in the number of households owning draft or pack animals for land preparation or hauling agricultural products.	1,072	H/Hs	1,309 100%+
3.6	Households with better access to cultivation machinery to improve the timeliness of land preparation	2,200	H/Hs	2,575 100%+
3.7	Households with additional income from rural enterprises established with project assistance	800	H/Hs	840 100%+
3.8	Increase in the annual volume of agricultural products processed with facilities or machinery operating in the ARCs.	25,000	MT	28,878 100%+
3.9	Women reporting financial benefits from APED sub-projects	2,500	Women	2,872 100%+
Result 4 – Improved access to financial services (* as of December 2006)				
4.1	Number of cooperatives accredited by LBP in the ARCs	6	Coops	6 100%
4.2	Number of MFIs extending microfinance services in the ARCs	12	MFIs	9 75%
4.3	ARCs barangays served by MFIs accredited with PCFC	100	Barangay	73 73%
4.4	MFI clients in the ARC barangays	6,000	Persons	5,864 98%
4.5	Value of MFI Loan Portfolio with Portfolio At Risk < 1%	60.00	Million Peso	56.06 93%

Households with improved access to post-harvest facilities

Thirty multipurpose buildings and forty-one solar driers were constructed and are benefiting more than 13,000 households and 9,000 ARBs. The main use of the multi-purpose buildings has been for the temporary storage of produce dried on the adjacent solar driers. The buildings are also used for meetings, as a training venue and for social events. Twenty of the completed MPBs are being used as an office for the barangay council and eight as offices for an ARC cooperative.

The drying pavements are used for drying farm products such as rice, corn and copra and over 120,000 sacks of produce were dried between October 2006 and March 2008. Selling dried rice or corn reduces the cost of transportation by 10% to 20% and increases the price by P1.30 to P2.00 per kg compared with selling immediately after shelling or threshing. Farmers also reported that the crops dried quicker on concrete pavements and that spoilage and losses were reduced from 4%-5% when drying on mats or tarpaulins to 1%-2% using the solar drier.

Households served by Barangay Health Stations

Thirty-four barangay health stations were constructed and are providing more than 12,300 households and 7,500 ARBs with access to improved health services. Services provided by the midwife and barangay health workers include pre-natal and child care, birthing, vaccination, the diagnosis and treatment of tuberculosis, the initial treatment of minor injuries and ailments; and, advice on birth spacing. The presence of a clinic and health workers in the barangay encourages regular visits from doctors and nurses and saves transportation costs and the time that would otherwise have been spent travelling to and from the Rural Health Unit or private hospitals in the municipality.

Households served by day care centres

Eleven day care centres were constructed and are providing families with the opportunity of sending their children to pre-school. Obviously not all families have pre-school age children but 449 children of 3-6 years old were enrolled and attending the day care centres as of March 2008.

Result 3: Sustainable increases in agricultural production and income from rural enterprises

The 370 sub-projects completed under the APED component benefited 15,295 households and 9,715 ARBs. This exceeded the original target of providing direct assistance to one-fifth of the farming households in ARCs covered by the project (around 12,200 households). Results from the sub-project completion reports and the benefits monitoring system were used to quantify the increases in production and/or income corresponding to OVIs in the LogFrame matrix.

Households with additional income from farming systems incorporating vegetable production

Twenty-five vegetable production projects covered 81.71 hectares and provided additional income to a little over 700 households. The cultivation of tomatoes, string bean, squash, garlic, onion, eggplant, etc. generated an average annual income of P15,458 with monthly incomes ranging from P600 to P10,972. The additional income was used to defray day-to-day household expenditure, pay for children's education, meet medical expenses, undertake home improvements and finance the inputs for corn and rice production. More than 70% of the original growers went on to finance additional cycles of vegetable production.

Households with additional income from small livestock, ducks and poultry

1,449 households benefited from forty-four sub-projects concerned with swine, goat, duck and poultry production. Those engaged in swine production generated annual incomes ranging from P2,060 to P47,750 with an average of P 17,384 per household. This compared to the range of P1,200 to P6,450 with an average of only P 4,076 for those engaged in goat production. Per records, 95% of those recorded as beneficiaries when the sub-projects were completed have continued to the second and succeeding breeding cycles. The farmers raising ducks generated more income than those raising chickens. Even with 25%-30% of the eggs for home consumption, duck raisers generated an average annual income of P9,321 compared with an average of only P1,297 from poultry. The proportion of eggs and birds consumed or given to neighbours was notably higher with chickens than with ducks.

Households with additional income from fish production or fish capture

The sub-projects providing fishing gear to farmers and fisher folk in ARCs bordering the Liguasan Marshes involved 324 households and 100 ARBs. The participants go fishing for between twelve and twenty-six days a month and generally earn from P100 to P250 per trip. On good days they earn P500 to P3,000 but even on poor days they are able to take home fish to supplement the family diet. With an average monthly income of P4,349 all of the participants have continued fishing and routinely repair or replace any nets or boats that are damaged. The income earned from fishing has helped them meet their day to day household expenses; provide for the educational needs of their children, finance farm production, repair their houses, and start small-scale livestock or poultry production that serves as another source of income.

Households with fruit trees and other perennial crops.

More than 6,000 households were provided with fruit, rubber or coconut seedlings. The fruits included durian, lanzones, banana, mango, mangosteen and pomelo, but as of July 2008 it was only the banana that was providing a significant number of households with additional income. A total of 1,642 farmers planted banana either as an intercrop or as a sole crop on approximately 872 hectares. The cardava variety started bearing fruit around nine months after planting and produced yields of 1,200 kg to 11,000 kg per half-hectare over the first three-month harvesting cycle. Farmers reported incomes ranging from P1,716 to P27,084 with an average annual income of P7,438 per household. The revenue could have been higher but significant quantities of the fruit were consumed or given to neighbours. Some of the earlier planted plots also suffered from disease problems which reduced yields. More than 500 farmers earned additional income of P500 to P2,500 by selling suckers to other farmers that wished to begin banana production. Reported sales of 86,000 suckers were sufficient for around 107 hectares of unplanned expansion in Mala-Mala, Palma Perez, MSARC Aleosan, Panicupan, Upper Dado, Meohao and Takepan ARCs.

Increase in the number of households owning draft animals.

A total of 981 farming households including 512 ARBs in thirty-nine ARCs were provided with carabao and farm implements. The animals are used for land preparation and hauling by the recipients as well as being hired out for use on other farms. The most immediate benefits were savings in the time and effort required to cultivate farm lots and more than 90% of those that received the carabao reported an increase in the area cultivated each season.

The financial benefits have been reduced expenditure on their own farms and additional income from ploughing land and hauling the products of other farmers. Savings in cultivation expenses range from P500 to P3,000 per hectare and apply to all those that received carabao. About half of the recipients also hire their carabao out to other farmers and have earned an average of P6,031 per year cultivating land and hauling agricultural products. 531 or 54% of the carabao have produced offspring since being dispersed and 420 calves have been passed on to second-in-line beneficiaries in twenty-three ARCs. Many of the farmers that received carabao in 2003 or 2004 have raised and sold additional calves and invested the income in other enterprises such as swine production or duck raising.

Use of cultivators, rice threshers, corn shellers and other farm machinery

The project provided cultivation machinery and rice threshers to forty-two cooperatives and farmers' associations in thirty-three ARCs. Users reported improvements in the timeliness and efficiency of cultivation and reduced post-harvest losses through timelier threshing of palay after harvest.

Farmers using the coop-owned power tiller (*kuliglig*) and turtle (*baobao*) save up to P500 per hectare through lower rental rates when compared to private operators in the area. Some cooperatives also pay patronage refunds of up to P100 per hectare to members availing of the services. Each set of machinery cultivates between 20 and 80 hectares per cropping and generates gross incomes ranging from P41,900 to P336,000 per annum. With profit margins ranging from 31% to 83%, five cooperatives have purchased additional mud boats while twelve have bought spare or replacement engines for use on the power tillers. Other benefits have been the re-cultivation of dormant rice areas, lower rental fees and greater opportunities for synchronised planting.

The volume of palay threshed has ranged from 94 to 304 metric tons per cropping and those using the threshers estimated that timely processing reduced losses by 3-5 cavans of palay per hectare. In the case of threshers operating in Lanao del Norte where the normal practice is for cash payment, those using the equipment are allowed to pay in palay which saves the farmer a further P1.00 to P3.00 per cavan.

Rice and corn mills operating in the ARCs

Three mobile rice mills and eighteen stationary rice and corn mills are serving around 3,500 households in twenty-one ARCs. The mobile rice mills are mill from 178 to 520 metric tons per year while the stationary rice and corn mills process 25 to 284 metric tons per year.

Despite the lower capacity, the mobile rice mills have been better patronised and more beneficial than the stationary mills. The main benefits are the convenience of being able to text the mill operator to come and mill rice at the house with consequent savings in transportation and incidental expenses. The two cooperatives operating in PiEISaDai ARC also provide incentives to members who patronise the travelling rice mills. Rebe MPC for instance adds 10 centavos to the share capital of the member for every kilo of palay milled while for El Salvador; there is a reduction in the fee when milling more than ten sacks of palay.

The savings in transportation and haulage costs are not as great in the case of the stationary rice and corn mills but there are still some savings since it is no longer necessary to take rice or corn to the town center and queue at the mill. Women also appreciate having a mill in the barangay which means they can just leave the rice at the mill in the morning and go back to collect it in the afternoon.

Operation and maintenance expenses represent between 63% and 80% percent of the gross income from mobile rice mills, which resulted in net incomes of P95,500 to P410,200 per annum. Operation and maintenance costs are lower for stationary mills but so are the net incomes ranging from P15,750 to P120,300 per annum.

Women with financial benefits from APED sub-projects

There were reported to be 2,872 women deriving income from APED sub-projects at the end of March 2008. Livelihood opportunities came from vegetable production, swine and goat raising, poultry and duck raising and the rural enterprises projects. In most cases the women were also selling the produce and therefore had some control over use of the proceeds.

Result 4 : Farming households have better access to financial services provided by government and private financial institutions.

The Project began by entering into partnerships with the Land Bank of the Philippines (LBP) and the Peoples Credit and Finance Corporation (PCFC) to make the credit services of government finance institutes more accessible in ARCs. Work with the LBP to enable ARC cooperatives to meet accreditation criteria and act as credit retailers was phased out following the Mid Term Review in 2004 and attention was shifted to the provision of institutional credit to PCFC accredited microfinance institutions with clients in the ARCs.

There were nine accredited microfinance institutions with a total of 5,864 active borrowers in thirty ARCs at the end of 2006. This was higher than the number of ARCs originally targeted and close to meeting the target of 6,000 ARC households being able to avail of microfinance loans extended by MFIs. The OVI for loan portfolio was based on the expectation that around P15 million of STARCM institutional credit would be matched by P60 million of investment credit for lending to borrowers in the ARCs. The value of the MFI loan portfolio reached P56.061 million at the end of 2006.

3.3 Activities undertaken

STARCM was intended to augment the efforts of DAR and other agencies with the delivery of support services to farming households in the ARCs of Central Mindanao. When the project started there was an administrative region of Central Mindanao consisting of three provinces: Cotabato, Sultan Kudarat and Lanao del Norte. However, Executive Order No. 36 that was issued in September 2001 reassigned Cotabato and Sultan Kudarat to Region XII - SOCSKSARGEN and Lanao del Norte to Region X – Northern Mindanao. The fourth province covered by the project, Lanao del Sur, remained as part of the Autonomous Region of Muslim Mindanao (ARMM).

3.3.1 ARC Development planning

STARCM was designed as a community-driven investment project that would address the specific development needs of each ARC. ARC residents along with staff of the municipal agrarian reform offices and local government units were required to formulate development plans identifying the constraints, potentials and opportunities in each ARC as part of the community entry activities. Work began in thirty-nine ARCs that had been confirmed by the National ARC Task Force as of May 2001. Another three ARCs were confirmed by the task force at the end of 2001 and included amongst those for which development plans were prepared in the first half of 2002. Ten more ARCs were approved to be covered in June 2003 which brought the total up to fifty-two (two more than the target of fifty ARCs given in the Financing Agreement).

The ARC Development Plans (ARCDPs) produced in 2002 were prepared using procedures developed on the FAO/SARDIC-TSARRD project. Participatory Action Planning (PAP) meetings were facilitated by teams made up of STARCM Institutional Development Specialists, the ARC Coordinator, the MARO and the DAR Development Facilitator. PAP meetings successfully encouraged the participation of ARC residents in formulating development plans, however, there were concerns that the plans were more of a shopping list of projects to be funded by STARCM than integrated development plans focussing on the constraints, potentials and opportunities in each ARC.

A revised approach was taken to update the ARCDPs in 2004. Members of the Barangay Council, community leaders, farmers and representatives from different sectors in the ARC were first orientated and trained on Participatory Rural Appraisal (PRA). PRA techniques were then used to prepare social maps, land use and service maps, Venn diagrams for organisations and institutions, seasonality diagrams and household profiles. This was followed by barangay level planning meetings where the barangay council, along with members of the Municipal/City Implementing Team and representatives from sectoral groups, POs and NGOs reviewed progress during 2003 and 2004 and prioritised the sub-projects to be implemented between 2005 and 2007.

The ARCDPs updated using PRA techniques in 2004 were more comprehensive than those prepared in 2002 and contained a wider range of projects for funding by STARCM and other sources (municipality, province, congressmen, line agencies, etc.). The three-year development plans were presented for ratification by barangay-level general assemblies and then submitted to the municipal / city LGU so that counterpart requirements could be incorporated in the annual investment plans.

3.3.2 Support Infrastructure

The aim of the Support Infrastructure (SI) component was to provide rural infrastructure that better supported farmer productivity and social welfare in the ARCs. This included the construction or rehabilitation of barangay roads, small-scale irrigation schemes, potable water supply systems, post-harvest facilities and social amenities. An Infrastructure Operations Manual was prepared to provide project staff and implementing partners with a common understanding of the requirements for identifying, designing and implementing sub-projects to be supported by STARCM. The manual was revised five times between April 2002 and June 2005 to incorporate recommendations made by members of the international TA team and reflect refinements made by STARCM's engineers on the basis of experience. The general flow of events from sub-project identification through to completion and turnover is illustrated in Figure 2.

Design and approval of infrastructure sub-projects

The priorities for infrastructure projects were established at the planning workshops conducted in 2002 and revised when the ARC Development Plans were updated in 2004. Designs for the road improvements, bridges, potable water systems, drying pavements, multipurpose buildings and other structures were prepared by LGU engineers with assistance from the STARCM Rural Infrastructure Engineers (RIEs). Survey and design work for the construction or rehabilitation of communal irrigation schemes was undertaken by engineers from the National Irrigation Administration (NIA). The cost of pre-engineering works, whether undertaken by LGU engineers or NIA engineers, was treated as part of the LGU counterpart contribution.

The reliance on LGU engineers for pre-engineering works was a significant constraint to the number of sub-projects prepared and approved during the first half of the implementation phase (mid-May 2002 to the end of November 2004). The lack of manpower and experience was most apparent on road improvement and water supply projects and the STARCM engineers had to spend a considerable amount of time checking the design and program of works before the proposals were reviewed by the Technical Review Panel.

The Project took steps to address the problem by: (i) encouraging LGUs to assign or employ engineers to work fulltime on STARCM sub-projects; (ii) providing assistance with survey work; (iii) assigning RIEs to assist the LGU engineers prepare designs; (iv) conducting training for LGU engineers on the design of feeder roads; and, (v) providing computerised templates for the Program of Works of common types of infrastructure.

It was however, not only a lack of manpower and the experience of LGU engineers which constrained the rate of project preparation in the early years, there were also procedural delays owing to the time taken for validation and review by the Project Review Panel (PRP). To reduce the time taken for separate validation by members of the Municipal/City Implementing Team (M/CIT) and STARCM engineers, the process was revised in the latter part of 2004 so that sub-project validation was jointly undertaken by the M/CIT, RIE and members of the Barangay Development Council. The sub-project validation report was no longer subject to review by the PRP before being endorsed to the Project Co-Directors for approval. Streamlining the procedures reduced the time between submission of a sub-project application and issuance of the notice to proceed to pre-engineering works by as much as four months.

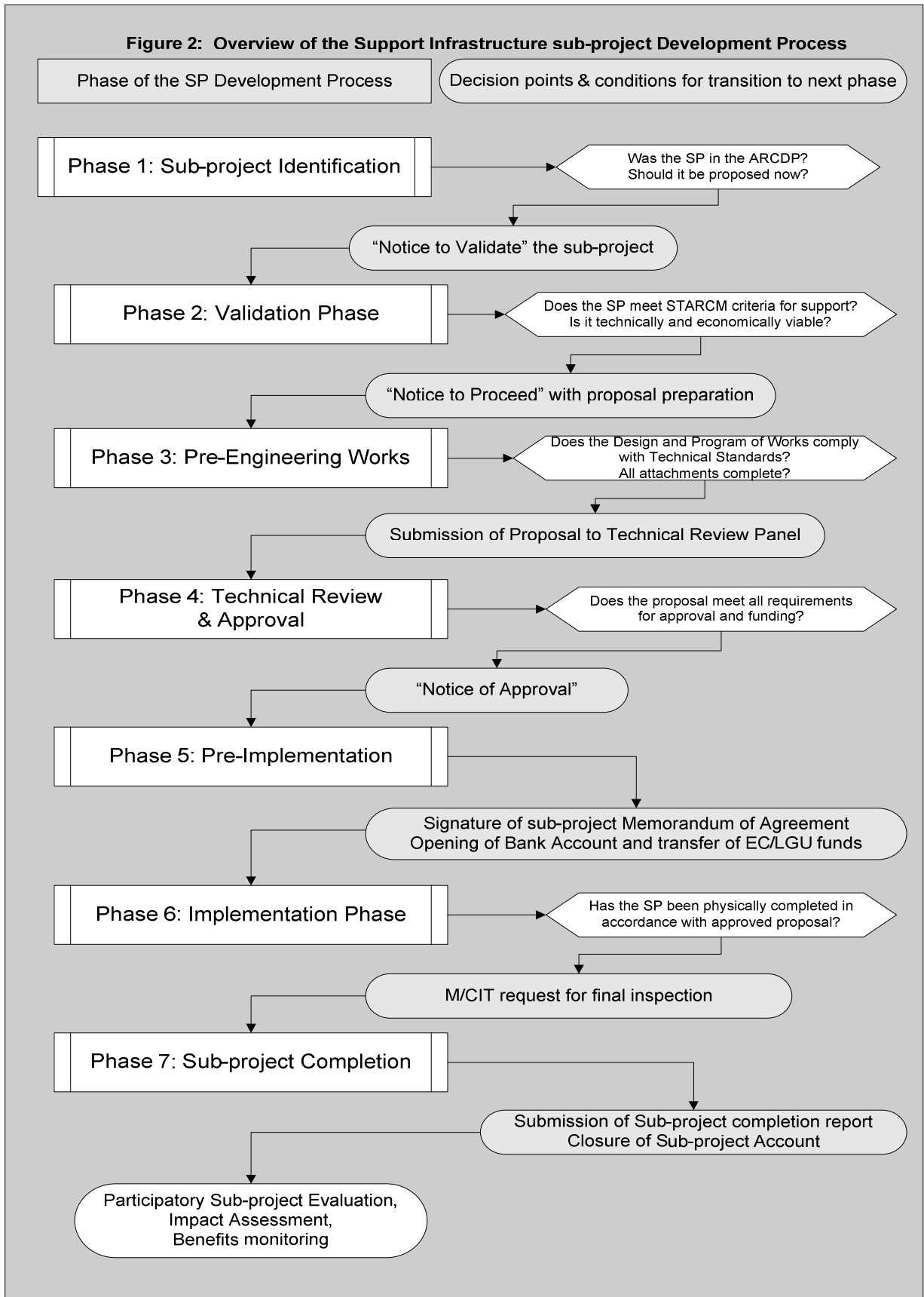
Further reductions in the time between issuing the notice to proceed and final approval were achieved through the use of computerised design templates, more intensive support from the Project's engineers, and the review of structures such as health stations, day care centres, solar driers and multipurpose buildings by an in-house review committee rather than a full meeting of the TRP. These improvements along with the LGU engineers' increasing familiarity with the standards and requirements almost doubled the rate of sub-project approval from a total ninety-seven in 2003 and 2004 to ninety-four in 2005 alone.

Continued progress on the finalisation of sub-project designs meant that the revised EC budget for Works & Equipment was close to being fully committed by the middle of 2006. The approval of completed designs for a number of road improvement and potable water systems had to be deferred pending the realisation of savings from the completion of other sub-projects. There were also concerns that delays on road improvement or water supply started in late 2006 might run into difficulties during the May 2007 election period and not be completed by the end of the year. The only new sub-projects approved for implementation in 2007 were therefore comparatively short-duration projects such as elementary school buildings and barangay health stations to be constructed by contractors.

Implementation of infrastructure sub-projects

A total of 257 infrastructure sub-projects were approved for funding under STARCM. The sub-projects were implemented "by administration" with priority given to the use of machinery and equipment owned by the LGU. A sub-project specific Memorandum of Agreement (MoA) detailing the obligations and responsibilities of STARCM, the proponent organisation and the implementing partner was signed for each sub-project. The implementing partner, most commonly the municipal or city LGU, was then responsible for the procurement of construction materials, hiring labour or equipment and tendering for any contracted works in accordance with the Government Procurement Reform Act (RA 9184). Although implemented by administration, contractors were used for specific items of work when the LGU did not have the necessary equipment for example when compacting or grading road surfaces or drilling for deep wells on potable water systems. Contractors were also used for the construction of day care centers, barangay health stations and school buildings.

Figure 2: Overview of the Support Infrastructure sub-project Development Process



Adherence to the implementing rules and regulations of RA 9184 combined with significant increases in the cost of construction materials from early 2005 onwards resulted in delays of up to four months on a number of sub-projects. The time taken to finalise sub-project proposals meant that the cost estimates in the Program of Works were often up to a year out of date and subsequent increases in the cost of materials meant that the bidding had to be declared a failure because all bids exceed the approved budget. Under RA 9184, there must be two successive failures of public bidding before the LGU can resort to a negotiated procedure and even then, a contract may not be awarded for an amount greater than the approved budget. If the budget had to be revised to accommodate an increase in prices then the whole process of public bidding had to be repeated.

The municipal or city engineering office was responsible for technical supervision during the implementation of sub-projects with routine monitoring and inspection undertaken by engineers from STARCM and the DAR Provincial Offices. The Infrastructure Quality Monitoring System (IQMS), that was originally developed for the ADB funded Agrarian Reform Communities Project (ARCP), was adapted for use on STARCM to provide standardised procedures for monitoring the progress and quality aspects of construction works.

Province	Number of ARCs	No. of sub-projects	Barangays Covered	Total cost of sub-projects (peso) ^{1/}
Cotabato	24	124	44	258,755
Sultan Kudarat	8	47	39	102,884
Lanao del Norte	13	60	21	142,265
Lanao del Sur	7	26	23	75,190
Totals	52	257	127	579,093

Note: ^{1/} total of the EC grant plus the LGU counterpart in cash and/or in kind.

Types of infrastructure constructed or rehabilitated

The number and scope of infrastructure sub-projects completed in each province are shown in Table 6 ^{1/}. The construction or rehabilitation of potable water systems (46) and the improvement of barangay feeder roads (38) were the most common types of sub-project followed by the construction of drying facilities (41), barangay health stations (34) and multipurpose buildings (30).

Barangay feeder roads, bridges and crossings

The aim of the barangay feeder road projects was to improve vehicular access by upgrading farm tracks or dilapidated roads connecting production areas to all-weather roads. The term 'barangay feeder road' was used in preference to 'farm to market road' that could have implied the rehabilitation of roads all the way from the barangay to a marketing center in the nearest municipality or city. The projects involved two types of improvement: i) upgrading roads or farm tracks that were only passable in the dry season owing to low elevation and/or poor drainage; and, ii) the rehabilitation of existing roads which were passable in the past but had deteriorated through a lack of maintenance. Whatever the previous condition, the sub-projects entailed improving the road to an all-weather standard with a 4-6 meter carriage way and a gravel surface.

In addition to providing an all-weather gravel surface, the improvements commonly included embankments, headwalls and culverts on low-lying roads with rip-rap or concrete lined drainage canals and runoff diversion works on roads with steeper sections. Stream crossings costing up to P250,000 were considered an integral part of the feeder road improvement sub-project whereas bridges, box culverts and other types of crossing costing more than P250,000 were treated as separate sub-projects.

The implementation of road improvement projects was, not surprisingly, very dependent on the availability of LGU equipment (graders, dump trucks, rollers, back-hoes, etc.). There were delays during the implementation of almost all sub-projects either because the LGU equipment was being utilised elsewhere or because it had broken down and the LGU had to hire replacement equipment from contractors. The road improvement projects were also particularly susceptible to delays during the rainy season when work had to be suspended because frequent rainfall made it impossible to deliver materials or compact sub-base aggregates.

Potable Water Systems (PWS)

The purpose of the potable water systems was to provide ARC households with a clean and reliable source of water to reduce the incidence of water-borne diseases as well as the time spent collecting water for domestic purposes. Four projects were for the rehabilitation or expansion of existing systems while forty-four were the construction of new systems. Most of the new systems involved the development of groundwater supplies

^{1/} Eight sub-projects had not been completed by the end of July 2008. These were five (5) feeder road improvements, one (1) waterway crossing and two (2) potable water systems.

through the installation of deep wells equipped with submersible electric pumps. These were generally quicker to implement than gravity flow schemes involving the development of spring sources and the laying of lengthy pipelines from the source to the service area. Spring developments are however very much cheaper to operate and easier to maintain.

The projects were built to supply water to communal tap-stands that would be shared by a number of households (known as Level II systems). The reservoirs and pipe sizes were however designed to accommodate the conversion to Level III with connections made to individual households. 1,611 households on twenty-one of the systems upgraded to Level III with the cost of the water meter, pipes and any other fittings being borne by the household and/or the organisation managing the system.

Delays during the implementation PWS projects were commonly related to procurement procedures and the need for budget revisions owing to unforeseen increases in the cost of materials. There were also some difficulties mobilising labour as part of the community counterpart in ARCs where the projects were seen as just another government project. Social preparation was found to be particularly important to engender a sense of ownership and help reach agreements on the provision of equity in the form of skilled and unskilled labour.

Construction or rehabilitation works went on alongside the organisation and strengthening of a Barangay Water and Sanitation Association (BAWASA) to be responsible for operation and maintenance of the completed system.

Communal Irrigation Schemes (CIS)

Assistance was provided for the rehabilitation or expansion of four existing irrigation schemes and the development of five new communal irrigation schemes to serve approximately 2,300 hectares of rice land. Improvements included the construction or rehabilitation of weirs and off take structures, concrete lining of main and secondary canals, the installation of large diameter polyethylene piping along canal sections with deep cuts, the construction of siphons and creek crossings, and the installation of concrete turnouts and diversions.

Design work was undertaken by engineers from the NIA but the projects were all implemented by administration. The LGUs were required to employ a full-time project engineer with experience of irrigation schemes for the day-to-day supervision of construction works. The projects were designed to be labour intensive and priority was given to employing members of the Irrigators' Association and other ARC residents during the construction works. Twenty-five gangs of labourers totalling more than 400 persons were employed each day during the peak of construction works on the Del Carmen CIS in President Roxas of Cotabato.

A problem encountered on two of the irrigation projects started in 2003 was that the original drawings and computations made by NIA engineers did not correspond to the field situation. Errors in gradients and elevations on the design drawings were not apparent until the projects were underway and the site engineers began laying out the route for canal excavations. Work on both projects had to be suspended (for up to eight months) while the NIA engineers re-surveyed the site and prepared a corrected program of works. The problem did not occur on any of later projects.

All of the sub-projects took very much longer than planned in the original Program of Works (POW). The irrigation schemes in Arakan and Antipas of Cotabato province were not completed until May 2008 which was more than eighteen months after the scheduled completion dates. In addition to problems with construction works or the delivery of materials during the rainy season, the use of manual labour was found to be causing in delays in areas with stones, boulders or clayey soil. The POWs were therefore revised to accommodate a change from manual to mechanical excavation and make more use of backhoes and other machinery for the excavation of main canals and during the construction of diversion works.

In all cases, the construction or rehabilitation works went on alongside the organisation and strengthening of an Irrigators' Association to be responsible for operation and maintenance of the completed scheme.

Post Harvest Facilities

The Project provided support for solar drying floors and the construction of multi-purpose buildings (MPBs) to be used as warehouses as well as providing office space and serve as venue for meetings, training and social events. A standard modular design was used for the MPBs with 48 Sq.m. for secure storage/office space and 48 Sq.m. of covered but open sided area for temporary storage and/or meetings, etc. The concrete solar driers ranged from 384 to 500 Sq.m. and were invariably laid out so that they could also be used as basketball courts.

Twenty-four solar driers were constructed alongside multipurpose buildings with another seventeen constructed as stand-alone facilities in other barangays. The MPBs and solar driers were comparatively easy to construct with the main problems being the need for budget revisions following increases in the cost of materials, variable quality of works and/or the supervision of labour. The completed facilities were handed over to an ARC cooperative or the barangay LGU which received training on the formulation of policies and budgeting for repairs and maintenance under the Institutional Strengthening component

Support was also provided for other post-harvest handling/marketing/processing structures such as the building housing mechanical grain driers in Lebak, two barangay marketing centres, a calamansi processing plant in Lala, and a mini fish port to serve fisher folk in barangay Sambulawan of the Liguasan marsh area.

Table 6.
Number and physical accomplishment of completed sub-projects by province

Support Infrastructure	Cotabato		Sultan Kudarat		Lanao del Norte		Lanao del Sur		Total Project-Wide	
	No. SPs	Accomplishment	No. SPs	Accomplishment	No. SPs	Accomplishment	No. SPs	Accomplishment	No. SPs	Accomplishment
Feeder Road Improvement	20	64.75 Km	10	33.43 Km	7	31.57 Km	1	9.68 Km	38	139.43 Km
Bridges and Crossings	5	54 m	6	64.26 m	6	180.95 m	3	32 m	20	331.21 m
Communal Irrigation (Rehab)	2	641 Ha	1	300 Ha	1	260 Ha	-	-	4	1,201 Ha
Communal Irrigation (Const.)	3	555 Ha	1	100 Ha	-	-	1	400 Ha	5	1,105 Ha
Potable Water Systems	21	5,931 HH	8	3,409 HH	11	3,665 HH	6	3,096 HH	46	16,101 HH
Multipurpose Buildings	14	1,473 Sq.m.	5	480 Sq.m.	9	864 Sq.m.	2	192 Sq.m.	30	3,009 Sq.m.
Solar Drying Floors	19	9,000 Sq.m.	5	3,150 Sq.m.	14	6,300 Sq.m.	3	1,350 Sq.m.	41	19,800 Sq.m.
School Buildings	7	7 Units	3	3 Units	1	1 Unit	2	2 Units	13	13 Units
Barangay Health stations	23	23 Units	4	4 Units	5	5 Units	2	2 Units	34	34 Units
Day Care Centres	7	7 Units	3	3 Units	1	1 Unit	-	-	11	11 Units
Other Structures	3	3 Units	1	1 Units	3	3 Units	-	-	7	7 Units
	124		47		59		20		249	

Agricultural Production & Enterprise Development	No. SPs	Accomplishment	No. SPs	Accomplishment	No. SPs	Accomplishment	No. SPs	Accomplishment	No. SPs	Accomplishment
Fruit / Rubber / Coconut	80	2,487 Ha	16	383 Ha	40	776 Ha	16	325 Has.	152	3,971 Ha
Swine and Goat raising	11	474 Head	8	370 Head	5	160 Head	1	40 Heads	25	1,044 Head
Poultry / Duck raising	9	10,248 Head	1	1,250 Head	5	4,570 Head	4	3,835 Heads	19	19,903 Head
Vegetable production	9	33.21 Ha	12	27.90 Ha	2	7.60 Ha	2	13.00 Has.	25	81.71 Ha
Fish Production	3	90 HHs	2	60 HHs	-	-	-	-	5	150 HHs
Fish Capture	5	274 HHs	1	30 HHs	1	20 HHs	-	-	7	324 HHs
Draft / Pack animals	22	556 Head	7	185 Head	17	284 Head	1	30 Heads	47	1,055 Head
Cultivation Machinery	13	70 Units	8	46 Units	13	55 Units	9	40 Units	43	211 Units
Rice Threshers/Corn Shellers	-	-	2	7 Units	2	6 Units	5	11 Units	9	24 Units
Rice and corn mills	7	7 Units	5	5 Units	5	5 Units	4	4 Units	21	21 Units
Copra driers	-	-	-	-	1	9 Units	-	-	9	9 Units
Rural Enterprise sub-projects	3	239 HHs	2	51 HHs	9	459 HHs	2	91 HH	16	840 HHs
	162		64		100		44		370	

Social Infrastructure

The GWP anticipated the construction of barangay health stations and day-care centers in communities where such facilities were lacking or did not meet standards required for accreditation by the Rural Health Unit (RHU) or the Department of Social Welfare Development (DSWD). Although the Mid Term Review mission recommended that STARCM should prioritise support for health services over education in the ARCs, the construction of primary school buildings was included in the annual work plan for 2007 to help address the nation-wide shortage of classrooms that was a hot political issue at the time.

Thirty-four barangay health stations were constructed between 2003 and 2008. The buildings were designed by STARCM engineers with advice from the Integrated Provincial Health Office and municipal health officers on the layout and type of equipment to be provided. The total floor area of 48 Sq.m. was divided into a receiving area, a consultation room, a treatment and family planning room and a delivery room. Most of the health stations were constructed by contractors hired by the municipal LGUs. The quality of work was generally good and there were comparatively few delays or difficulties during implementation. The health stations were fully equipped and furnished as part of the project and training was provided for the Rural Health Midwife and barangay health workers under the Institutional Strengthening component (see Section 3.3.4).

Buildings to serve as day care centres for pre-schoolers were constructed in eleven barangays. Each building had a floor area of 63 Sq.m. designed to accommodate up to forty-five children. They were fully furnished and equipped with reading materials and educational toys for young children. Some were also provided with outside playground equipment. As with the health stations, most of the day care centres were constructed by contractors and there were no serious problems or delays during implementation. Training for the day care workers and members of the parent teachers associations was provided under the IS component to help meet the requirements for accreditation by the DSWD.

It was agreed at the 11th Project Steering Committee meeting in July 2006 that any uncommitted funds for the support infrastructure component would be allocated for the construction of school buildings in 2007. Standardised designs were prepared and a list of the pupil / classroom ratios in ARC barangays obtained from the district offices of the Department of Education. Funds were sufficient for thirteen school buildings to be constructed between mid-2007 and the end of the project. Each two-roomed school building had a floor area of 126 Sq.m. designed to accommodate ninety students. Tables and chairs were provided but the responsibility for textbooks and teaching aides was left with the Department of Education under its regular budget. All of the school buildings were constructed by contractors and there were no serious problems or delays during implementation.

Province	Total H/Hs in ARCs	ARC H/Hs benefiting from Infra SPs	%	Total ARBs in ARCs	ARBs Benefiting from Infra SPs	%
Cotabato	19,659	14,948	76%	26,452	10,766	41%
Sultan Kudarat	13,217	9,469	72%	11,518	7,597	66%
Lanao del Norte	22,935	9,647	42%	9,150	5,471	60%
Lanao del Sur	5,233	2,935	56%	4,682	1,887	40%
Totals	61,044	36,999	61%	51,802	25,721	50%

Note: the number of households and number of ARBs benefiting excludes double counting of households or ARBs that benefit from more than one infrastructure sub-project.

Maintenance and operation of completed facilities

There were 249 completed sub-projects benefiting 36,999 households and 25,721 agrarian reform beneficiaries by the end of July 2008. Supplemental memoranda of agreement were prepared to formalise the arrangements for operation and maintenance of the completed facilities. This was because the MOAs prepared when the sub-projects were approved were primarily concerned with implementation arrangements and made only passing reference to the continuing requirement for staff and an operational budget after completion. The supplemental MOA were entered into by the DAR represented by the Provincial Agrarian Reform Officer II, the municipal LGU represented by the Mayor, the Barangay LGU represented by the Barangay Chairman, and the relevant office or government department (e.g. the Integrated Provincial Health Office, provincial DSWD or DepEd schools division superintendent). MOA were entered into by the MLGU and/or the BLGU for maintaining solar driers, multipurpose buildings, barangay feeder roads, river crossings, marketing centers, barangay health stations, day care centers and the school buildings.

The potable water systems and irrigation schemes were a slightly different case in that POs, the Barangay Water and Sanitation Associations and Irrigators' Associations, were formed or rejuvenated specifically to take responsibility for the completed facilities. There was no need for additional MOA on such projects but the barangay councils were encouraged to pass resolutions to support the IA or BAWASA in implementing the agreed policies for operation and maintenance and become actively involved in settling disputes or enforcing sanctions on members not abiding by the PO's rules and regulations.

3.3.3 Agricultural Production and Enterprise Development

The aim of the Agricultural Production & Enterprise Development (APED) component was to increase agricultural production and the income from rural enterprises. Central to the APED strategy was the use of EU grant funds to allow farmers and People's Organisations to make productive investments that they would not otherwise have been able to afford. A working draft of the APED Operations Manual was prepared for orientating project staff and implementing partners on the requirements for preparing sub-project proposals in the first half of 2002. The working draft went through various revisions before 'Version 1' of the manual was finalised in March 2003. It was revised and updated in March 2005 to incorporate recommendations made by the Mid Term Review mission and reflect refinements made by project staff over the first three years of the implementation phase. The general flow of activities was the same as that presented in Figure 2 for the infrastructure sub-projects.

Identification and design of APED sub-projects

An initial list of the agricultural and enterprise projects with potential in each ARC was generated during the ARC planning process in the first half of 2002. This was followed by focus group discussions involving farmers, barangay officials and LGU agricultural technicians to prepare more detailed Agricultural Development Plans (ADPs). ADPs were prepared for forty-two ARCs during the second half of 2002 and the first half of 2003.

The proposals for agricultural projects were expected to have been prepared by staff from the municipal or city office of agriculture. However, the LGU technicians had difficulties gathering the relevant information and packaging the assistance required so it was more often the STARCM specialists that facilitated community level planning meetings and finalised the sub-project proposals. With only fifteen projects approved by the end of April 2003 and recognising the limitations imposed by relying on LGU technicians, the preparation of APED proposals was incorporated in terms of reference for the community development facilitators when they were deployed in May 2003. Although proposals prepared by the NGOs were of variable quality and still required lengthy deliberation by the Technical Review Panel (TRP), there was a significant improvement in the rate of proposal preparation during the second half of 2003 and then again in the six months following the national elections in May 2004.

Further improvements followed refresher training for the CDFs and LGU technicians on proposal writing and the introduction of computerised templates for common types of project in the latter part of 2004. With a sharp increase in the number of proposals to be reviewed in early 2005, it was decided that the proposals for fruit tree, rubber, banana, carabao dispersal and cultivation machinery sub-projects that had similar technical and organisational requirements wherever they were implemented, would no longer be subject to review by a full meeting of the TRP. Proposals for these types of project, like those for common types of infrastructure, were subsequently reviewed by an in-house review committee rather than by a full meeting of the TRP. These and other efforts to streamline the process resulted in 215 new proposals being approved in 2005 and 2006. This was almost double the number approved between the beginning of 2002 and the end of 2004.

Province	Number of ARCs	No. of sub-projects	Barangays Covered	Total cost of sub-projects (peso) / ¹
Cotabato	24	162	58	118,659
Sultan Kudarat	8	64	61	43,418
Lanao del Norte	13	101	32	58,730
Lanao del Sur	7	45	29	22,981
Totals	52	372	180	243,788

Note: /¹ total cost is the EC grant plus the LGU and PO counterpart in cash and/or in kind.

Implementation of APED sub-projects

The first agricultural and enterprise sub-projects began in April 2003 and 370 sub-projects had been completed by the end of July 2008 /¹. The most common sub-projects were for an expansion of the area planted with fruit trees, banana, rubber or coconut. These accounted for 152 or 41% of the total number of sub-projects and were followed by the dispersal of draft and pack animals (47) and the provision of cultivation machinery (43). The main implementing partner was the municipal or city office of agriculture, but increasing use was made of POs and

¹ / Two sub-projects, vegetable production and a coco-coir processing plant had not been completed by the end of July 2008.

NGOs from mid-2005 onwards. Cooperatives were given responsibility for procuring cultivation machinery and post-harvest facilities as a capability building exercise. The procurement of draft and pack animals was undertaken by NGOs to overcome difficulties experienced by the LGUs trying to make a one-time purchase of thirty or more animals following government procedures. All sub-projects included technical training at the outset and there were usually site visits to other sub-projects or the farms of commercial growers or producers. The municipal/city agricultural officer and agricultural technicians from the municipal or city office of agriculture were responsible for supervision and providing technical advice during the implementation phase.

Perennial / plantation crops

The most numerous of the agricultural sub-projects provided assistance to farmers wishing to diversify their farming system by planting fruit trees, banana, coconut or rubber. These were long-term investments to provide an alternative source of income from perennial crops well suited to the agro-climatic conditions in Central Mindanao. Out of 152 such sub-projects, ninety were for a mixture of fruit trees (typically mango, lanzones and/or durian), twenty for banana plantations (both lacatan and cardava types) with the balance for fruit and banana intercropping. Support for fruit trees and banana was limited to planting material and fertilizer for a maximum of one half hectare per household so as not to overburden the farmer with care and maintenance requirements. Increases in the world prices of rubber from early 2005 onwards led to renewed interest in rubber production in Central Mindanao and assistance was provided for thirty-two rubber plantation sub-projects targeting 971 hectares.

Despite putting a ceiling on both the number of trees per farmer and the number of participants per sub-project, there were difficulties sourcing sufficient quantities of the planting material for fruit such as the Duco or Lonkong varieties of lanzones in the early years but commercial nurseries soon responded to the demand by producing seedlings of these and other varieties promoted by the project. Large planting material (LPM) was used to improve the survival rate and reduce the time between planting and bearing. There were occasions when the planting material delivered did not meet specifications and had to be returned and there were high mortality rates on some of the plots planted outside of the main part of the rainy season, but a majority of the perennial / plantation crop sub-projects were implemented without difficulties or serious delays. There were however problems with the subsequent care and maintenance of banana and fruit trees which led to an extensive programme of re-training for lead farmers and other beneficiaries in the second half of 2007 and early 2008.

Small Livestock

Support was provided for farmers wishing to diversify their farming systems through the introduction of small livestock as a source of meat and additional income. Of the twenty-five small livestock projects, ten were concerned with swine raising and fifteen with goat raising. Swine raising was recognised as being suited to better-off households that could afford to provide commercial feeds and had enough time to meet the intensive management requirements of breeder sows. Each household was provided with one cross-breed gilt along with the feed and veterinary supplies for the first breeding cycle. Subsequent cycles were financed through the sale of weaners or by fattening one or more of the offspring. Nutritional problems were encountered on a number of projects which resulted in delays in some of the sows getting pregnant, but health problems were most commonly encountered with the weaners. Community livestock para-technicians were recruited and trained to advise other participants on swine nutrition and be able to treat the most common ailments and diseases. In the case of the goat raising projects, each household received two does, supplementary feeds and veterinary supplies. The projects were quite straight forward to implement with the main health problem being intestinal parasites.

The number of farmers benefiting from swine projects was increased through an arrangement whereby each of the original recipients was required to pass on one or two weaners from the first litter to second-in-line beneficiaries. A similar scheme operated on the goat raising projects with one or two kids being passed on to second-in-line beneficiaries. 437 piglets and kids had been passed on to second-in-line beneficiaries by the end of March 2008.

Poultry and duck raising

The Project supported poultry or duck raising sub-projects to provide additional sources of income in nineteen ARCs. Each household received 40-50 native or upgraded birds along with netting for the range area, veterinary supplies and sufficient supplementary feeds for the first three months. Most of the LGUs had difficulty procuring the required number of chickens or ducks as each project involved between 20 and 50 households which meant procuring between 800 and 2,500 birds. It also proved difficult to synchronise the supply of feeds and biologics with the arrival of the birds when deliveries were made on a staggered basis. There were alarmingly high mortality rates soon after delivery on some of the projects and stocks had to be replenished through negotiations with the supplier. Native and upgraded chicken were raised as planned but an issue on the duck projects was the need for confinement and supplemental feeding during rice planting and harvest when the ducks were unable to graze in the rice fields.

Although there have been no cases of Avian Influenza in the Philippines, the Project worked with the Avian Influenza Task Force to undertake awareness campaigns in ARCs with the duck or poultry production projects. An orientation on the risks and actions to be taken in the event of an outbreak were discussed at a Mindanao-wide workshop on avian influenza preparedness and the Project coordinated with the DOH and DA regional offices to undertake community-based bird flu seminars and prepare posters and leaflets for display/distribution in those municipalities and barangays with the poultry or duck raising sub-projects.

Table 9
Progress against physical targets, beneficiary households and costs per sub-project type.

Component / type of sub-project	Physical Target for all approved sub-projects		Total / ¹ Accomplishment		HHs Benefiting	ARBs Benefiting	Total EC Grant (P000's)	Total Cost (P000's)	Total Cost (P000's per unit)	Cost per HH (Peso)
SUPPORT INFRASTRUCTURE										
Feeder Road Improvement	162	Kilometres	139.4	86%	20,709	21,976	106,942	131,309	942 /km	6,341
Communal Irrigation (Rehab)	1,201	Hectares	1,201	100%	1,204	798	36,937	48,314	40.2 /Ha	40,128
Communal Irrigation (Construction)	1,105	Hectares	1,105	100%	633	466	41,701	55,603	50.3 /Ha	87,840
Potable Water Systems	17,765	Households	16,101	91%	16,101	15,948	108,431	134,038	8.32 /HH	8,325
Multipurpose Buildings	3,009	Sq.m.	3,009	100%	6,329	5,277	17,022	21,570	7.168 /sqm	3,408
Solar Drying Floors	19,800	Sq.m.	19,800	100%	7,375	4,797	8,226	10,520	0.531 /sqm	1,426
Barangay Health Stations	34	Units	34	100%	12,349	7,521	29,165	36,145	1,063 /unit	2,927
Day Care Centers	11	Units	11	100%	2,627	1,552	8,826	10,909	992 /unit	4,153
School Buildings	13	Buildings	13	100%	4,951	10,489	13,127	17,334	1,333 /unit	3,501
AGRI. PRODUCTION & ENT.DEV.										
Fruit / Rubber / Coconut	3,971	Hectares	3,971	100%	6,467	4,404	76,274	108,699	27 /Ha	16,808
Swine and Goat raising	1,044	Heads	1,044	100%	951	335	12,386	16,269	16 /Hd	17,107
Poultry / Duck raising	19,903	Heads	19,903	100%	498	313	7,546	10,665	0.536 /Hd	21,415
Vegetable Production	84	Hectares	81.71	98%	708	266	9,217	12,148	149 /Ha	17,159
Fish Production	150	Households	150	100%	150	100	1,776	2,581	17 /HH	17,208
Fish Capture	324	Households	324	100%	324	100	3,545	4,544	14 /HH	14,026
Draft and Pack animals	1,055	Heads	1,055	100%	1,249	520	21,516	27,090	26 /HH	21,689
Cultivation Machinery	211	Units	211	100%	2,575	1,512	12,848	17,926	85 /unit	6,961
Rice Threshers & Corn Shellers	24	Units	24	100%	458	488	2,496	3,179	132 /unit	6,941
Rice and Corn Mills	21	Units	21	100%	3,498	1,282	9,776	12,954	617 /unit	3,703
Copra Driers	9	Units	9	100%	238	87	905	1,033	115 /unit	4,340
Enterprise development	889	Households	840	94%	840	338	7,127	9,277	11 /HH	11,044

Note /1: Physical accomplishment of less than 100% results from ten (10) sub-projects that were not complete by 30 June 2008. Three (3) of the sub-projects were in Lanao del Norte and seven (7) in Lanao del Sur.

Vegetable Production

The vegetable projects were to provide an additional source of income that would, in many cases, be controlled by women. Each household was provided with the seeds, agro-chemicals and mulching material to plant a 1,000 Sq.m. plot of mixed vegetables. The most common vegetables were ampalaya, egg plant, sweet pepper, tomato, cabbage, carrots, onion, and string beans. The projects in Cotabato and Sultan Kudarat were implemented in collaboration with the East-West Seed Corporation. This mode of implementation, which emphasised vegetable production as a commercial enterprise rather than a low-input / low-output backyard activity, used demonstration plots to convince farmers of the applicability and potential returns before they began planting on their own plots. Technicians from the East-West Seed Corporation trained and then assisted the LGU agricultural technicians in providing growers with advice on how to control pests and disease and overcome other production constraints. Unfortunately, the problems with pests and diseases, particularly bacterial infections during the rainy season, continued and the Project was obliged to arrange refresher training for the participants of vegetable projects in the second half of 2007 and early 2008. Despite these problems, the financial returns were sufficient to encourage other farmers to take up vegetable production and well over 100 farmers have adopted the technology without any financial support from STARCM.

Fish production

All five of the sub-projects for raising tilapia or catfish were beset with technical problems and the economic returns were well below those projected when the projects were designed. High mortality of fingerlings during transportation or upon release in the rearing ponds was a recurrent problem. The need to improve technical training and pay special attention during the supply and delivery of fingerlings were highlighted during the first sub-project and although there was some improvement to the supervision of subsequent projects, production remained lower than expected. Some of the participants persevered and made a good income from raising tilapia or catfish but with two-thirds of the original participants having dropped out after the 1st or 2nd cycle, the fish production projects were among the least successful of the APED sub-projects.

Fish capture

Five of the fish capture projects involved the provision of wooden canoes or *bancas*, nets and other fishing paraphernalia to fisher folk living in ARC barangays around the Liguasan Marsh in Cotabato province. Since many of the participants were already accustomed to fishing with rented equipment, the sub-projects were quite straight forward to implement and there were no significant delays or technical difficulties. The inland fishing projects were among the most successful of the APED sub-projects and have provided additional food as well as an alternative and reliable source of income.

Draft animals.

The carabao dispersal projects were to increase the area cultivated and provide an additional source of income for resource poor farmers. The participants, who were carefully selected to ensure that they were from comparatively poor households that did not already own any large livestock, were each provided with a 2-3 year old ready to breed carabao and a plough or other farm implements. The draft animal projects were the least problematic of the APED sub-projects with the only real problem being that the demand exceeded the supply of ready-to-breed animals at a reasonable cost. Most of the LGUs found it difficult to procure thirty animals of the right age and condition all at the same time, which led to the use of NGOs with more flexible procurement arrangements as implementing partners. There were mortalities from Intestinal parasites, snake bites, suffocation and accidents but the animals were replaced using insurance payments from the Philippine Crop Insurance Corporation (PCIC).

An important feature of the carabao dispersal projects was the involvement of the barangay council in supervising the dispersal of calves to other farmers in the ARC. The scheme was similar to that used on the small livestock projects with the first born offspring being passed on to second-in-line beneficiaries. . 531 or 54% of the carabao had produced offspring by March 2008 and 420 calves had been passed on to second-in-line beneficiaries in twenty-three ARCs.

The Project entered into a MoA with the Philippine Carabao Centre at the University of Southern Mindanao (USM) to improve the offspring of the carabao dispersed with the provision of technical advice and upgraded breeding stock. The PCC provided thirteen head of Bulgarian breed karrabul free of charge for use in ARCs of Cotabato and Sultan Kudarat. Artificial insemination services were extended in MASDA ARC that is close to the USM campus in Kabacan.

Pack animals

Horses were provided to serve as beasts of burden and provide additional income from hauling inputs and produce in mountainous areas poorly served by roads. Five of the six sub-projects were in the interior barangays of municipalities in Lanao del Norte and there were no problems during implementation.

Cultivation Machinery

The provision of two-wheeled tractors and cultivation equipment was the most common type of assistance for farm mechanisation. All sub-projects involving farm machinery or similar group owned assets were implemented

through organisations such as multi-purpose cooperatives, irrigators' associations or farmers'/women's associations with a legal identity. The projects were among the quickest to implement as they only involved the procurement of locally available machinery (engines, trailers cultivators and puddlers) followed by training on operation and maintenance of the engines and equipment. Success of the enterprise then depended on the leadership and management of the proponent organisation. The cultivation machinery projects were particularly successful as a means of strengthening the managerial and financial capability of ARC cooperatives. Nine cooperatives used the income from cultivation services to purchase replacement engines and/or additional machinery.

Rice Mills / Corn Mills

Sub-projects to improve access to post-harvest processing facilities involved the provision of sixteen rice mills and five corn mills to be managed by cooperatives. There were problems with the installation and calibration of rice mills on the projects implemented in 2003 and 2004 and the operators' training was not as intensive as required. Some of the equipment provided for both stationary and travelling rice mills was defective or sub-standard but poor performance was more commonly related to weak management and/or unskilled mill operators. These weaknesses were taken into account for succeeding sub-projects which reduced start-up problems and led to greater patronage and utilisation of the mills. The travelling rice mills were more successful and served a greater number of households than the traditional stationary mills.

Province	Total H/Hs in ARCs	ARC H/Hs benefiting from APED SPs	%	Total ARBs in ARCs	ARBs Benefiting from APED SPs	%
Cotabato	19,659	6,835	35%	26,452	3,976	15%
Sultan Kudarat	13,217	3,142	24%	11,518	2,181	19%
Lanao del Norte	22,935	3,749	16%	9,150	2,190	24%
Lanao del Sur	5,233	1,569	30%	4,682	1,368	29%
Totals	61,044	15,295	25%	51,802	9,715	19%

Note: the number of households and number of ARBs benefiting excludes double counting of households or ARBs that benefit from more than one APED sub-project.

Enterprise Development

The Project supported the establishment or expansion of seventeen rural enterprises. These were concerned with muscovado production, sericulture, kalamansi processing, honey production, coco coir, banana chips processing, mud-crab fattening, seaweed production, loam weaving, vinegar production, cut flower production and sweet coconut candy making. The range of enterprises supported and the often quite complex technical requirements for success made these the most difficult projects to implement. Most of them faced technical and/or organisational problems that were related to the history of the organisation involved, the expertise provided for the preparation of proposals and the training / technical support provided during implementation. The Project lacked staff with the specialist expertise required for success of the range of enterprises being supported and was unable to recruit a business development specialist or engage experts from the private sector. The result was that only a few of the groups have made the necessary adjustment from an externally supported cooperative to a potentially self-sustaining business enterprise. Of the enterprises supported the kalamansi processing, loam weaving and sweet coconut candy making were unqualified successes whilst the muscovado production, banana chips processing and honey production are continuing but with much lower levels of income than was projected when the sub-projects were designed. The seaweed production, coco vinegar production, coco coir production and cut flower projects, all in Lanao del Norte, were only recently completed so it is too early to draw conclusions on the likelihood of them being sustained over the long-term.

Activities to sustain the benefits from completed sub-projects

By the end of the Project there were 370 completed sub-projects benefiting 15,295 farming households and 9,715 agrarian reform beneficiaries. The original target of assisting one-fifth or around 12,200 out of 61,000 farming households in the ARCs was surpassed in 2006.

The participatory sub-project evaluations and impact assessments conducted in 2005 and 2006 confirmed that additional technical support and/or organisational strengthening was required to ensure that the benefits from completed sub-projects would be sustained. Technical problems and other factors threatening sustainability were identified from benefits monitoring reports and through the re-assessment of completed sub-projects.

All of the completed projects were visited by the APED specialists to identify constraints and determine what additional assistance was required. If, as was often the case, the participants were facing technical problems, the specialists arranged refresher training for selected beneficiaries known as Lead Farmers. The Lead Farmers were trained to complement the technical advice and support provided by the municipal/city agriculturalist and the LGU Agricultural Technicians. More than 1,200 farmers from 125 Interest Groups and People's Organisations received additional training during 2007 and 2008. Topics included artificial insemination and carabao breeding, forage establishment and disease control for goat production, pest and disease control for vegetable production, poultry brood management and, pruning and fertilization of fruit trees, pest and disease control for banana and the care and management of newly established rubber and coconut trees. Having received additional training, the Lead Farmers have continued to monitor the sub-projects and provide technical advice to other members of the PO or interest group.

Community livestock para-technicians were trained to supplement the services of the municipal livestock coordinators/inspectors and provincial veterinarians. The training began in Cotabato and Sultan Kudarat in the latter part of 2006 and continued through until early 2008 so that at least one person had been trained in each of the barangays where STARCM had supported livestock projects. By the end of the project 268 para-technicians had been trained to be familiar with the diagnosis and treatment of common ailments of goats, horses, swine, poultry, cattle and carabao. The training of para-technicians was repeatedly mentioned as an activity that will make a significant contribution to sustainability and one that should have been started earlier in the project.

The Project also arranged refresher training for LGU Agricultural Technicians assigned to continue providing technical support to participants of the fruit, vegetable and poultry projects. Although the municipal CARP implementing teams have been activated to act as a channel for continuing technical assistance after STARCM, the most direct and widespread means of maintaining contact and seeking assistance from the LGU technicians will be via cell phone.

3.3.4 Institutional Strengthening

The aim of the Institutional Strengthening (IS) component was to improve the capacity of People's Organisations and Local Government Units to plan, implement and manage development projects. The Project's IS specialists together with community development facilitators contracted through NGOs were responsible for ARC development planning and strengthening the organisations and barangay local government units managing agricultural and infrastructure sub-projects.

Engagement of Community Development Facilitators

The technical and administrative provisions of the Financing Agreement stated that NGOs would be the prime agent for capacity building and would station one Community Development Facilitator (CDF) in each ARC for the duration of the project. The process of recruiting CDFs began in early 2002 when the project commissioned an independent assessment of the NGOs active in Central Mindanao to identify those with appropriate experience and expertise to work in the ARCs covered by STARCM. For various reasons, including a certain reluctance of the Manila-based company to visit NGO and DAR offices in the project area, the report was not finalised until March 2003. In the meantime, DAR-STARCM-NGO conferences were organised to outline the types of assistance required and determine which NGO could best provide the IS services in each ARC. The outcome was that fifteen NGOs were invited to submit proposals for mobilising CDFs and providing institutional strengthening services. After further discussions on the terms and conditions, and following EC approval to award the contracts using a negotiated procedure, service contracts were prepared for thirteen NGOs to mobilise forty-two CDFs and begin organisational strengthening activities in mid-May 2003. This was almost exactly one year later than proposed in the Global Work Plan.

The CDFs were primarily responsible for community consultation and organisational strengthening at the ARC level but they spent much of their time on administrative tasks such as facilitating resolutions and collating the various documents required for sub-project proposals. To cope with the expansion to new barangays and an increase in the number of POs managing sub-projects, the number of CDFs was increased from one per ARC to one per three ARC barangays from April 2005 onwards.

The CDFs were originally expected to assist the irrigators' associations in ARCs where irrigation schemes were being constructed or rehabilitated but there were concerns that while they had a good background in community organising, they lacked experience with organisational requirements for the operation and maintenance of irrigation schemes. The project therefore engaged nine specialist Irrigation Development Officers (IDOs) to work with the IAs from April 2006 onwards. Six of the IDOs were fielded by NGOs whilst three were from the National Irrigation Administration.

Orientation and training of implementing partners

Municipal/City Implementation Teams (M/CITs) were formed to be responsible for coordinating STARCM activities at the municipal and city levels (see section 3.6.3). M/CIT orientation began in mid-2002 and continued through to the middle of 2003 when teams were formed for the final batch of ARCs. Technical training for the LGU engineers and agriculturalists supervising sub-projects was conducted under the support infrastructure and

APED components. Other training to improve MCI/T skills for the identification, preparation and implementation of STARCM related activities included:

- Facilitators training for Participatory Action Planning (Jan/Feb 02).
- Preparation and presentation of ARC Development Plans (Apr/May 02, Jly/Aug 04).
- Organisational skills enhancement training (Nov 03).
- Management of EC funds for LGU implemented sub-projects (Aug 03, Aug 04, May 05, Jun 06).
- Facilitation of Sub-Project Planning and Organisation meetings (Nov 03, Feb 04).
- Tools and techniques for Participatory Rural Appraisal (Apr/Jun 04).
- Proposal writing for agricultural and enterprise sub-projects (Aug/Sep 04).
- Formation, roles and functions of Barangay Monitoring Groups (Feb/Mar 05).
- Ehem! Corruption Awareness Seminars (Nov 05, Jan to Apr 06, Oct 06, Jun 07).
- Trainers' Training on the Benefits Monitoring System (Jun 07, Sep 07).
- Barangay level orientation and training on benefits monitoring (Jan-Feb 08)
- DAR-DF Sustainability Management Training (Feb-Apr 08).

Officials of the Barangay Local Government Units (BLGUs) were routinely involved with the implementation and monitoring of sub-projects as well as with ARC development planning. IS work the BLGUs began with training on participatory rural appraisal and community planning and included assistance with the activation of committees on agriculture and infrastructure and the formation of Barangay Monitoring Groups (BMGs) to coordinate and monitor sub-project implementation. The roles and responsibilities of the BMG were transferred to the barangay council in preparation for continuing the benefits monitoring system after STARCM.

Organisational Development

The focus for organisational strengthening was on People's Organisations responsible for the infrastructure and APED sub-projects. By the end of the Project, there were 437 POs managing and helping to sustain the benefits from completed sub-projects. The NGOs contracted to provide the institutional strengthening services were responsible for assisting the POs and although there was some variation depending on the type of organisation and sub-project, the general flow of activities was as follows:

Pre-implementation

- conduct the sub-project planning and organisation (SPPO) meeting;
- screening and selection of participants – together with the BLGU and PO officers ;
- formation of an Interest Group where participants were not already members of a PO
or, organisational diagnosis and rejuvenation in the case of an existing PO
or, formation of a new organisation (in the case of potable water systems);
- preparation of the sub-project proposal (to include securing registration, permits, right-of-way, and other legal documents); and,
- conduct a pre-implementation meeting to confirm roles and responsibilities of the PO during the implementation phase.

During sub-project implementation

- mobilisation of equity or counterpart requirements for the project (in cash and/or in kind);
- formation and organisation of the working committees and beneficiary monitoring team;
- facilitation of technical and skills trainings in cooperation with STARCM technical specialists; LGU technicians and other members of the M/CIT;
- liaison and coordination with the barangay and municipal government units.

Post-implementation

- installation of appropriate management systems (operation and finance);
- capability training on sub-project management and operation;
- review of polices and sustainability planning; and,
- orientation and training on the benefits monitoring system.

APED Interest Groups

Interest Groups made up almost two-thirds of the POs managing sub-projects and were informal unregistered groups formed specifically to implement agricultural sub-projects. Organisations with a legal identity were required for projects involving the group ownership of assets (machinery, buildings, etc.), but other types of project, such as those concerned with fruit or vegetable production, swine raising, goat raising or carabao dispersal, could be implemented and sustained regardless of whether or not the participants were members of a registered organisation. The interest groups were not organised with the aim of them becoming a permanent organisation but rather to develop the leadership and other skills required to manage and monitor sub-project implementation. When interest groups subsequently decided to form a permanent organisation, for example on some of the vegetable production and swine raising projects, they were assisted with requirements for

registration with the Security and Exchange Commission (SEC), the Department of Labour and Employment (DOLE), or the Cooperative Development Authority (CDA).

Table 11		
Organisations responsible for managing APED and infra sub-projects		
Type of Group / Organisation	Number of Orgs.	Total membership
Managing APED Sub-projects		
Cooperatives	57	6,267
APED Interest Groups	283	9,896
Irrigators' Associations	5	805
Other Registered Associations	14	1,011
Total APED	359	17,979
Managing infra sub-projects		
Cooperatives	9	6,294
BAWASAs	48	14,465
Irrigators' Associations	7	2,828
Other Registered Associations	4	744
Barangay LGUs	95	-
Total Infra	163	24,331
Managing both infra and APED projects		
Cooperatives	6	1,087
Irrigators' Associations	2	173
Other Registered Associations	2	581
Total Both Infra and APED	10	1,841

Cooperatives

Cooperatives were the second most common type of PO involved with the agricultural and infrastructure sub-projects. The sub-projects implemented through cooperatives included multi-purpose buildings and solar driers, the provision of cultivation machinery, rice threshers, rice mills, corn mills and rural enterprises. Interventions began with organisational diagnosis to identify the strengths and weaknesses of the cooperative and the training requirements of its officers and members. Training was organised by the NGO and usually conducted by the CDF and/or the CDF's supervisor.

Fifty-seven cooperatives were involved with farm mechanisation or post-harvest processing projects and these were the most successful types of project for stimulating cooperative development. The sub-projects were supported by training on topics such as the conduct of pre-membership education seminars, management functions and systems, policy formulation and review, decision-making processes, conflict management, business management, financial record keeping and, in the later years, sustainability planning.

Transparent and accurate reporting of the cooperative's finances is crucial to the successful management of sub-projects and for maintaining the confidence of members. It was however difficult to implement financial recording and reporting systems based on double-entry accounting, particularly where the bookkeeper and/or treasurer were only high school graduates. The Project therefore piloted the use of Quick FORRMAS^{1/} that uses columnar entries on a single worksheet as an alternative to double entry bookkeeping. The piloting was successful in 2006 and trainers training was conducted so that the CDFs would be able to introduce the system to more cooperatives and other types of PO in 2007.

Barangay Water and Sanitation Associations (BAWASAs)

The formation and strengthening of a BAWASA was a requirement for all sub-projects to construct or rehabilitate a water supply system. In order for the BAWASAs to have a legal personality they were registered with either the Security and Exchange Commission or the Department of Labour and Employment. A training program involving four modules was formulated to train BAWASA officers and committee members on the organisational requirements for systems management, the formulation of maintenance policies, technical aspects of system maintenance, the collection of fees, conflict management and financial recording. The formal training was followed up by coaching and assistance with the formation of the regular committees on membership, education and finance as well as other committees needed for the operation and maintenance of completed systems. Cross-visits to successful BAWASAs were conducted as part of the learning process and provincial fora were held for representatives from the BAWASAs to share experiences and identifying best practices for the management and operation of water systems.

^{1/} Quick FORRMAS stands for Quick Financial Operations Recording, Reporting, Monitoring and Assessment System.

Three-quarters of the BAWASAs reported that more than 80% of the households were regularly paying their dues by the end of March 2008, however, sustainability will depend on further improvements to the collection rates by raising awareness of the consequences of non-payment and overcoming weaknesses in BAWASA leadership, particularly laxity in the enforcement of agreed policies on the payment of water fees.

Irrigators' Associations (IAs)

An Irrigators' Association was formed or strengthened for all nine of the communal irrigation schemes constructed or rehabilitated with STARCM assistance. The formation and strengthening of IAs was originally undertaken by the CDFs using a modularised training program developed by the institutional development specialists. There were however concerns that the CDFs lacked experience with organising IAs and did not have sufficient technical knowledge on the operation and maintenance of irrigation systems. The Project therefore contracted NGOs and the NIA to deploy experienced Irrigators' Development Officers (IDOs) to work with the IAs from April 2006 onwards. A more detailed IA training manual based on that used by the National Irrigation Administration and a generic operation and maintenance manual were prepared and a series of meetings/workshops to provide a common framework for strengthening the IAs and to enhance the competency of the IDOs and IDO supervisors.

Other types of Associations

Aside from the BAWASAs and IAs there were nineteen other registered associations involved with the implementation and management of STARCM assisted sub-projects. These included organisations formed by the Department of Agriculture like Farmers' Associations and Rural Improvement Clubs (women's groups), and other groups comprised of the youth or indigenous persons. These associations received training and assistance relevant to the type of sub-project implemented.

Barangay Local Government Units

Ninety-two barangay local government units are responsible for operating and maintaining multi-purpose buildings, solar driers, barangay health stations, day care centres and/or school buildings constructed under the SI component. Members of the BLGU received training on project management and were assisted with the formulation of appropriate bylaws and resolutions for operation and maintenance of the facilities. Memoranda of Agreement specifying the obligations of the BLGU, the municipal LGU and the relevant line agency for maintaining barangay health stations, day care centers and school buildings were signed before STARCM ended.

In addition to managing infrastructure, members of the barangay council were routinely involved with monitoring sub-projects and ARC development planning. Project assistance began with training on participatory rural appraisal and community planning and was extended to include the activation of committees on agriculture and infrastructure and the formation of Barangay Monitoring Groups (BMGs) to coordinate and monitor sub-project implementation. The role and responsibilities of the BMGs were later transferred to the barangay council in preparation for continuing the benefits monitoring system. Thirty-five of the BLGUs (and thirty-seven POs) were provided with used but serviceable computers, printers, desks, chairs and filing cabinets when the project offices closed.

Improvement of Health Services

A strategy to complement the construction of barangay health stations with training and other initiatives to improve the delivery of health services in ARCs was formulated by the Health Specialist of the international TA Team in the 3rd Quarter 2005. The aim was to strengthen barangay-level health care programs through a combination of:

- 1) the construction and equipping of Barangay Health Stations;
- 2) the organisation and training of Barangay Health Teams to provide Family Planning / Maternal Child Health services and implement tuberculosis control programs;
- 3) the organisation and training of Barangay Health Committees to formulate health policies, prepare barangay health plans and monitor the quality of health care services; and,
- 4) programming and implementation of a Behaviour Change Communication approach.

The strategy was presented and refined at meetings with staff of the Integrated Provincial Health Offices (IPHOs) in the last quarter 2005 and early 2006. This was followed by provincial planning workshops to orient stakeholders from the municipal and barangay levels and to produce intervention plans for all thirty-four barangays where health stations were constructed. Memoranda of Understanding were entered into with the provincial and municipal government units to formalise the role of staff from the IPHO and municipal health offices in the training and support of barangay health teams and barangay health committees.

A local NGO specialising in health related interventions was contracted to train a pool of trainers composed of representatives from the IPHO and municipal health offices. The trainers training was conducted in mid-2006 at five-day workshops that covered Appreciative Community Mobilisation, Grassroots Advocacy for Health, Behaviour Centered Programming, Integrated Family Planning/Maternal Child Health, *cum al Fatwah*, the DOH tuberculosis control program and the conduct of family health action sessions. The trainers training was followed by a series of workshops for members of the Barangay Health Teams (BHTs) and the midwives assigned to

newly completed health stations. The BHTs were trained on the analysis of resources available for health services and advocacy on health matters such as enrolment in the PhilHealth insurance program, definition and characteristics of quality health care, and overcoming misconceptions about the Integrated Family Planning/Maternal Child Health program.

ARC Health Information Systems (ARCHIS) were installed in all the barangays at the beginning of 2007. More than 11,000 survey forms were distributed for members of the BHTs to summarise the medical history of each family in the barangay. Submission of the completed survey forms was followed by training on the analysis of ARCHIS data to identify unmet health needs and assist with the formulation of Barangay Health Plans. The data were posted on health data boards for tracking unmet health needs under the focus programs of family planning / birth spacing, maternal and child health, and tuberculosis control.

Training for Barangay Health Workers (BHWs) was designed by trainers from the rural health units and the IPHOs together with technical personnel from the Department of Health, Region XII. The four-day workshop/seminars were attended by 152 BHWs from the four provinces and covered child health and nutrition, management of common childhood diseases, immunisation, breastfeeding, lactation management, maternal health, birth spacing, the identification and treatment of tuberculosis, record keeping, counselling and local referral systems. The Project also worked with a local NGO to organise training on the use of traditional or alternative medicines for two of the health workers from each barangay.

Nineteen of the newly constructed health stations were used as venues for medical and dental outreach missions organised by STARCM and the rural health units in collaboration with the 6th Infantry Division, the 601st and 602nd Infantry Brigades and the US Army under the Balikatan Agreement. Hundreds of residents attended the event in each barangay to avail of services that included routine medical check-ups, tooth extraction, cyst removal and circumcision. Medicines were dispensed free-of-charge by the AFP and the US Army.

Arrangements for continuing support to POs and BLGUs

Although a majority of the POs managing completed sub-projects were meeting regularly to discuss operations and resolve problems, there were a number that had come to rely on presence of the CDF to call for meetings and sometimes even document the proceedings. This naturally led to concerns over what would happen after the CDFs were withdrawn at the end March 2008. In some cases the NGO maintained a presence in the area ^{1/} but for around half of the ARCs the responsibility for continuing support to the POs has been assumed by DAR through its MARO and Development Facilitators. Although the DFs were familiar with the operations and status of the POs through the sustainability planning workshops and their involvement in training for the benefits monitoring system, slightly more than half of those in Cotabato and Sultan Kudarat were newly appointed and many more had only limited experience with community development work. The Project therefore arranged a training programme so that the DFs would be better equipped to assume responsibility for organisational strengthening and other activities after the CDFs left. The training, totalling eleven days, was split into three modules covering Community Organising and Extension, Organisational Strengthening and Development, and Enterprise Operations Viability, Maintenance and Improvement. A total of 104 DAR personnel from the four provinces attended the training. Most were DFs but there were also Development Workers and staff from the Beneficiaries Development and Coordination Division of the DAR provincial offices.

The CARP implementing teams, which have the Mayor as Chairman, the MARO as Vice Chairman and the DAR Development Facilitator as secretary, were not previously active in any of the municipalities or cities covered by STARCM. A series of workshops was therefore organised at the beginning of 2008 to identify the types of assistance required after STARCM and formalise the roles and functions of the CARP implementing team in each municipality or city. As a result of the workshops the mayors in twenty-one municipalities and cities issued executive orders for the MCIT to be activated to help sustain the benefits from completed sub-projects. In most cases, budget was allocated for maintenance of infrastructure but there were only four municipalities that allocated funds specifically for organisational strengthening or continuing support to the POs. Further assistance will therefore be dependent on other foreign assisted or special projects of the government implemented by the DAR. Pipeline projects which may include some of the ARCs covered by STARCM are the JBIC funded Mindanao Sustainable Settlement Area Development project or MINSSAD, Phase II the ADB funded Agrarian Reform Communities Development Project (ARCDP II) and the ARC Development Support Project (ARCDSP) of the Italian Government.

^{1/} / DEVCON (5 ARCs), Don Bosco (4 ARCs), PRRM (3 ARC), Kalimudan Foundation Inc. (5 ARCs) Tipasi Foundation Inc. (2 ARCs), CDSMC (3 ARCs) and ARD (4 ARCs). Total of 26 ARCs with some degree of NGO support after the CDFs left.

3.3.5 Access to Rural Finance

The Financing Agreement allocated 1 million euro as a Credit Fund for “on lending to primary cooperatives in 50 ARCs through conduit banks in accordance with prevailing government rules and regulations”. This was expected to replicate the conduit bank scheme of the Agrarian Reform Support Project (ARSP), a DAR project that was also supported by the EC, where credit funds were deposited with rural and cooperative banks that in turn provided a credit line to cooperatives in the ARCs. The scheme was not successful and ran counter to the operating guidelines of Executive Order 138^{1/}. Recognising that STARCM would have to comply with EO 138, the Project’s Credit Strategy had to be approved by the National Credit Council before it was implemented.

A survey of credit providers in the project area combined with a review of the credit components of other EC and DAR supported projects led to a proposal for STARCM to focus on capacity building and technical support rather than making more funds available for on-lending to cooperatives. Such an approach was consistent with government initiatives to reform the financial sector as well as being in line with the recommendations of a support mission to review the Rural Finance Systems of EC Projects in the Philippines (August/September 2001). The strategy, that was elaborated during the second half of 2002 and formally approved by the NCC in June 2003, was for Government Financial Institutes (GFIs) to provide credit to cooperatives and other credit retailers while STARCM focussed on capability building for institutions lending to borrowers in the ARCs. The strategy involved a combination of cooperative strengthening in collaboration with the Land Bank of the Philippines (LBP) and the provision of institutional credit to microfinance institutions through the Peoples Credit and Finance Corporation (PCFC). The emphasis on institutional strengthening was in compliance with EO 138 and recognised the reality that while funds for lending are widely available, qualified and reliable credit retailers are scarce in the rural areas of Central Mindanao.

Partnership with the Land Bank of the Philippines

A memorandum of agreement for the DAR/STARCM-LBP Institutional Development Partnership for Cooperatives was signed with the LBP regional Development Assistance Centres (DACs) in August 2003 and four Cooperative Management Technicians (CMTs) were fielded in September 2003. The CMTs conducted a series of workshops and seminars covering policy formulation, membership education, leadership enhancement and simplified bookkeeping. These and other capability building activities were to raise the level of organisational maturity and help the cooperatives meet the LBP Cooperative Accreditation Criteria (CAC) which would make them eligible for loans as newly accessing cooperatives. By the end of 2004, only two of the twenty cooperatives originally targeted for assistance had been accredited and availed of loans from LBP - one from the regular fund and one from the DAR Credit Assistance Program for Program Beneficiaries Development. Four more were accredited by LBP in the last quarter of 2004 but had not availed of loans, whilst the others were considered unlikely to meet the LBP requirements for accreditation in the near future.

Even though the purpose of priming the cooperatives for accreditation was to enable them to avail of loans under a DAR/STARCM-LBP Rural Financing Program for Cooperatives, it was unnecessary to formalise the arrangement or utilise any of the STARCM credit fund for lending to cooperatives. This was because there were adequate funds available under the regular cooperative lending facility of LBP and through other credit programs such as the DAR Credit Assistance Program for Program Beneficiaries Development (CAP-PBD). There had also been a shift in the purpose of cooperative borrowing from funds for agricultural production loans to working capital or multi-purpose loans for trading and marketing. Thus assisting the ARC cooperatives to reach the CAC would not necessarily mean that farmers would have better access to loans which was the original purpose of the STARCM Credit Fund. It was subsequently agreed that the focus of cooperative strengthening activities should shift from enabling the coops to meet the CAC to strengthening the business operations.

The Mid Term Review mission concurred with the Project’s view that the Institutional Development Partnership for Cooperatives was unlikely to result in any significant improvement to the access of ARC households to production credit and recommended that the Project reconsider the partnership with LBP and the need to employ Cooperative Management Technicians. As a result, MoAs for the institutional development partnership were rescinded and the cooperative strengthening activities to help cooperatives meet the CAC were phased out in the early part of 2005. Cooperatives that had been assisted under the partnership with LBP continued to be assisted with coop strengthening activities under the Institutional Strengthening component.

Partnership with the People’s Credit and Finance Corporation

The partnership with PCFC supported the Rural Micro Enterprise Finance Program with STARCM credit funds being made available as institutional credit to microfinance institutions (MFIs) serving borrowers in ARCs covered by the project. A MoA for the DAR/STARCM-PCFC Institutional Credit Program was signed by the DAR Secretary and the Chief Executive Officer of the PCFC on 10 June 2003. Under the partnership, PCFC provided investment credit to MFIs for on-lending in the project area while STARCM provided institutional credit to strengthen the capacity of MFIs to serve borrowers in the ARCs.

There were originally ten MFIs that had been accredited by PCFC and were operating in the STARCM project area. These were four rural banks, three non-government organisations, and three credit cooperatives. Three of

^{1/} Executive Order 138 was dated 10 August 1999 and entitled “Directing Government Entities involved in the implementation of Credit Programs to adopt the credit policy guidelines formulated by the National Credit Council”

the MFIs were operating in Cotabato, two in Sultan Kudarat, four in Lanao del Norte and one in Lanao del Sur. The first batch of institutional credit proposals was reviewed by the Microfinance Coordinating Committee (MICC) in August 2003. The institutional credit facility was extended to MFIs for staff training, office equipment, motorcycles, vehicles, or recurrent costs such as staff salaries. Maximum loans amounting to 12 million pesos were approved by the MICC and an initial amount of P6.330 million was transferred to the DAR/STARCM-PCFC trust fund account in October 2003. The approval of revised credit ceilings in January 2005 and April 2006 increased the total amount of institutional credit available under the program to P15.653 million.

It should be emphasised that the institutional credit was not for re-lending in ARCs and that neither STARCM nor DAR personnel had any involvement in the lending operations of the MFIs. This was a policy decision to leave the responsibility for promoting and managing credit with commercial organisations that were dedicated to providing financial services and would continue to do so after the project had ended.

A total of P8.802 million was transferred to the trust fund account and the PCFC extended twenty-one institutional loans totalling P11.278 million to the participating MFIs. However, only three MFIs availed of new loans in 2005 and 2006 and with a balance of P8.048 million at the end of 2006, the DAR/STARCM-PCFC institutional credit fund was severely underutilised. The main reason was that other lenders such as the National Livelihood Support Fund (NLSF), the Small Business Corporation (SBCorp) and the Peace and Equity Foundation were offering investment credit at a lower rate of interest than PCFC. The MFIs used investment credit as a source of funds for lending to microfinance borrowers and the annual interest rate on PCFC investment credit was 12% compared with 9% on funds from the NLSF. Thus, the MFIs preferred to obtain investment credit from the NLSF or other sources which meant that they were not eligible for institutional credit from PCFC because the amount of institutional credit was tied to the amount the MFI borrowed from PCFC as investment credit.

PCFC accredited MFIs	Number ARCs Covered	ARC Barangays Served	Number of Borrowers	Number ARB Borrowers	Total Loan Portfolio
-Cooperative Bank of Cotabato	13	25	1,047	225	8,159,228
-Makilala MPC	5	7	447	193	6,544,822
-Xavier Punla Rural Bank	1	1	15	4	45,500
-Rural Bank of Tacurong	8	11	274	49	1,179,344
-Rural Bank of Isulan	5	11	200	39	1,039,500
-Hagdan sa Pag-uswag	2	2	94	54	383,000
-Serviamus Foundation Inc.	5	23	920	113	9,561,901
-Milamdec Foundation	3	10	510	46	1,513,200
-Coop Bank of Lanao Norte	4	20	2,312	70	26,778,314
Totals	30*	70*	5,819	793	55,159,309

Note *: The totals exclude double counting of ARCs and barangays covered by more than one MFI

With the low utilisation rate and no indications that the situation was likely to change in the near future, the Credit Specialist of the international TA team was asked to recommend alternative ways of using the STARCM credit funds to make formal credit more widely available in the ARCs. The result was a proposal to close the DAR/STARCM-PCFC Institutional Credit Program and use the funds for training and technical assistance to help MFIs design and develop "micro-agri" loan products for farmers in the ARCs. The Project Steering Committee approved the proposal and the Memorandum of Agreement for the DAR/STARCM-PCFC Institutional Credit program was terminated at the beginning of May 2007. The PCFC returned P7.872 million in June and September 2007 and the credit fund was finally closed in March 2008 following approval of the PCFC's proposal to buy the outstanding loan balance at a discounted rate of eighty-five percent. The total of P8.965 million returned by PCFC which included interest on loans and deposits and exceeded the amount deposited by P162,899.

Training and Technical Assistance for MFIs to develop micro-agri loan products

A package of training and technical assistance was proposed to help MFIs design, develop and pilot new "micro-agri" loan products suited to the needs of farming households in general and agrarian reform beneficiaries in particular. The assistance was based on that developed for rural banks under the USAID funded Micro enterprise Access to Banking Services (MABs).

A credit demand study was undertaken to determine the credit needs and preferences of farming households in the ARCs. The study involved administering detailed questionnaires to 100 respondents in ten ARC barangays. The questionnaire covered household cash flows, savings practices, investment plans, credit access problems and preferred loan terms and conditions. The determination of credit needs and preferences was followed by a

study tour for representatives of the participating MFIs to learn directly from the experiences of other MFIs providing micro-agri loans in Mindanao.

A contract for the Training and Technical Assistance (TTA) package was signed with Associated Resources for Management & Development, Inc. (ARMDEV) in September 2007 and the first of the five-day training workshops, on Market Research and Product Development, was held at the end of the month. The workshop was attended by the three-person product development team from each of the participating MFIs and followed by intensive hands-on coaching by consultants of the ARMDEV to gather data on credit needs specific to each ARC, produce a market research report and a draft product manual. The second training workshop, on Loan Administration and Management, was held in the last week of October and the training programme was concluded with a workshop on Product Costing and Performance Monitoring Systems in mid-January 2008.

A six-month pilot phase of actual lending operations began in October 2007 but the number of borrowers fell well short of the target of reaching 350 new clients by the end of March 2008. An operations review conducted in April 2008 showed that while the MFIs' top management and board of directors had been convinced of the potential profitability of micro-agri loan products, the requirement of DAR-BARBD that loans were only extended to agrarian reform beneficiaries was a constraint on the number of borrowers. The MFI product development teams cited the following difficulties encountered when targeting ARBs as borrowers: (a) many ARBs had already sold their land, mortgaged it to third-parties or rented it out to multi-national companies and did not need agricultural loans; (b) many ARBs were over 60 years of age which disqualified them from existing MFI loan insurance policies; and, (c) many ARBs were already heavily indebted to traders and/or finance companies and did not qualify for new loans.

Even though the MFIs achieved 100% repayment rates from the loans that were released, the difficulties identifying suitably qualified borrowers made it very costly to launch micro-agri loan products targeting only ARBs. Amongst other refinements made at the roll-out planning workshop was a decision to include non-ARBs who are never-the-less qualified in terms of character and capacity to repay. This was to make the exercise more cost-efficient and enable the MFIs to continue providing loans in ARCs over the long-term. The target was for the five MFIs to extend micro-agri loans to an additional 320 farming households in twelve ARC barangays between June and December 2008.

3.4 Resources and budget used

3.4.1 Human resources

In addition to more than 500 persons working with STARCM as part of their regular duties with the DAR and LGUs, there were up to 200 persons employed or contracted to work full time on the project. These were the management and administrative personnel based at project offices in Kidapawan City and Iligan City, the CDFs and IDOs deployed under contracts with NGOs, the national technical assistance specialists and members of the international technical assistance team. The peak numbers working with the Project in each year are shown below.

	Peak number of persons involved per year							
	2001	2002	2003	2004	2005	2006	2007	2008
Contracted to work on STARCM								
Management & Administration	27	44	56	55	52	61	46	38
CDFs and IDOs	-	-	42	50	58	69	69	69
National Technical Assistance	4	16	26	37	54	58	64	56
International TA	7	6	8	6	8	8	5	2
Sub-total	38	66	132	148	172	196	184	165
Government Officials								
Municipal/Provincial LGUs	132	191	256	310	344	408	448	448
DAR Field Offices	93	113	114	118	125	143	143	143
Sub-total	225	304	370	428	469	551	591	591

Management and Administrative personnel

The FA called for the establishment of a Project Management Office (PMO) in Kidapawan City, a Project Sub-Office (PSO) in Iligan City and a Manila Liaison Office (MLO) at the DAR Central Office in Quezon City. The senior staff positions were a National Project Director, a Deputy National Director, a Chief Admin Officer, Chief Accountant and the Chief MIS Officer all based at the PMO and a Project Sub-Office Director based at the PSO. Office support staff included accountants, executive assistants, procurement officers, clerks, bookkeepers, data encoders, drivers and utility workers. The three directors and two MLO-based Information Officers were regular

DAR staff detailed to STARCM whilst the rest were employed on six-month renewable contracts. Staff were recruited following government procedures for hiring contractual employees. Approximately three-quarters of the management and administrative positions were at the PMO in Kidapawan City.

From 2004 onwards the Project was asked to economise on Local Staff costs and avoid increasing the number of administrative and management personnel beyond the total of fifty-six employed at the end of 2003. The number was briefly increased to sixty-one in mid-2006 with the reversion of ten ARC Coordinators from national technical assistance to local staff positions but the total then fell steadily from the beginning of 2007 onwards. Local staff that resigned during the final eighteen months of the project were not replaced. Their tasks were reassigned among those that remained.

The cost of management and administrative staff was paid following the 60%-40% cost-sharing scheme specified in the FA with the GoP-DAR paying 60% of the total and the EC paying 40%. Expenditure amounted to €1.164 million or 96% of the budget for Local Staff as revised by Addendum No.1 to the Financing Agreement (see Annex K).

Local Technical Assistance

Technical specialists were recruited to assist the four operational components as well as the finance section and the management information group. The inputs from different types of specialist are detailed in Annex I and summarised for each component in Table 14. Although the number of specialists peaked in 2007, the greatest increase was between 2004 and 2005 when an additional sixteen positions were created for engineers, institutional development specialists, social development advisors and a training specialist as recommended by the Mid-Term Review mission.

Component	2002	2003	2004	2005	2006	2007	2008	Total Person Months	% Total
Inst.Strengthening	5	5	5	8	11	23	19	717	23%
Support Infra.	4	7	12	21	23	19	15	1,009	33%
APED	5	6	8	9	9	9	8	557	18%
Rural Finance	-	2	2	2	1	1	1	91	3%
Project Management	2	6	10	14	14	14	13	730	24%
Totals	16	26	37	54	58	66	56	3,103	

Almost one-third of all the local TA specialists were assigned to the support infrastructure component. Up to eight Rural Infrastructure Engineers and five Assistant Rural Infrastructure Engineers were responsible for assisting the LGU engineers with design work, reviewing and revising sub-project proposals, monitoring the progress of construction works and undertaking the final inspection before turnover of the completed facilities. There were also as many as ten Project Inspectors employed during the peak of implementing infra sub-projects in 2006. There was a particularly high turnover of engineers working in the Lanao provinces during 2005 and 2006 with six out of the eight engineering positions at the PSO being vacant at one time or another.

The IS component accounted for around one-quarter of all the local TA inputs. More than half was the Institutional Development Specialists responsible for facilitating community planning meetings, preparing training designs, organising seminars and workshops, coordinating the CDFs' work and conducting *ad hoc* training for staff of the DAR, NGOs, LGUs, BLGUs and other implementing partners. Three Social Development Advisors were employed from the end of 2005 onwards to coordinate training and other interventions to improve the delivery of health services and upgrade educational facilities in the ARCs. The number of specialists working with the IS component doubled in 2007 with the recruitment of additional IDs and Local Government Capability specialists to facilitate arrangements for handing over responsibilities to the BLGUs, LGUs and DAR during the completion phase.

Specialists in the fields of tree crops, livestock, enterprise development, training and extension, crop and agricultural development were recruited to work on the APED component. The specialists were responsible for finalising most of the APED proposals in the early years and were involved with technical training, the inspection of supplies and materials and the provision of technical advice during implementation. For the final year of the project the emphasis was on revisiting completed sub-projects to determine what additional training was required and then arranging the training workshops for groups of lead farmers.

Monitoring and evaluation specialists, internal auditors and the information and communication specialist were considered as part of the management staff. The M&E specialists were recruited to validate the information from progress monitoring reports, facilitate participatory sub-project evaluation and undertake impact assessments. In the latter years they were responsible for installing and conducting training on the benefits monitoring system.

Internal auditors were hired to scrutinise the expenditure of EC funds by implementing partners and recommend for the approval, or otherwise, of liquidation reports for the sub-project advances. The number of internal auditors was increased from three in 2003 to nine for the years 2005 to 2007 when most of the advances were made and liquidated.

In addition to the fulltime specialists mentioned above, the Project made use of thirty-three person months of short-term technical assistance. The inputs between 2003 and 2005 were for a rural finance specialist, an agricultural advisor, a community planning specialist and two gender specialists.

A total of 3,103 person-months of long and short-term national TA had been utilised by the end of June 2008 compared with an estimate of only 2,021 person-months in the GWP. Expenditure amounted to €1.247 million or 96% the amount provided for local technical assistance in the Financing Agreement.

International Technical Assistance

International TA was provided under a contract between the Commission of the European Communities and Symonds Travers Morgan (STM) Ltd, UK in association with Tecnica y Proyectos SA of Spain. The contract provided for 164 months of long, medium and short-term inputs from eight specialists and included twelve person-months of unallocated short-term inputs. Inputs from the various specialists are detailed in Annex J with the timing shown in Table 15.

Specialist	2001		2002				2003				2004				2005				2006				2007				2008		
	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3
1. European Co-Director																													
2. Finance & Admin.																													
3. Agric.Econ./Marketing																													
4. Road Engineer																													
5. Agri. / Social Engineer																													
6. Credit/Rural Finance																													
7. Sociologist																													
8. M&E Specialist																													
9. Other Short-Term Inputs																													

The intention was for all members of the international TA team to be present for at least six months during the first year of the project to help write the Global Work Plan and prepare operations manuals for the implementation phase. Unfortunately, concern over the safety of foreigners working in Mindanao led the EC to prohibit the mobilisation of expatriate TA at the beginning of 2002 when only seventeen out of fifty-two person months of the inception phase inputs had been completed. It took some time to find Filipino replacements for the six European members of the original TA team and the resultant delays in finalising the APED operations manual and the sub-project funding procedures contributed to the project being three to six months behind schedule as it entered the main implementation phase.

The Finance and Administration specialist was responsible for reviewing the Project's financial systems and recommending improvements to the procedures for internal control and monitoring. Particular attention was paid to the sub-project funding procedures and the way the LGUs, POs and NGOs managed funds for training activities and the implementation of infrastructure and agricultural sub-projects. His recommendations were incorporated in revisions of the Project's Finance and Administration manual.

Inputs from the Agricultural Economist and Marketing specialist, the Roads Engineer and the Agricultural and Social Infrastructure engineer between 2002 and 2005 were concerned with refining operational guidelines and providing the local TA with technical advice and guidance for implementing sub-projects. The infrastructure and APED operations manuals were updated in accordance with recommendations made in the consultants' assignment completion reports. The final round of inputs in 2006 and 2007 was concerned with the arrangements for sustaining the benefits from sub-projects.

A credit and rural microfinance specialist was mobilised to prepare memoranda of agreement and implementing guidelines for the institutional capability building partnerships with LBP and the PCFC. Subsequent inputs confirmed anticipated weaknesses in the cooperative development programme with LBP and highlighted underutilisation of the DAR/STARCM-PCFC institutional credit fund. The inputs in 2006 and 2007 were to design and assist with the training and technical assistance program for MFIs to develop new agri-loan products.

Intermittent inputs from the sociologist/gender specialist during the first two years of the Project were to prepare the IS section of the global work plan, develop the procedures for ARC development planning and prepare guidelines for the selection of NGOs and training CDFs. The 2006 input was to identify the priorities for further assistance to ARC level organisations and determine the likely role of LGUs and the DAR in helping to sustain the benefits after STARCM ended.

The Monitoring and Evaluation specialist prepared the first version of the Project’s M&E manual in 2002 and assisted with its revision and updating in 2004. The 2005 input was to update the procedures and indicators used to monitor the development of POs, make an assessment of the role of barangay monitoring groups, and design and implement an impact assessment system. The inputs in 2007 and 2008 were concerned with design and implementation of the benefits monitoring system and arrangements for the pre-completion household survey.

Although it was necessary to make some realignment between the person months allocated to different specialists in 2007 and 2008, there was no change to the overall total of 176 person-months in the TA contract.

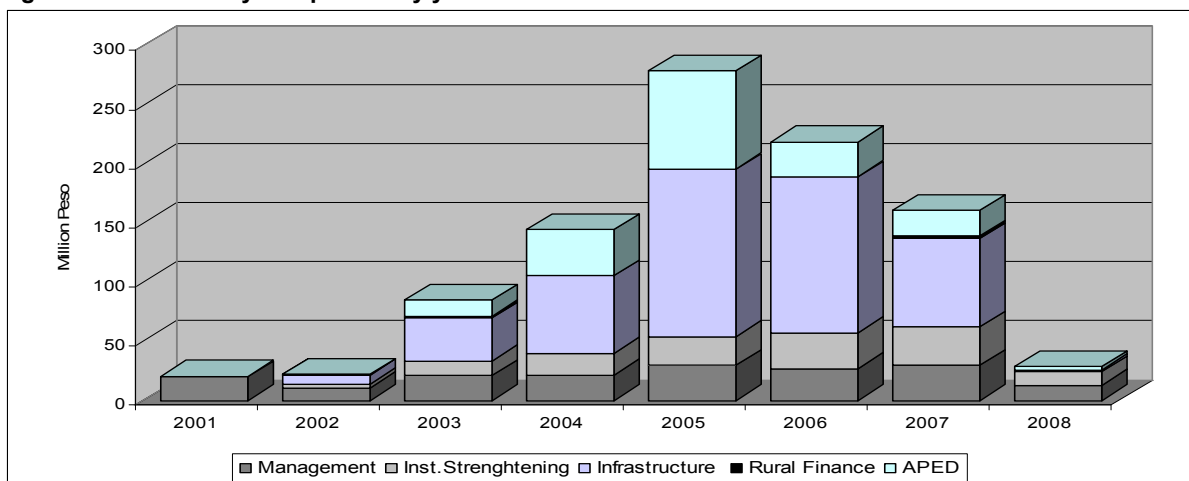
3.4.2 EC grant funds

The Financing Agreement fixed the EC contribution at €18.422 million. This included €2.5 million for international Technical Assistance and external Monitoring, Evaluation & Audit under separate contracts with the European Commission. Addendum N^o 1 to the FA was signed on 6 September 2006 and realigned €1.796 million from Local Staff, the Credit Funds and Contingencies to Works and Equipment, Operational Costs and Monitoring, Evaluation & Audit (see Annex K). The final budget for in-country costs was €15.827 million.

A total of €15,029,510 was transferred from the EC Headquarters to the STARCM euro account in Manila. Interest on the euro account, which was considered as part of the grant, amounted to €88,515. The Project did not experience any problems with the availability of EC funds until the middle of July 2004 from when on there were intermittent shortages through until the end of November 2005. The effects of this are discussed in section 3.5 as it was a case of a LogFrame assumption that became a risk. There was no reoccurrence of the problem and no shortage of EC funds between December 2005 and the end of the project.

€14.555 million was transferred to the STARCM peso account in Kidapawan City at an average exchange rate of €1 = P65.05. Disbursements from the peso account amounted to P959.227 million of which P565.269 million was in the form of advances to LGUs and POs for the implementation of infrastructure and APED sub-projects. Advances made to LGUs, POs and other implementing partners were treated as expenditure when the advances were liquidated.

Figure 3. EC Costs by component by year



Disbursement against the FA cost categories is shown in peso in Table 16 and converted to euro using the average annual INFOREURO exchange rates in Table 17. The consolidated cash position of EC funds as of 30 June 2008 is shown in Annex P. There was a difference of P27.073 million between the disbursement and expenditure for Works and Equipment as a result of unliquidated advances on forty sub-projects at the end of June 2008. The STARCM internal auditors exerted efforts with the LGU accountants and bookkeepers to reduce this number before the project closed but there was still an unliquidated balance of P11.490 million at the end of July. All of the unliquidated advances were to LGUs in Lanao del Norte and Lanao del Sur and were on projects well passed the planned completion date. A full listing of the municipalities with unliquidated advances is given in Annex O. In some cases there were quite large discrepancies between the amount disbursed and the physical accomplishment. Slow progress on projects in Bubong, Piagapo and Pualas was related to the withdrawal of funds around the time of the May 2007 elections but work is ongoing using the LGUs’ regular funds and will continue to be monitored by the DAR Provincial Offices with a view to liquidating the remaining accounts as the work is completed.

FA COST CATEGORY	Total Cost	EC Contribution	% Total Cost	GOP-DAR Contribution	% Total Cost	POs & LGUs Contribution / ¹	% Total Cost
2. Local Technical Assistance	79,945,546	79,945,546	100%	-	-	-	-
3. Local Staff	71,318,972	28,515,759	40%	42,803,213	60%	-	-
4. Research and Training	9,685,950	9,685,950	100%	-	-	-	-
5. Contracting NGOs	90,855,415	90,855,415	100%	-	-	-	-
6. Works and Equipment / ²	909,642,655	667,951,808	73%	28,658,579	3%	213,032,268	23%
6.1 Institutional Strengthening	33,859,165	23,855,403	70%	6,970,141	21%	3,033,621	9%
6.2 Support Infrastructure	567,079,445	432,435,796	76%	-	-	134,643,648	24%
6.3 Agric. Production & Enterprise Dev.	250,623,049	175,268,050	70%	-	-	75,354,999	30%
6.4 Vehicles & Equipment	58,080,997	36,392,559 / ³	63%	21,688,438	37%	-	-
7. Credit Fund	2,603,432	2,603,432	100%	-	-	-	-
8. Operational Costs	96,332,885	73,446,460	76%	22,886,425	24%	-	-
10. Information and Visibility	6,222,493	6,222,493	100%	-	-	-	-
Totals	1,266,607,347	959,226,862	76%	94,348,217	7%	213,032,268	17%

^{1/} PO & LGU contribution includes cash and in-kind counterpart for agricultural and infrastructure sub-projects.

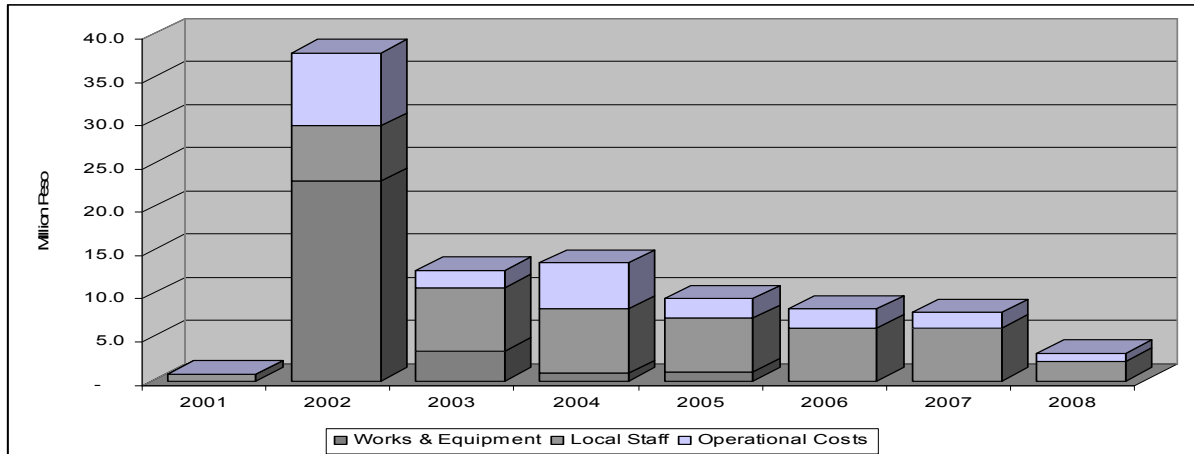
^{2/} The Works and Equipment budget was not broken down in the Financing Agreement but disbursement and expenditure were recorded by component on the project accounting system.

^{3/} Includes P16,507,773 (€364,410) paid by the EC Delegation for imported vehicles in 2001.

3.4.3 GoP-DAR funds

The contribution expected from DAR was reduced from €2.346 million to €1.618 million by Addendum N^o1 to the Financing Agreement. The original estimate of €1.5 million for staff salaries was reduced to €730,000 whilst the allocation of €395,000 for Operational Costs was increased to €437,500. Expenditure, which was the full amount downloaded to the project account in Kidapawan plus the basic salary of assigned DAR staff and other operational expenses incurred by the DAR Central Office, amounted to P94.348 million or €1.659 million when converted using the INFOREURO exchange rates .

Figure 4: GoP-DAR costs per year

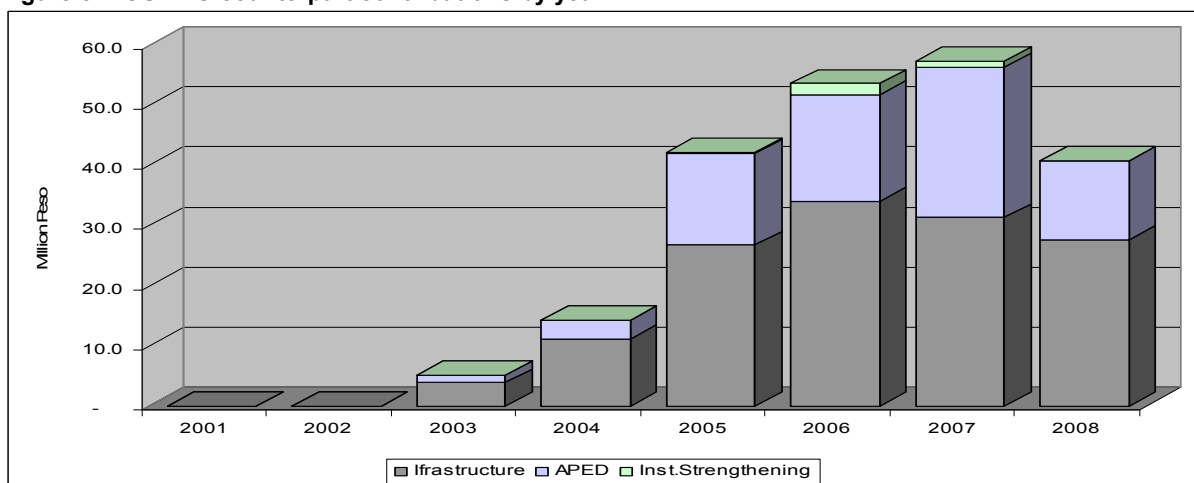


More than P23 million or almost forty percent of the total GoP-DAR contribution was for taxes on imported vehicles and other costs incurred by the DAR Central Office for project management and institutional strengthening in 2002. There were no problems with the availability of GoP-DAR funds between 2001 and 2004, but from mid-2005 onwards the project was asked to economise by not filling all the administrative positions provided for in the annual work plans. The funds released were adequate to meet the GoP-DAR obligations for local staff salaries and VAT payments, but an increasing proportion of the operational costs were paid from EC funds in the latter years. Nevertheless, by the end of the Project, the DAR had provided slightly more than the GOP-DAR requirement indicated in Addendum No. 1 to the FA.

3.4.4 LGU / PO counterpart

LGUs and POs provided cash and/or in-kind counterpart for all infrastructure, agricultural and enterprise sub-projects. The value of the LGU/PO contribution had reached P213.032 million (€3.275 million) by the end of June 2008. This was greater than the FA budget even with the realignment of €727,500 from the GOP-DAR contribution for Local Staff. The LGU/PO counterpart represented 26% of the total expenditure on sub-projects and was greater than the minimum counterpart equity of 20% for infrastructure and 10% for agricultural projects specified in the Financing Agreement.

Figure 5: LGU / PO counterpart contributions by year



There were no cases where sub-projects had to be cancelled owing to a lack of LGU or PO counterpart but there were numerous delays to the start or continuation of infrastructure projects while waiting for the VAT and other cash counterpart to be deposited in the sub-project account. The reason for the LGU/PO counterpart apparently peaking in 2007 and remaining high in 2008 was that LGU expenditure was recorded when sub-project advances were liquidated rather than when the expenses were actually incurred.

Table 17 Summary of Disbursement and Expenditure against FA Budget 11 May 2001 – 30 June 2008 All figures in Euro					
EC CONTRIBUTION (Euro / ¹)					
FA COST CATEGORY	Budget / ²	Disbursement / ³	% FA	Expenditure	% FA
2. Local Technical Assistance	1,299,000	1,247,222	96%	1,247,222	96%
3. Local Staff	480,000	464,064	97%	466,291	97%
4. Research and Training	217,000	146,785	68%	146,235	67%
5. Contracting NGOs	1,510,000	1,402,730	93%	1,402,232	93%
6. Works and Equipment	10,646,000	10,265,706	96%	9,952,588	93%
7. Credit Fund	250,000	41,560	17%	41,560	17%
8. Operational Costs	1,275,000	1,161,741	91%	1,148,738	90%
10. Information and Visibility	150,000	96,009	64%	96,009	64%
11. Contingencies	-	-	-	-	-
Sub Total	15,827,000	14,825,818	94%	14,500,875	92%
GoP-DAR / LGU / PO CONTRIBUTION (Euro)					
FA COST CATEGORY	Budget	Disbursement	% FA	Expenditure / ⁴	% FA
2. Local Technical Assistance	-	-	-	-	-
3. Local Staff	730,000	698,099	96%	698,099	96%
4. Research and Training	-	-	-	-	-
5. Contracting NGOs	-	-	-	-	-
6. Works and Equipment	3,487,500	3,842,421	110%	3,842,421	110%
7. Credit Fund	-	-	-	-	-
8. Operational Costs	437,500	394,070	90%	394,070	90%
10. Information and Visibility	-	-	-	-	-
11. Contingencies	248,000	-	-	-	-
Sub Total	4,903,000	4,934,591	101%	4,934,591	101%
TOTAL DISBURSEMENT AND EXPENDITURE (Euro)					
FA COST CATEGORY	Budget	Disbursement	% FA	Expenditure	% FA
2. Local Technical Assistance	1,299,000	1,247,222	96%	1,247,222	96%
3. Local Staff	1,210,000	1,162,164	96%	1,164,390	96%
4. Research and Training	217,000	146,785	68%	146,235	67%
5. Contracting NGOs	1,510,000	1,402,730	93%	1,402,232	93%
6. Works and Equipment	14,133,500	14,108,127	100%	13,795,009	98%
7. Credit Fund	250,000	41,560	17%	41,560	17%
8. Operational Costs	1,712,500	1,555,811	91%	1,542,808	90%
10. Information and Visibility	150,000	96,009	64%	96,009	64%
11. Contingencies	248,000	-	-	-	-
Grand Total	20,730,000	19,760,409	95%	19,435,466	94%

^{1/} Disbursement and expenditure converted at the annual average INFOREURO exchange rate of the European Commission. [2001 = 45.30 peso/euro 2002 = 48.20 2003 = 60.44 2004 = 69.11 2005 = 69.28 2006 = 64.27 2007 = 63.43 2008 = 63.60]

^{2/} Budget as realigned by Addendum No.1 to the Financing Agreement. The table does not include the budget or expenditure against cost category 1. International Technical Assistance or cost category 9. Monitoring, Evaluation & Audit that were paid directly by the European Commission under separate contracts and did not pass through the project bank accounts.

^{3/} Disbursement includes all direct payments and EC funds advanced to implementing partners. Advances to implementing partners were recorded as expenditure when liquidated.

^{4/} GoP-DAR disbursement and expenditure includes all funds downloaded to the PMO by the DAR Central Office plus the basic salary of DAR staff detailed to STARCM. LGU/PO contribution includes the cash and in-kind counterpart for agricultural and infrastructure sub-projects.

3.5 Assumptions and risks

The project LogFrame included assumptions on factors that could influence the success of STARCM but over which the project management had no direct control. A distinction was made between “Assumptions” (that held true throughout the life of the project) and “Risks” (assumptions which, at one time or another, did not hold true). The following discussion focuses on the impact and response to factors identified as Risks in the Assumptions/Risks column of the LogFrame matrix (presented in Annex B).

1) Security problems hinder the work of Project staff and implementing partners.

Incidents affecting travel and work in the ARCs between 2001 and 2003 were mostly related to military operations against the Moro Islamic Liberation Front (MILF). Although there were a number of occasions on which the residents had to evacuate ARCs in Lanao del Norte and Cotabato to avoid being caught in the crossfire, the disruption of project activities was generally short-lived and work resumed as soon as the evacuees returned. The situation improved and there was a significant reduction in the incidence of clashes between the Armed Forces of the Philippines (AFP) and supporters of the MILF following the declaration of a ceasefire as a prelude to the resumption of formal peace talks in July 2003.

Despite a few minor skirmishes, the ceasefire remained in effect and there were no serious clashes between government troops and MILF supporters until fighting broke out again in Midsayap, Cotabato at the end of January 2007. The fighting, that was triggered by a land conflict, resulted in the evacuation of 6,000 people from four barangays including barangay Sambulowan where there were a number of ongoing STARCM sub-projects. The evacuees returned to their homes after a week or so but the situation remained tense and fighting broke out again in the first week of March. On the second occasion Barangay Sambulowan was the site of an MILF ambush on forces of the 40th Infantry Battalion and the fish port being constructed with STARCM assistance was slightly damaged.

Although there was sporadic fighting between the MILF and the AFP in Cotabato, the more disruptive security-related problems were family feuds or *rido* in Lanao del Norte and Lanao del Sur. These *rido* were over land issues as well as family and personal honour or *maratabat*. There was a noticeable increase in such disputes in the period leading up to an immediately following the national and local elections in 2004 and 2007. In many cases, the problem was not so much that project staff or the CDFs were unable to travel to the ARCs but that LGU officials, often including the mayor, could not be found to sign project-related documents or resolve operational bottlenecks.

2) The release of EC and/or GoP-DAR funds is untimely or inadequate.

The Project did not experience any problems with the release of either EC or GoP-DAR funds until July 2004. The Project was then intermittently short of EC funds between until mid-December as a result of work could not be started or had to be suspended on both infrastructure and APED sub-projects. The situation worsened in the first half of 2005 owing to problems with CRIS (the European Commission’s computerised financial management system). This was a worldwide problem and not confined to STARCM or the Philippines. The Project was short of EC funds from the beginning of March to the third week of April and then again for the first three weeks of June. This combined with further shortages from mid-July to early August put the Project Directors in the embarrassing position of commending the staff and LGUs for improving the rate of proposal preparation but then having to offer regrets that approved sub- projects could not be started owing to a lack of EC funds. The Project had to cope with intermittent and uncertain releases of EC funds through until mid-December 2005. Fortunately there was no reoccurrence of the problem and the Project did not experience any problems with the availability of EC funds from 2006 to 2008.

It was ironic that just as problems with the availability of EC funds were resolved, the Project started to experience problems with the release of GoP-DAR counterpart funds. Although the Project did not receive the full amount of DAR counterpart programmed in the annual work plans between 2002 and 2005, field operations were not constrained and the main effect was that EC funds were used to pay for a greater proportion of the operational costs than was budgeted in the work plans. The problem did not become serious until 2007 when the DAR Central Office began limiting the amount downloaded to P500,000 per month compared with P860,000 per month in the annual work plan. The matter was raised with the DAR Central Office but the underlying problem was that the Department has no specific budget line for grant-funded projects such as STARCM. The problem continued in 2008 owing to uncertainty over an extension of funding for the Comprehensive Agrarian Reform Program.

3) LGUs unable to provide the cash and in-kind counterpart for support infrastructure projects.

There were initially concerns over the ability of LGUs to provide counterpart financing because the identification of sub-projects was not tied to the LGU planning process which meant that there was no budget for STARCM sub-projects included in the LGU annual investment plans. This problem was overcome by having the ARC Development Plans endorsed to the municipal/city LGU by the barangay development council and encouraging the LGU to include a flexible budget line of “Counterpart to STARCM projects” that could be used for any sub-projects included in the ARCDP. This arrangement worked well enough and there were no instances of infrastructure sub-projects having to be cancelled because of the unavailability of LGU counterpart funds.

There were however a number of instances, particularly at the beginning of each year, when works had to be suspended because the LGU had not received its Internal Revenue Allotment (IRA) from the Department of Budget Management (DBM). There were also delays to the start or continuation of sub-projects where the LGUs were slow in depositing funds for the payment of VAT. Although delays relating to the availability of LGU counterpart funds were experienced on close to half of the infrastructure sub-projects, the effect on the outcome and achievement of key results was minor compared to the cases where funds were diverted to other uses which meant that the sub-projects were not completed according to plan (see Annex O for a listing of the municipal and city LGUs that still had uncompleted projects and unliquidated advances at the end of July 2008).

4) MFIs do not avail of PCFC investment credit for on lending to ARC borrowers.

The aim of the DAR/STARCM-PCFC institutional credit program was to make institutional credit available to MFIs serving borrowers in ARCs covered by the Project. The amount of institutional credit that could be borrowed by an MFI was related to the amount of investment credit the MFI borrowed from PCFC for on lending to microfinance clients. The PCFC set the ratio of institutional to investment credit at 1:4 - meaning that an MFI could only borrow one peso of institutional credit for every four pesos of investment credit borrowed. As reported in Section 3.3.5 above, only three MFIs availed of new institutional loans in 2005 and 2006: the others had chosen to source investment credit from institutions such as the NLSF, SBCorp or the Peace and Equity Foundation which were offering it with an interest rate of only 9%-11% p.a. compared with 12% p.a. from the PCFC. As the MFIs were not borrowing investment credit from PCFC they were not entitled to avail of institutional credit and there was an unutilised balance of P.8.048 million in the DAR/STARCM-PCFC trust fund account at the end of 2006.

Thus the assumption that MFIs would borrow investment credit from PCFC to finance their lending operations in ARCs proved to be a killer assumption. The Memorandum of Agreement for the DAR/STARCM-PCFC Institutional Credit program was rescinded in May 2007 and the funds returned from the trust fund account were used to embark on a program of training and technical assistance to help MFIs develop micro-agri loan products tailored to the needs of ARBs and other farming households.

3.6 Management and Coordination Arrangements

The Department of Agrarian Reform was the executing agency for STARCM. Routine coordination and administration of the project within DAR was handled by the Foreign Assisted Projects Office (FAPsO) whilst the day-to-day responsibility for project implementation was delegated to a functionally autonomous Project Management Office (PMO). This set-up was in accordance with Technical and Administrative Provisions of the Financing Agreement and guidelines for the implementation and management of foreign assisted projects as presented in Department Memorandum Circular Nos. 2 and 21 of 1997, and MC No. 4 of 1998.

3.6.1 Project Offices

Project Management Office (PMO). The PMO was established in Kidapawan City that is the administrative center for the province of Cotabato where almost half of the ARCs covered by the project were located. The PMO was jointly managed by a National Project Director and a European Co-Director. It served as a base for between forty and fifty management and administrative personnel and thirty to forty national technical assistance specialists. The PMO was administratively divided into the Office of the Directors, Technical Support Services (TSS), the Management Information Group (MIG) and a Finance and Administration Division (see the organisational chart in Annex H). Besides being the center for day-to-day management and coordination of the project, the PMO served as a base for technical specialists covering ARCs in Cotabato and Sultan Kudarat. Apart from a small petty cash account administered by the PSO, the PMO managed and was accountable for the disbursement of both EC and GoP-DAR funds.

Project Sub-Office (PSO). A project sub-office was established in Iligan City to serve as a base for operations in the provinces of Lanao del Norte and Lanao del Sur. The PSO was headed by a Project Sub-Office Director with a similar organisational structure to that of the PMO but with only twelve to eighteen management /administrative staff and twenty to twenty-five national TA specialists.

Manila Liaison Office (MLO). The MLO was located in the FAPsO Building of the DAR Central Office in Quezon City to oversee the implementation of the project and provide administrative guidance to the PMO. It was staffed with two information officers detailed from DAR. Functions of the MLO included liaison with the EC Delegation and coordination within DAR and with other agencies of the national government. The MLO assumed particular responsibility for arrangements related to GoP-DAR counterpart funding.

Davao Sub-Office (DSO). A fourth project office was set up in July 2002 following instructions from EC Delegation to relocate the European Co-Director to Davao City as a security precaution. The office was set up as a base for expatriate members of the international TA team but also handled the canvassing and procurement of office supplies and equipment from Davao based suppliers. The Davao Sub-Office was closed in May 2006.

3.6.2 Project committees

Project Steering Committee (PSC). The role of the PSC was to oversee project implementation at the strategic and policy level. The committee was responsible for approving the annual work plans, reviewing progress against the work plans and deciding on matters of policy. The PSC was convened on fifteen occasions between October 2001 and August 2008. The committee met once in Davao City, once in Iligan City and thirteen times at the DAR Central Office in Quezon City. The two meetings outside of Manila included visits to ARCs.

Composition of the PSC	
Chairperson:	Secretary of the DAR, or, in his absence, the DAR Under-secretary for Support Services
Deputy Chairperson:	The Executive Director of the DAR Foreign-Assisted Projects Office (FAPsO)
Members:	Representatives from the national offices of: Department of Agriculture (DA); Department of Budget Management (DBM); Department of Environment and Natural Resources (DENR); Department of Public Works and Highways (DPWH); and, the National Economic Development Authority (NEDA).
Secretariat:	Manila Liaison Office (MLO) of STARCM

Although not considered as full members of the PSC, the National Project Director and European Co-Director, along with the Director of DAR Region XII and representatives from the EC Delegation, were invited to attend all PSC meetings.

Project Management Committee (PMC). The PMC, referred to the Regional Executive Committee or REC in the Financing Agreement, was the counterpart of the PSC in Central Mindanao. The role of the committee was to review and endorse annual work plans, provide guidance on the implementation of policies set by the PSC, promote inter-agency coordination, and serve as a forum to resolve bottlenecks and issues at the 'regional' level. The regional nature of the committee was questionable from the start because STARCM operated in three administrative regions of Mindanao: Region XII, Region X and the Autonomous Region of Muslim Mindanao.

Composition of the PMC	
Chairperson:	The Director of DAR Region XII.
Deputy Chairperson:	The Assistant Regional Director for Operations - DAR Region XII.
Members:	The Director of DAR Region X. A representative from DAR-ARMM. The STARCM National Project Director and European Co-Director. Provincial Planning Development Coordinators (PPDCs) from the 4 provinces. Provincial Agrarian Reform Officers (PAROs) from the 4 provinces. A representative from NEDA, DA and DENR Region X <u>or</u> Region XII.
Secretariat:	PMO - Office of the Directors

The PMC met fourteen times between October 2001 and April 2008. The first meeting was held in Cotabato City after which the committee met seven times in Kidapawan City, twice in Iligan City, twice in Davao City, once in Cagayan de Oro, once in Tacurong City and once in Isulan. Four of the meetings held in 2006 and 2007 were preceded by site visits to nearby ARCs.

Project Coordinating Committee (PCC). The PCC was established in August 2003 by virtue of FAPsO Special Order No.141-03 Series of 2003. The committee was created as an extension of the PMC to review progress and overcome operational bottlenecks with particular attention to coordination between PMO and the DAR Field Offices. The PCC was expected to meet quarterly but only met twice, once in September 2003 and once in January 2004. The PCC did not meet again as there were no operational issues that could be resolved by a formal meeting of the committee. Matters relating to the implementation of departmental policies and recurrent issues such as downloading GoP-DAR funds to the DAR Field Offices and the payment of STARCM related allowances, were considered to be more appropriately decided upon by the DAR-FAPsO.

3.6.3 Municipal/City Implementing Teams (M/CITs)

The proper supervision and coordination of activities at the ARC level was crucial to the success of STARCM and a Municipal/City Implementing Team (M/CIT) was organised in all of the municipalities and cities with ARCs covered by the project. The M/CIT served as the primary channel for project support to the ARC and was, among others, responsible for:

- Updating the ARC development plans through participatory planning and sub-project completion reviews.
- Preparing validation reports for the sub-projects proposed for STARCM assistance.

- Organising consultation meetings, preparing sub-project proposals, and securing barangay/municipal resolutions and other documents required for sub-project dossiers.
- Securing LGU counterpart funding and organising technical supervision for the implementation of sub-projects.
- The organisation of barangay monitoring groups, beneficiary monitoring teams and other *ad hoc* groups and committees to assist with the implementation and monitoring of sub-projects.
- Updating the LGU's Executive and Legislative Departments through regular briefings on the physical and financial status of sub-projects being implemented in the municipality / city.
- Conducting regular inspections of on-going sub-projects and submitting monthly reports to the LGU, the Provincial Office of Agrarian Reform and the STARCM.
- Making arrangements for continuing support for the operation and maintenance of completed infrastructure facilities and providing technical advice to the participants of agricultural sub-projects after STARCM ended.

The M/CITs were led by the Municipal Agrarian Reform Officer (MARO) with the Municipal Planning and Development Coordinator (MPDC), the Municipal Engineer (ME), the Municipal Agricultural Officer (MAO), the DAR Development Facilitator (DF), the Community Development Facilitator (CDF), the CDF supervisor and an ARC Coordinator from STARCM as permanent members. Personnel from other offices of the municipal or city government such as the municipal health officer or representatives from the Department of Social Welfare Development (DSWD) joined the team depending on the types of sub-project being implemented.

The M/CIT reported to the municipal/city mayor and the Provincial Agrarian Reform Officer (PARO II) with copies of the progress reports furnished to the PMO or the PSO. Meetings were generally held monthly and focused on day-to-day arrangements for implementing and resolving problems on the sub-projects. Constraints or bottlenecks involving the allocation of LGU funds, personnel or equipment were more quickly overcome where the Mayor personally attended the M/CIT meetings. Unfortunately this only happened on a regular basis in around one-third of the municipalities and cities covered by STARCM.

3.6.4 DAR Regional and Provincial Field Teams

Regional and provincial field teams were formalised for DAR Region XII and the provinces of Sultan Kudarat and Cotabato in August 2006 by virtue of DAR Special Order No. 607 of 2006. The field teams for Region X and Lanao del Norte and for ARMM and Lanao del Sur were formalised in January 2007 and March 2007 respectively. The regional field teams were responsible for providing technical direction and support to the STARCM PMO, the provincial field teams and the municipal/city implementing teams. The provincial field teams were formed to coordinate and provide support and assistance in the planning, implementation, monitoring and evaluation of STARCM related activities at the provincial level. Monthly coordination meetings involving members of the provincial field teams and STARCM specialists were initiated in April 2006 and served as a venue for resolving problems and addressing concerns on specific sub-projects.

3.6.5 Monitoring and Evaluation

The project's monitoring and evaluation system was designed during the inception phase and refined by the national and international TA specialists during the course of implementation. Responsibility for maintaining the computerised data storage and retrieval system and producing various routine and *ad hoc* reports lay with the Management Information Group (MIG) based at the PMO in Kidapawan City.

Project LogFrame

The M&E system was based on the logical framework approach that describes a project in terms of *Inputs* used to undertake activities which produce *Key Results* that combine to achieve the *Project Purpose* and finally lead to attainment of the *Overall Objective*. The narrative summary for the Project Purpose and Key Results in the Project LogFrame did not change from those presented in the version attached to the Global Work Plan but the Objectively Verifiable Indicators (OVIs) were changed over time. The final, July 2007 version, of the LogFrame contained the ninth documented revision of OVIs (see Annex B). Changes were common because the OVIs were used as indicators of progress rather than as targets. Such flexibility and discretion in the definition of OVIs is particularly important on projects such as STARCM that rely on participative approaches and an iterative planning process for the prioritisation of sub-projects. Flexibility in the definition of OVIs and assumptions was supported by the March 2004 version of the EC guidelines on Project Cycle Management. It differs from the approach on centrally planned 'blue-print' style projects which define physical targets at the outset and then prioritise activities and interventions accordingly.

Activity Monitoring

Activity monitoring was to track progress on the preparation of project proposals, the implementation of sub-projects and the status of organisational strengthening activities. Sub-project monitoring was originally undertaken by members of the municipal/city implementing teams along with STARCM engineers and the APED specialists but from 2004 onwards beneficiary monitoring teams and Barangay Monitoring Groups were formed to institutionalise monitoring and evaluation at the barangay level and strengthen the community ownership of sub-projects. With the Barangay Chairman, the Barangay Secretary and chairpersons of the barangay council's

infrastructure and agriculture committees as core members, the BMGs provided a mechanism for data collection and reporting that can be continued after STARCM ended. A Beneficiary Monitoring Team comprised of sub-project participants along with officers of the concerned PO or interest group was formed to monitor the implementation of all APED and infrastructure sub-projects. In addition to monitoring progress during the implementation phase, the BMGs/BMTs were later involved with sub-project evaluation, impact assessment and benefits monitoring.

Data from the various activity monitoring reports were consolidated on a computerised database and merged with data from the project's accounting system to produce status reports and activity listings for use within the project as well as for circulation to the DAR regional and provincial offices, NEDA regional offices, provincial governors, congressmen and other stakeholders. The activity database was transferred to the DAR provincial offices and the LGU planning and development coordinators before the project closed.

Results based monitoring

Results based monitoring was to provide a standardised set of data required by the FAPsO Monitoring and Evaluation Unit for reporting the gains from Foreign Assisted Projects implemented by DAR. Data collection was originally the responsibility of the M&E specialists but transferred to the ARC Coordinators and CDFs when MIG began conducting impact assessments in the latter part of 2005. Collection of results based monitoring information was included in the BMG training so that data collection and reporting can be continued by the MARO and/or DAR Development Facilitator.

Impact Assessment

Impact assessments were conducted to gather information on the benefits obtained from completed sub-projects and gauge progress against OVIs at the Project Purpose and Results levels of the LogFrame. The assessments, that were undertaken once the emerging impact and benefits could be measured, were conducted by the M&E specialists through survey questionnaires and focus group discussions with the sub-project participants and proponent organisations. 144 impact assessments were conducted during 2005 and 2006 and provided a useful snapshot of the impact of individual sub-projects at a given point of time. They were replaced by benefits monitoring so that the MIG would be able to produce updated information on the aggregate benefits of STARCM investments from 2007 onwards.

Participatory Sub-Project Evaluation

Participatory sub-project evaluations were undertaken to assess completed sub-projects in terms of efficiency, effectiveness, impact and sustainability. Evaluations were undertaken by the participants a while after the sub-projects had been completed and when there were already initial indications of the likely benefits and impact. On-site PSPE meetings were facilitated by the project's M&E specialists to: 1) determine whether the objectives and expected outcomes were achieved; 2) assess the initial and emerging benefits; 3) review the mechanisms for sustaining benefits; and, 4) document lessons learned during implementation. Output from the meetings was compiled and presented at PSPE deliberation conferences involving project management and technical specialists. There were 187 PSPE meetings conducted between mid-2005 and the end of 2006 which not only provided a measure of the benefits obtained but also drew attention to lessons that needed to be incorporated in the design of new sub-projects. However, with comparatively few new sub-projects to be designed and started in 2007, the PSPEs were discontinued and replaced by more regular monitoring of the completed sub-projects concentrating on the cumulative benefits along with the factors influencing sustainability and income generation.

Benefits monitoring

With almost two-thirds of the sub-projects completed by the end of 2006, the emphasis for monitoring activities was shifted from tracking progress during the implementation phase to monitoring benefits accruing to the target group. The M&E specialists designed new monitoring forms that combined elements of the earlier results monitoring forms, the checklists for participatory sub-project evaluation and the questionnaires used for impact assessments. Rather than just producing a snapshot of the output and impact at the time of the evaluation or impact assessment, the intention was to track and update the benefits from completed sub-projects on a quarterly basis.

Members of the municipal/city implementing teams were oriented on benefits monitoring and prototypes of the monitoring forms were introduced to members of the BMTs and barangay councils at the beginning of 2007. The aim was for the beneficiary monitoring team to collect information on the benefits obtained by individual sub-project beneficiaries and make consolidated reports to the barangay council. In practice, the process was led by the CDFs and there were many ARCs where the barangay council did not play any role in the process. Another round of workshops was therefore conducted to explain the procedures for data gathering and reporting to the MAROs, DAR Development Facilitators and Municipal Planning and Development Coordinators. The workshops were used to discuss mechanisms for integrating the benefits monitoring system into the regular functions of the barangay council and the Municipal CARP Implementing Teams and followed by further training and coaching so that the BMTs would be able to collect the information and the barangay councillors would be able to collate the reports without assistance from the CDFs.

Benefits monitoring reports for the 1st Quarter 2008 were received from 463 out of 619 completed sub-projects but it remains to be seen for how many projects and for how long the benefits continue to be monitored after the

end of the project. Data collected between the 4th Quarter 2006 and the 1st Quarter 2008 is summarised for different types of sub-project in Annex G and was used to substantiate the achievement of objectives in Section 3.2 of this report.

Annual EC monitoring missions

STARCM was monitored as part of the routine external monitoring of projects financed by the European Commission in the Philippines. A one-person monitoring team interviewed project staff and visited sub-project sites each year from 2003 through until 2008. The first visit was in August 2003 when the monitor rated STARCM as “good” against all five category headings (Relevance, Efficiency, Effectiveness, Impact, and Potential Sustainability). The report provided a useful snapshot of the project at a little over one year into the implementation phase but noted that there would need to be a significant increase in the rate of sub-project implementation and that this would have to be achieved without compromising quality if results projected in the Global Work Plan were to be achieved.

In August 2004 the Project was again rated as “good” against the relevance, effectiveness, impact, and potential sustainability headings, but the monitor recorded “problems” against the efficiency heading. This was based on the observation that while the project was approaching its half-way stage, only 19% of the EU grant had been spent and the monitor considered it necessary to highlight the low rate of expenditure as “inefficient” use of the available financial resources. The Project accepted that it was necessary to highlight the low rate of expenditure but was concerned by the implication that it has been inefficient in the conversion of inputs and activities into Results in the LogFrame.

A year later in August 2005, the monitor noted that while there had been significant improvements to the rate of proposal preparation and sub-project implementation, the Project was still behind schedule with the disbursement of funds and completion of sub-projects. He again recorded “problems” against the efficiency heading but noted that the problems were attributable to delays and difficulties in previous years and that provided there were no further delays and specific risks did not materialise (security, accessibility, GoP spending priorities), STARCM would still meet objectives at the Purpose and Results levels within the original seven-year timeframe.

Implementation and disbursement were back on target by 2006 and 2007 and the monitors returned STARCM to a rating of “good” against all five headings. They reported that while there was still a need to accelerate the rate of sub-project completion, the impact was likely to be substantive as the Project Purpose was clearly being achieved and contributing to attainment of the Overall Objective.

The final monitoring mission was in May 2008 barely three months before the end of the project. The monitor rated STARCM as “very good” for Relevance and Efficiency, “good” for Effectiveness and Impact, but recorded “problems” for Potential Sustainability. She noted that while sustainability had looked good in previous years, the deterioration of the macroeconomic situation in 2008 might undermine financial sustainability. ARCs were considered to be better prepared as a result of the project, but still vulnerable. Vulnerable because the economic analysis of most sub-projects was inevitably light and based on inflation rates well below those prevailing in mid 2008. This was considered important because behaviours under the influence of moneylenders were thought likely to prevent small farmers from maximizing their revenue.

The project shared the monitor’s concern over increases in the cost of fuel and agricultural inputs and agreed that this would be likely to negate some of the gains and push some of the farming households in the ARCs back below the poverty line. The LogFrame assumption that “enterprises and technologies promoted by the project and adopted by the farmers continue to produce attractive financial returns” could easily become a “Risk” by the time of the final evaluation mission sometime in the second half of 2009.

Mid Term Review mission

A Mid Term Review (MTR) was planned in accordance with provisions in the Financing Agreement for external monitoring at mid-term and close to project completion. The aim was to provide decision makers in the Government and the European Commission with sufficient information to make an informed judgment on the performance of the project over the first three and a half years and make recommendations on any changes required for the remainder of the project.

The MTR mission, comprising of four Filipinos and two Europeans, visited a selection of ARCs and held discussions with project staff, implementing partners and other stakeholders during October 2004. Debriefing meetings were held in the last week of October and a draft report was submitted at the beginning of November. The draft report was a prolix document that suffered from repetition and having too many sub and sub-sub section headings. The presentation was slightly improved for the Final Report submitted on 03 January 2005 but there were still conclusions and recommendations in the annexes that were not reflected in the main report.

The MTR recommendations were intended to address perceived weaknesses in the project’s approach and strategies. Those concerning ARC development planning, the prioritisation of interventions, the long delay between identification and implementation of sub-projects, the need for more intensive support to LGUs, the need to focus on sub-project quality rather than quantity, and the importance of arrangements for sustaining benefits were unsurprising and had already been addressed by the project management. The most useful aspect, from the Project’s point of view, was that the MTR successfully highlighted and drew attention to differences between what was specified in the operations manuals and what was actually happening in the ARCs - and did it in such a

way that nobody felt threatened or needed to react defensively. Progress on implementation of the MTR recommendations was reported in quarterly and annual progress reports until such time as the recommendations had either been implemented or were no longer relevant.

Project Completion Review mission

A Project Completion Review (PCR) commonly takes place during the final year of a project and in the case of STARCM it was originally expected to be sometime in the last quarter of 2007. However, PCR missions fielded during the closing stages of other EC funded projects in the Philippines had invariably reported that it was too early to gauge the impact or draw any firm conclusions on sustainability. In view of this, the EC Delegation proposed that the final review of STARCM should be sometime towards the end of 2009 by when the impact should be clearer and the mission can make a realistic assessment of the likelihood of benefits being sustained. The Project fully supported this view. Copies of the project database along with all the sub-project files, financial records and other documents likely to be needed by the review mission were stored in the compound of the DAR Region XII office in Cotabato City.

3.6.6 Project Information and Visibility

Information and visibility activities during the first three years of the project were concerned with raising public awareness on the objectives of STARCM and disseminating information on the progress of activities through coverage in Mindanao-based newspapers and subscribed broadcasts on local radio stations. The attention in later years was shifted to raising the visibility of the European Union and specifically the EU development cooperation programme in the Philippines. Radio and local newspapers continued as the main media but increasing use was made of durable give-aways imprinted with the DAR logo and the EU flag that were euphemistically referred to as 'visibility collaterals'.

Radio broadcasts

The Project sponsored more than eighty hours of broadcasts on local radio stations covering various parts of Central Mindanao. The radio campaign began in 2003 with 3-5 minute broadcasts as part of the regular Information and Education Campaign of the DAR and provided updates on sub-projects and other activities in the ARCs. More extensive use of the radio began in 2005 with subscriptions to the 5-station FM radio network of the Notre Dame Broadcasting Corporation (NDBC) covering the provinces of Cotabato and Sultan Kudarat and with subscriptions to the Iligan City-based dxIC (RMN) radio station covering Lanao del Norte and Lanao del Sur. The broadcasts came in the form of 1-minute news spots reporting the progress of sub-projects and accomplishments along with infomercials timed to coincide with STARCM's anniversary in May and the anniversary of the Comprehensive Agrarian Reform Program in June. There was a further variation of the subscribed broadcasts in the last quarter of 2007 when scripts were prepared for 1-minute radio plugs promoting peace and conflict transformation in Cotabato and Sultan Kudarat. The radio plugs dramatized short hypothetical situations in which peace and conflict forces were at play. The broadcasts ended with a message from the provincial governor promoting peace, understanding and transformation.

Apart from the subscribed airtime, there was unsubscribed airplay for STARCM related news stories produced by the news and public affairs sections of different radio stations. These included coverage of project turnover ceremonies, events such as the medical outreach missions and high-profile visits by the DAR Secretary, EU Heads of Missions and other dignitaries.

Television broadcasts

A television campaign was mounted for the Lanao provinces in 2005 through subscription with the ABS-CBN regional networks in Iligan (covering Lanao del Norte) and Cagayan de Oro (covering Marawi City and Lanao del Norte). The TV campaign was in support of efforts to increase the pace of implementation in the Lanao provinces by showcasing "model" LGUs that had contributed to the timely implementation of sub-projects. The campaign consisted of weekly airings of 2-minute news-features complemented by daily airings of 30-second infomercials describing the Project's mandate and coverage. The weekly news features and daily infomercials were aired in the local "TV Patrol" productions of ABS-CBN in Cagayan and Iligan. The total subscribed TV airtime was around 90 minutes which did not include ABS-CBN news coverage broadcast on "Good Morning Philippines" aired over the ANC channel on Sundays.

Public notice boards / sub-project signboards

Notice boards were installed at the LGU offices in each of the municipalities and cities covered by STARCM. The notice boards were installed in 2003 and early 2004 to enhance public awareness of the project and were periodically updated with text and photographs showing progress on the implementation of sub-projects and notices advertising associated events.

In addition to the public notice boards, sub-project signboards recognising DAR as the implementing agency and acknowledging support from the European Union were installed in the vicinity of each sub-project. These tended to adhere more closely to the DAR guidelines for project signboards than examples in the EU Visibility Guidelines for External Actions, but they did feature the EU flag and state that the project was implemented with financial assistance from the European Union.

Audio-visual presentations

The Project contracted a Davao-based media company to prepare a 15-minute audio-visual briefer in 2006. The DVD presentation outlined the Project's objectives and activities and presented examples of emerging benefits through testimonials from beneficiaries and implementing partners. It was used locally for acquainting LGU and NGO partners with the range and emerging benefits of STARCM interventions and by the DAR-FAPsO for presentations at regional and national conferences. A one-time television broadcast was made over the regional ABS-CBN stations of Iligan and Cagayan de Oro City.

Two more 15-minute audio-visual presentations were produced in 2007. One highlighted STARCM activities and impact in the Lanao provinces and one documented interventions to improve the delivery of health services in ARCs. These were subsequently boxed with the earlier DVD and a selection of digital photographs and distributed as part of the project completion documentation in 2008.

Press coverage

Print journalists were made aware of STARCM activities through press releases and invitations to attend sub-project turnover ceremonies and special events. Press releases for events such as conferences attended by the governors and mayors, the completion of large projects and the turnover of multiple sub-projects by the DAR Secretary resulted in STARCM-related news stories being published in regional and local newspapers such as the Mindanao Times, the Sun Star, the Mindanao Cross, the Midland Review, the News Star, the Gold Star Daily, the Mindanao Express, the Ranao Star and the Cotabato Quarterly Update of the Philippine Information Agency.

The Project also featured in national newspapers (Philippine Daily Inquirer and the Manila Bulletin) as a result of press conferences called following visits by the Heads of Missions from member states of the European Union and when the DAR Secretary cited STARCM as an example of DAR's efforts to promote peace through prosperity in conflict areas.

Print material

Print material that was prepared for distribution amongst the project stakeholders and to visitors included project briefers and fliers, wall and desk-top calendars, two editions of a comic style publication, posters, a mid-term report to the public, a coffee-table style booklet and a final report to the public. The print run for calendars, and comics was 2,000-3,000 pieces and these were distributed in the ARC barangays as well as to offices of the DAR, LGUs and other implementing partners. The posters, some of which were the winners of a poster-making competition amongst school children and out-of-school youth, were to raise public awareness outside of the ARCs and were displayed in municipal and provincial buildings as well as in various schools, technical colleges and universities in Central Mindanao. 1,900 copies of the mid-term report were distributed to visitors and to national, regional, provincial and municipal-level partners and stakeholders.

Visits by EC Officials, EU Ambassadors and EU Parliamentarians

The Project hosted seven visits by officials of the European Commission, ambassadors of the EU member states and EU parliamentarians. These were slightly different from other visibility actions in that they were as much about making EC/EU officials aware of STARCM as raising the visibility of EC/EU in the project area.

Date	Visitors	ARCs Visited
12-14 April 2004	Head of the EC Delegation and the Desk Officer for the Philippines RELEX	Alamada ARC, Alamada, Cotabato Tumbras ARC, Midsayap, Cotabato MaSDa ARC, Kabacan, Cotabato Kibudoc ARC, Matalam, Cotabato KM ARC, Isulan, Sultan Kudarat BaBiBa ARC, Tulunan, Cotabato
20-24 June 2005	Head of the EC Delegation and the Ambassador of Finland	Berpu ARC, Tangkal, Lanao del Norte Pielsadai ARC, Lala, Lanao del Norte Malimono-Dulay ARC, Marawi, Lanao del Sur Del Carmen ARC, President Roxas, Cotabato MSARC, Mlang, Cotabato Libertad ARC, Makilala, Cotabato MaGarBu ARC, Makilala, Cotabato
18-19 January 2006	Head of the EC Delegation and the ambassadors of nine member states (Austria, Belgium, Czech Republic, Finland, Italy, Portugal, Romania, Sweden, United Kingdom)	Rajah Buayan ARC, Midsayap, Cotabato, ST ARC, President Quirino, Sultan Kudarat KM ARC, Isulan, Sultan Kudarat (the mission also visited MEDCo/UNDP sites for Internally Displaced Persons)

14 February 2007	The Director-General RELEX, Head of Unit Southeast Asia RELEX, the Desk Officer for the Philippines RELEX and Head of the EC Delegation.	Del Carmen ARC, President Roxas, Cotabato (the project also arranged talks with high ranking officials of the MILF in Maguindanao)
21 November 2007	Head of the EC Delegation and nine members of the European Parliament.	Tumbras ARC, Midsayap, Cotabato
20 May 2008	Head of the EC Delegation and the Ambassador of Romania	Caniogan ARC , Tubod, Lanao del Norte. MBS ARC, Maigo, Lanao del Norte.
18 June 2008	Head of the EC Delegation and the Ambassador of the Netherlands	ST ARC, President Quirino, Sultan Kudarat

In addition to providing officials from the EC Delegation and EC Headquarters with first-hand experience of project activities, the visits by foreign dignitaries reinforced the message that STARCM was part of the broader development cooperation programme of the European Union. Various news stories were broadcast on the radio and television following the visits and articles were published by local newspapers. The January 2006 visit of ten ambassadors was covered on local and national television (via Good Morning Philippines, a Sunday regional news program carried by the ANC and ABS-CBN channels). Radio coverage was even more extensive as a result of reporters from local AM stations joining the visits to project sites.

3.7 Financing arrangements

3.7.1 EC Grant Funds

Arrangements for managing the EC grant funds were laid out in the General Terms and Conditions and the Technical and Administrative Provisions annexed to the Financing Agreement. Funds were transferred from the EC Headquarters on the basis of recommendations from the EC Delegation in Manila to provide supplementary advances against an approved annual work plan or reimbursement based on the audited quarterly reports of expenditure. An independent auditing company was engaged to conduct quarterly audits of the receipts and expenditure reported in quarterly progress reports. The project was also visited twice by auditors of the European Court of Auditors. Firstly in February 2005 and then again in December 2007.

3.7.2 Sub-project funding procedures

The arrangements made for funding agricultural and infrastructure sub-projects were a distinctive feature of STARCM. The Project advanced funds to an LGU, NGO or PO that was then responsible for managing both the EC and the counterpart funds required for implementing the sub-project. Giving LGUs, NGOs and POs the responsibility for procuring inputs and materials was a strategy for empowerment and developing project management skills. Added benefits were that it reduced the project's administrative burden and avoided disputes with the implementing partner over the quality and quantity of materials supplied. Although the LGUs and POs used their existing accounting systems, separate bank accounts were maintained for each sub-project and all transactions were subject to scrutiny by the project's internal and external auditors.

Sub-project funding procedures were formulated during the third quarter of 2002 and approved as part of the STARCM Finance and Administration manual in October 2002. The funding procedures were subsequently updated on the basis of problems encountered and experience gained. The final version (Version 5), which incorporated the requirement for all VAT payments to be made as part of the LGU/PO cash counterpart, was approved by the EC Delegation in October 2005.

The LGU/PO was required to follow its regular systems and procedures (the implementing guidelines of the Government Procurement Reform Act or RA 9184 in the case of LGUs) to procure the materials and supplies specified in the approved Program of Works. Advances were initially limited to a maximum of P500,000 but the ceiling was later increased to P2,500,000 because the lower limit was complicating the bidding and disrupting the flow of works on larger infrastructure projects. The statement of receipts and disbursements and other documents making up the liquidation reports were examined by STARCM internal auditors to verify compliance with the relevant accounting rules and regulations before being recommended for approval. It was only when liquidated that the advances were reported as expenditure. At least seventy percent of all previous advances had to be properly liquidated before any further advances were made.

Auditors from the European Court of Auditors did not raise any objections to the sub-project funding procedures when they visited in February 2005. They did however note that a portion of the EC funds advanced to LGUs had been used for the payment of VAT on materials procured for the sub-projects. This contravened Article 19 of the FA which states that "No tax, duties or other charges shall be financed from the Community's contribution". The Program of Works and budget allocations for all subsequent sub-projects were therefore revised so that VAT payments became a cash counterpart of the concerned LGU/PO. This did not entail any change to the minimum LGU/PO counterpart, only that the LGU/PO had to make cash contributions to pay the VAT. In practice, this meant changes to the items paid for by STARCM and the items paid for by the LGU/PO. On a road improvement project for example, instead of the LGU providing equipment as in-kind counterpart and paying for some of the

unskilled labour, the LGU paid all the VAT on materials while STARCM paid for a portion of the equipment rental and/or unskilled labour that was previously provided as LGU counterpart.

The second mission from the European Court of Auditors, which visited in December 2007, took a different view of the sub-project funding procedures and was of the opinion that tender procedures used by the implementing partners were not compliant with EC rules for procurement. In particular, the Court's auditors were concerned that the project's internal auditors had not properly documented their checks on compliance with RA 9184 and the requirement for a minimum of three bids on contracts exceeding €5,000. They also considered that the procurement of eleven stationary rice mills, five mobile rice mills and five corn mills by different LGUs and POs over a period of five years constituted splitting of contracts. Needless to say the Project did not agree with these findings and maintains that it would have been impractical if not impossible to have followed procedures in the EC Practical Guide to award contracts for all the infrastructure projects costing more than €5,000. The main problem would be that as the LGU counterpart has to be paid following government rules and regulations (RA 9184), the sub-projects would have to be split into two parts with one bid according to EC rules and the other according to GOP regulations. Arrangements for the LGU to pay the VAT on a contract bid and awarded following EC rules would have been an added complication.

3.7.3 GoP-DAR contribution

The GoP-DAR contribution was made up of costs incurred by the DAR Central Office plus funds transferred to the STARCM-GoP account in Kidapawan City. Funds were downloaded following requests for the quarterly budget in the approved annual work plan. Disbursements were made in accordance with government rules and regulations and subject to audit by the Commission on Audit (COA).

There were no problems with the GoP-DAR counterpart funding until 2006. From then onwards the amount downloaded to the STARCM-GoP account was less than the amount budgeted for local staff and operating costs in the annual work plan. The amount released was adequate for staff salaries and VAT payments but an increasing proportion of other operating costs had to be paid from EC funds. The underlying problem was that the Department had no specific budget line for grant-funded projects such as STARCM.

3.7.4 LGU / PO counterpart funds

The Financing Agreement required LGUs and/or POs to provide cash and/or in-kind counterpart averaging 20% of the total cost in the case of infrastructure sub-projects and 10% in the case of agricultural and enterprise sub-projects. In practice, the counterpart requirement for infrastructure varied from 10% to 30% depending on the type of sub-project whilst the counterpart for APED projects was set at a minimum of 15%.

Type of infrastructure	EC contribution	LGUs/POs
<u>Feeder Road Improvements:</u>		
1 st , 2 nd , 3 rd class municipalities	80%	20%
4 th , 5 th and 6 th class municipalities	90%	10%
Irrigation Schemes	70%	30%
Bridges / Crossings / Potable Water Systems / Health Stations / School Buildings / Day Care Centre / MPBs / Solar Driers.	80%	20%

The 4th, 5th and 6th class municipalities were only required to provide 10% equity as they receive less Internal Revenue Allotment (IRA) and find it more difficult to provide counterpart. The cost of pre-engineering works and supervision was treated as in-kind counterpart but the LGU was required to provide cash counterpart for the payment of VAT on materials, fuel and equipment hire. The 30% counterpart for irrigation schemes was provided in proportions agreed by the LGU and the Irrigators' Association and included unskilled labour, VAT on materials and equipment rental and the cost of any pre-engineering works undertaken by NIA. For all other types of infrastructure, the EC grant represented a maximum of 80% of the total costs with the LGU and/or PO contributing at least 20%. The contribution was in the form of VAT, unskilled labour and/or locally available materials.

There were initially concerns over the ability of LGUs to make cash counterpart contributions as few of the sub-projects started in 2002 and 2003 had been included in the LGU annual investment plans. This was overcome through board resolutions realigning funds from elsewhere in the economic development fund and there were no cases of sub-projects being cancelled because the LGU was unable to provide the agreed counterpart. There were however many cases when the start of an infrastructure project was delayed or works suspended because the LGU was temporarily short of money. This was common at the beginning of each year while the LGUs were waiting for the national government to release the Internal Revenue Allotment (IRA) and became acute during the campaign period and immediately after the elections in May 2004 and May 2007.

PO and beneficiary counterpart on the APED projects was mostly in-kind in the form of labour and locally available materials for the tree guards, livestock housing, machinery sheds, etc. Most agricultural inputs were exempt from VAT, but cash counterpart was required to pay the taxes on machinery, equipment, fungicides, insecticides and veterinary supplies.

3.8 Quality and sustainability issues

This section of the report documents the actions taken to address cross cutting issues that were considered likely to affect the implementation of sub-projects or influence the continuity of benefits after STARCM ended.

3.8.1 Participation and ownership by beneficiaries

It is now widely accepted that the most effective way to instil a sense of ownership is to encourage the full participation of intended beneficiaries during all stages of the development process. The participatory approaches pioneered on EU and other foreign funded projects in the late 1980's and early 1990's may have been overly complex and process orientated but they successfully overcame the difficulties more conventional 'target-driven' and 'top-down' projects had encountered in fostering a sense of beneficiary ownership.

STARCM built on the experience of earlier projects implemented by the DAR and the EC to ensure that the primary stakeholders (farming households in the ARCs) were involved during the identification and selection of sub-projects to be implemented in each ARC. Participation was built into all phases of the sub-project cycle beginning with ARC level planning meetings to identify and prioritise interventions. This was followed by involving the participants in the design, implementation, monitoring and evaluation of sub-projects.

Although the EU funds were a grant, some form of counterpart was required for all infrastructure and APED sub-projects. This was commonly in the form of labour, locally available materials or LGU owned machinery and was intended to demonstrate a commitment to implementation of the sub-project and develop the feeling of ownership. Whether or not counterpart contributions have much effect on the infamous "dole-out" mentality is open to question, but some form of equity, in cash or kind, was a requirement for all infrastructure and income generating sub-projects assisted by STARCM.

While acknowledging the need for compliance with conditions in the FA, the payment of VAT as part of the LGU/PO cash counterpart may have reduced the sense of community ownership on projects such as potable water systems. This was because the community originally provided labour as part of the counterpart but this was changed so that at least a portion of what was previously "free" labour provided by the community was paid from EC funds while an equivalent amount was paid by the city/municipal/barangay LGU as cash counterpart for the VAT on materials.

3.8.2 Policy support

STARCM was one of a number of Foreign Assisted Projects (FAPs) that were an integral part of the regular DAR program of ARC support services. There were no special policy requirements for the implementation of STARCM beyond those already incorporated in departmental guidelines for the implementation and management of foreign assisted projects as presented in Memorandum Circular Nos. 2 and 21 of 1997, and Memorandum Circular No. 4 of 1998. DAR Special Order No. 607 of 2006 was issued at the request of the Director of DAR Region XII and the PAROs of Cotabato and Sultan Kudarat to formalise appointments to the regional and provincial field teams supporting the implementation of STARCM. A regional Special Order No.121-06, S.2006 was issued defining the functions of DAR Field Teams pursuant to Special Order 607 of 2006 to synchronise the activities and promote better coordination in the implementation, monitoring and evaluation of sub-projects in Region XII.

One aspect of the Department's approach that had to be revised was the "one ARC-one FAP" policy that was intended to spread the benefits of FAPs across as many ARCs as possible. This would have restricted the number of ARCs that could be covered as there were five other FAPs operating in Central Mindanao when STARCM started. The issue was raised at the first Project Steering Committee meeting and it was agreed that STARCM could work in ARCs covered by other FAPs providing that there was no duplication of the types of sub-project implemented. The policy was further relaxed in 2003 to allow STARCM to implement sub-projects in ARCs that had received similar assistance from other FAPs providing that there was no overlap in beneficiary households. The proviso was that STARCM would not fund the rehabilitation of infrastructure that had been constructed or rehabilitated by other FAPs.

3.8.3 Appropriate technology

Technologies promoted as part of the sub-projects were screened to ensure that they would be applicable to circumstances in the ARCs. Priority was given to the replication of techniques and technologies that had already been successfully adopted in Central Mindanao, or at least elsewhere in Mindanao, rather than any experimentation with new or exotic ideas.

In the case of agricultural diversification, the focus was on crops and production techniques that had already proven to be technically and financially viable under circumstances similar to those in the ARCs where they were

being promoted. Demonstration plots and cross visits were used to introduce alternative crops or production methods and ensure that farmers were familiar with the technology before accepting the risks of adoption on their own farms. A good example of this was the vegetable production projects implemented in collaboration with the East West Seed Corporation where demonstration plots were used to show the benefits of hybrid seed, selective pesticides and plastic sheet mulch.

Where there were failures owing to technical problems they were commonly due to inadequate training or supervision rather than any inappropriateness of the technology employed. Persistent technical problems reducing income or affecting the sustainability of benefits were addressed by conducting refresher training for sub-project participants, members of the beneficiary monitoring teams and LGU technicians.

A technical problem that affected the outcome of a number of mechanisation and post harvest processing projects was the fabrication and installation of equipment by local suppliers. The suppliers that won the bidding were, in some cases, offering machinery that was a copy of that fabricated by other suppliers that had established a reputation for manufacturing quality equipment and were more expensive. The equipment had the same general specifications but was of inferior quality and there were a number of ARCs where services had to be suspended pending the repair or replacement of defective machinery. Greater attention was paid to the formulation of technical specifications in later years to include the quality of manufacturing and durability of materials.

Design guidelines for infrastructure sub-projects were derived from the standard designs of national agencies such as DPWH and NIA and were generally appropriate to conditions in the Project area. The MTR mission however felt that there was scope for refining the designs to improve the longevity of benefits from infrastructure facilities. Examples cited were: the use of concrete pavements on steep road gradients; proper siting of sanitation facilities in relation to sources of drinking water; improvement of drainage systems around vertical structures; and, the construction of more effective erosion prevention structures along barangay roads to reduce recurring maintenance requirements. Greater attention was paid to these factors during the design of subsequent projects but works such as the concreting of steep portions of roads and concrete lined drainage canals were provided for in the infrastructure operations manual but commonly left out by the LGU engineers because it would have resulted in investment costs greater than the maximum allowed per kilometre of road improved or per household served.

3.8.4 Socio-cultural issues

The ARCs covered by STARCM are populated by the Bangsamoro and other indigenous peoples, migrants from the Visayas and Luzon, and various other ethnic and social sub-groupings. Given such a mosaic of interested parties, adherence to a transparent process for the identification and prioritisation of sub-projects was crucial in establishing good relations with the various cultural and political groupings in the project area.

With the very obvious exception of swine raising and to some extent microfinance, the types of intervention supported by the project were applicable to all those residing in ARCs regardless of their ethnic group, religious beliefs or political persuasion. There were however significant differences between the rate of implementing and completing sub-projects in Lanao del Sur and Lanao del Norte when compared to Cotabato or Sultan Kudarat. This was attributed to socio-cultural factors particularly as they affect the motivation and performance of LGU and DAR / DAR-ARMM staff and the use of participatory approaches in M'ranao communities.

A study undertaken by the Community Planning Specialist in early 2005 highlighted cultural factors affecting the use of participatory approaches in M'ranao communities. It was noted that decision-making and action-taking is decidedly more complicated in M'ranao communities due to the interwoven nature of three authority structures: legal (the system of local government units established according to the Constitution and laws of the Philippine Republic), traditional (the multiple sultanates and numerous *datus* deriving power and influence from M'ranao customary laws and rules of conduct), and Islamic (religious authority based on the Qur'an). These authority structures plus other features of M'ranao culture such as the *mashwara* for holding consultations and consensus-building activities, "backdoor" negotiation and pre-agreements, along with M'ranao values such as the *maratabat*, collective responsibility within the kinship group, avoidance of embarrassing and insulting situations, and *kapamagawidâ*, all have an important bearing on the implementation of development activities in Lanao.

As STARCM was already well past the half-way mark when the study was completed, it was impractical to institute any major revisions to the Project's operational procedures. Instead, follow-on workshops were arranged to make the STARCM and NGO personnel working in M'ranao ARCs aware of the situation and encourage them to implement *ad hoc* adjustments and make interventions more socially appropriate and culturally sensitive. Other socio-cultural issues hampering activities in the Lanao provinces more than elsewhere were political rivalry, corrupt government officials and family feuds (*Rido*).

Given the continuing importance of external assistance for rural development in Central and Western Mindanao, the failure of STARCM to any develop robust models for working in municipalities characterised by weak or non-functional LGUs and beset by corruption could be consider as a lack of accomplishment.

3.8.5 Gender equality

The project endeavoured to ensure that men and women were able to participate in and enjoy the benefits from project interventions on an equal basis. This began with the ARC planning workshops that were facilitated so that both men and women were able to present their views and development agenda (as far as permitted by cultural norms). Depending on the enterprise and the socio-cultural context, women were either assisted to form their own groups for the implementation of sub-projects, or encouraged to play a more active role in existing organisations. Vegetable production sub-projects and micro-finance groups supported by the MFIs were dominated by women (to the extent that some might say that the men were discriminated against).

The project engaged the services of two gender specialists to review the participation and role of women in STARCM activities in late 2004 and early 2005. Findings from the studies, one covering Bangsamoro ARCs in Lanao del Sur and one predominantly Christian ARCs in Cotabato and Sultan Kudarat, found that the Project's guidelines and procedures for planning and consultation meetings were generally effective in stimulating the participation of women. However, in the absence of any formal gender analysis and with only limited use being made of gender-differentiated data, the prioritisation of sub-projects tended to reflect male aspirations and concerns rather than those of women. There were also cultural factors in Bangsamoro communities such as women being unaccustomed to attending community meetings and a perception that only men were supposed to benefit from projects such as STARCM. The lack of gender sensitive planning meant that women often tended to be indirect rather than direct beneficiaries of STARCM interventions and investments.

Whilst the two studies identified weaknesses in the differentiation of male and female aspirations and the prioritisation of interventions, neither study reported any cases where sub-projects had failed or the benefits been reduced by any lack of appreciation for or attention to gender issues.

3.8.6 Environmental impact

STARCM did not fund any stand-alone environmental protection projects. Environmental considerations were however built into the design and implementation arrangements for infrastructure and APED sub-projects where necessary. APED sub-projects for example promoted the use of farming practices that were environmentally friendly and sustainable in the long term. Training on the use of bio-fertilisers and selective pesticides helped farmers to make better informed decisions about the use of agro-chemicals. Organic fertilizers were used on all the fruit, rubber and coconut projects and soil conservation practices were encouraged on upland areas. The conversion of close to 6,000 hectares of agricultural and barren land to perennial cropping is expected to have very positive environmental benefits.

There were however some potentially negative environmental consequences of APED sub-projects resulting from a lack of attention to the disposal of swine waste, contour planting of vegetables on sloping land, and the disposal of waste oil on cultivation machinery and other mechanisation projects. As it became aware of these problems the project urged the LGU technicians and CDFs to raise the issues at meetings of the beneficiary monitoring teams.

Interventions of the rural infrastructure component were small-scale in nature and, apart from the initial disturbance caused by construction activities, the environmental impact was minimal. The development of new irrigation systems and the improvement of barangay roads resulted in the more intensive cultivation of some agricultural land, but most of the land was already being used for rainfed agriculture. There was some concern that continued logging in watershed areas could affect the long-term sustainability of potable water supply and irrigation projects. The MTR mission suggested that a more explicit guideline against deleterious resource extraction should be reflected in the sub-project MoAs, however, the powers and responsibilities of LGUs for environmental protection are well covered by RA 7160 (otherwise known as the Local Government Code) and were considered unlikely to have been strengthened or any better enforced through guidelines in the MoAs for STARCM-assisted sub-projects.

4 LESSONS LEARNED

Some of the lessons learned from STARCM have been documented as a reference for the EC Delegation (should area-based rural development projects come back on the agenda for development cooperation in the Philippines) and for the DAR (should CARP be extended and/or new foreign assisted projects be approved). The lessons were drawn from discussions with project staff and implementing partners, training and workshop completion reports, sub-project evaluation reports and the final reports of NGOs providing institutional strengthening services. Not all of the lessons have been reported here as many were only applicable to particular types of sub-projects or specific ARCs. The following are those considered to be more generally applicable to the design and implementation of future projects like STARCM.

4.1.1 Project design

Experience has shown that a prescriptive "blueprint" approach to project design is rarely appropriate on community-based development projects covering a large geographic area and operating under diverse socio-cultural conditions. STARCM was fortunate in that the Technical and Administrative Provisions (TAPs) of the Financing Agreement did not go into too much detail of the operational components which allowed the project to

adapt strategies and revise activities in response to changing circumstances. This and other lessons applicable to the design of future projects are listed below.

- L.1) The less detail the Financing Agreement gives on component activities, the more flexible a project can be on how it achieves the objectives.
- L.2) Flexibility in the choice of strategies and activities needs to be matched with a budget that does not tie funds to a particular type of intervention or investment. (The allocation of 48% of the total EC budget to a single cost category of Works and Equipment was a good example of flexible budgeting).
- L.3) Adopting a process approach with iterative planning makes it easier to respond to changing circumstances and make adjustments to the project design during the course of implementation.
- L.4) The involvement of implementing partners in formulating a logical framework matrix at the beginning of the project helps build commitment and ownership of project goals.
- L.5) Formulating the LogFrame with a single purpose and only one result per component keeps activities focussed and reduces the likelihood of the project being diverted from achievement of its core objective.
- L.6) The introduction of credit alongside grant-funded livelihood projects in the same place and at the same time is at best confusing to the target group and at worst disastrous for repayments on the credit scheme.
- L.7) The use of ARCs confirmed by the National ARC Task Force provides a clear geographic focus for development activities and makes it easier to explain to LGUs which barangays can and can not be covered by the project.
- L.8) Having all farming households as the target group rather than only agrarian reform beneficiaries makes it easier to gain the full support of barangay officials and people's organisations during the course of implementation.

4.1.2 Preparation and implementation of sub-projects

The participative approaches used to involve ARC residents in the identification and prioritisation of sub-projects were time-consuming but successfully developed the all important sense of ownership needed to help build commitment during the pre-implementation phase. The importance of ownership and commitment can not be overstated but there were also a number of other arrangements which were found to reduce problems and difficulties during the implementation phase.

- L.9) Preparing comprehensive operations manuals and training implementing partners at the beginning of the project helps ensure that the limits and conditions of project support are clearly and consistently presented to prospective beneficiaries.
- L.10) Participative approaches for the identification and design of sub-projects can be implemented by LGU technicians providing that they receive appropriate training and, most importantly, that they have the full support of the municipal mayor and other officials.
- L.11) In addition to facilitating the preparation of proposals, sub-project planning and organisation meetings involving all the participants are a good way of levelling off on expectations and instilling a sense of ownership.
- L.12) Close coordination and collaboration with members of the barangay council reduces delays and facilitates smooth implementation of the sub-project. However, it can be difficult to avoid the political influence of barangay officials when it comes to matters such as the screening and selection of beneficiaries or hiring labourers.
- L.13) Alternative strategies such as soliciting assistance from the *Jamah* or tapping traditional leaders as advocates for the project's interventions can improve cultural acceptance and facilitate the implementation of sub-projects in M'ranao communities.
- L.14) Constraints or bottlenecks involving the allocation of LGU funds, deployment of personnel or provision of equipment are more quickly overcome when the mayor personally attends the municipal / city implementing team meetings.
- L.15) Although many field workers find the temptation hard to resist, there is no benefit from providing the sub-project participants with more seedlings, livestock or poultry than they can easily maintain without a significant increase in their workload or expenditure on feeds and fertilizers.
- L.16) Organising groups of sub-project participants for the inspection of livestock, machinery, fruit tree seedlings and other supplies helps ensure that quality standards are met and avoids disappointment and disputes over the inputs provided. (It is also another means of increasing ownership).
- L.17) Organising and training Beneficiary Monitoring Teams and Barangay Monitoring Groups is a successful strategy for facilitating the timely resolution of problems and developing community ownership of sub-projects.
- L.18) The supervision and monitoring of agricultural and enterprise sub-projects is much easier if each project is confined to one barangay rather than involving beneficiaries from two or more barangays.

- L.19) Sub-projects employing tried and tested technology which has been proven under local conditions are more likely to succeed than those involving the promotion of new or exotic ideas.
- L.20) Good planning and business skills are prerequisites for successful enterprise development and the identification of entrepreneurs or a viable cooperative to manage the project is as important as selecting the right enterprise.
- L.21) The proposals for complex rural enterprises will be more realistic if prepared with the assistance of experts who are successful businessmen rather than academics or government officials.
- L.22) The extra time spent producing good engineering designs is more than recovered through a reduction in the time spent correcting problems and revising the program of works during implementation.
- L.23) Project assistance through LGUs with poorly motivated and/or inexperienced staff is likely to produce unsatisfactory results. Failure to admit and address institutional weaknesses of the implementing partners exasperates the problem and perpetuates poor performance.
- L.24) The timely implementation of infrastructure projects, particularly road improvements, is dependent on an honest analysis of the LGU's absorptive capacity in terms of equipment, the availability of counterpart funds and, most importantly, the commitment and experience of the engineers and accountants.
- L.25) The capacity of municipal LGUs to implement, and the capacity of barangay LGUs to supervise and monitor sub-projects are crucial determinants of the number of sub-projects that can be implemented each year and neither should be overestimated in an attempt to meet physical targets.

One other lesson that should be documented concerns the rehabilitation of barangay feeder roads. Having faced more delays and difficulties on the road improvements than any other type of project, it would have been preferable to have relaxed the policy of implementing all road improvement projects by administration to allow greater use of contractors in the 3rd, 4th and 5th class municipalities which do not have a full set of reliable equipment.

4.1.3 Institutional and organisational strengthening

Three general lessons gleaned from the NGOs' completion reports were that (i) strong leadership is crucial for the success of sub-projects managed by cooperatives and other POs; (ii) capacitating the leaders and assistance with the formulation of appropriate policies are essential elements for strengthening such organisations; and, (iii) it is all but impossible to develop strong, self-reliant organisations within the short time-span of a single sub-project. Other more specific lessons from working with POs and BLGUs in the ARCs are listed below.

- L.26) The capability and weaknesses of the proponent organisation along with its financial status must be thoroughly and honestly assessed when a sub-project is proposed. Succumbing to the temptation to gloss over organisational problems or overstate cohesiveness and functionality will only lead to problems during implementation and when it comes to sustaining the benefits.
- L.27) The early formation and training of a PO to manage communal infrastructure such as water systems or irrigation schemes results in greater participation and a stronger sense of ownership and willingness to accept responsibility for maintaining the completed facilities.
- L.28) Capability-building through training is more effective when designed to address specific problems faced by an organisation rather than when undertaken according to some pre-conceived plan of what training a typical organisation will require.
- L.29) Frequent review and refinement of an organisation's policies and procedures helps the officers to identify weaknesses and the members to understand their responsibilities.
- L.30) Regular hands-on coaching and on-site mentoring are as important as formal training workshops for developing the skills and capability of PO officers.
- L.31) Accurate record keeping and regular financial reporting helps build the members' trust and confidence in an organisation.
- L.32) Training for skills such as bookkeeping and financial reporting should include as many PO staff/members as possible to mitigate the effects of resignations and officers moving to other barangays.
- L.33) Training on bookkeeping and financial reporting needs to be followed up by coaching over a period of at least a year for the cooperatives managing machinery and enterprise projects and for the BAWASAs and IAs managing infrastructure facilities.
- L.34) Hosting cross-visits for participants from other ARCs inspires and boosts the moral of the PO to improve operations.
- L.35) Community Development Facilitators with a technical background are better able to help formulate appropriate policies for infrastructure and agricultural projects than those with a degree in social sciences.
- L.36) Community Development Facilitators that stay in the ARC, rather than commuting each day, build up a much better rapport and gain greater acceptance in the community.

- L.37) The officers of people's organisations can become dependent on the CDF assisting them if s/he is constantly pressured to meet targets and deadlines which are dependent on accomplishments of the organisation.
- L.38) Barangay level training or workshops that last for more than two days are ineffective and often poorly attended. Two consecutive days is as long as most farmers can afford to be away from their regular activities.
- L.39) The prospect of accessing further funding is a strong motivation for interest groups to obtain a legal personality by registering with SEC, DOLE or the CDA but meeting the requirements for registration does not make the groups any more functional or capable of managing development projects.
- L.40) Cooperatives perform poorly when formed to meet the requirements for external assistance rather than from any genuine desire of the members to cooperate.
- L.41) Organisational strengthening is a long-term process which means that training and support need to be continued for some after the sub-project has been completed for the benefits to be sustained.

4.1.4 Financing arrangements

Although the project suffered from a shortage of EC funds in 2005 and did not receive the full amount of GoP-DAR counterpart in 2006 or 2007, the more important lessons on financing arrangements concerned the sub-project funding procedures and counterpart contributions from LGUs and POs.

- L.42) Giving LGUs and POs the responsibility for managing sub-project funds and procuring inputs is a successful strategy for empowerment and developing ownership. Added benefits are that it reduces the project's administrative burden and avoids disputes with implementing partners over the quality and quantity of materials purchased.
- L.43) LGUs found the process of managing funds in a local bank account and using regular government procurement procedures simpler and the facility for budget revision more responsive than the financing arrangements they had experienced with other foreign assisted projects.
- L.44) However, the time taken to open a sub-project account, deposit the LGU counterpart and conduct bidding in accordance with RA 9184 meant there was commonly a lag of 4-6 months between the sub-project being approved and the first delivery of materials.
- L.45) Even experienced LGU accountants and bookkeepers require continual training to keep abreast of changes in government procurement procedures and the computation of withholding taxes and VAT.
- L.46) The sourcing of LGU counterpart funds is easier if the ARC Development Plan is ratified through a barangay-level general assembly and then submitted to the municipal LGU so that the counterpart requirements can be incorporated in the municipality's annual investment plan.
- L.47) Strict adherence to the implementing guidelines of RA 9184 does not prevent collusion between suppliers prior to the submission of bids. The most effective way to obtain fair and reasonable bids is to ensure that unit costs in the program of works are not inflated.
- L.48) NGOs and POs are less bureaucratic than LGUs and their procurement procedures are more flexible and therefore better suited to the procurement of livestock and other items that have variable unit prices (e.g. price depending on age, size, condition or weight).
- L.49) Some POs found it difficult to raise the cash counterpart to pay VAT on cultivation machinery or rice mills but this in itself forged commitment and developed a stronger sense of ownership than on projects where the counterpart was in-kind.
- L.50) Entrusting the management of sub-project funds to institutionally weak LGUs is risky and financial procedures and safeguards need to be stricter in provinces such as Lanao del Sur where there is comparatively less accountability for the use of public funds.
- L.51) Providing the barangay council, proponent organisation and intended beneficiaries with copies of the approved proposal and budget makes people aware of what funds have been allocated for development projects but such transparency does not necessarily make LGU officials any more accountable or eradicate the diversion of funds.

The last two lessons relate to the situation in some municipalities of Lanao del Norte and Lanao del Sur where there were long delays in the completion of sub-projects and the advances had still not been fully liquidated by the end of July 2008 (see Annex O). Another lesson from this was that while the memoranda of agreement between the Project and the LGUs were legally binding documents, it is easier to take legal action against a private contractor than an LGU. Particularly if the mayor who signed the MoA is no longer in office and the accountant has resigned or been replaced. This combined with delays on sub-projects for the rehabilitation of barangay roads by LGU administration supports the recommendation for road rehabilitation projects in 4th, 5th and 6th class municipalities to be undertaken by private contractors (particularly in the Lanao provinces).

4.1.5 Sustainability

Second only to the importance of generating a high level of community ownership was the observation that the greater the benefits gained from a sub-project (financial or otherwise), the more likely they were to be sustained. Thus women were more likely to continue growing vegetables where they had access to technical advice on pests and diseases and a ready market for their produce than in more remote ARCs where technical assistance was limited and access to markets more difficult. Water systems constructed in communities that were previously reliant on creeks and streams and where there was a high incidence of water borne diseases were more likely to be well maintained than those where many households already had jetmatic pumps and outbreaks of disease were sporadic. It is therefore important that risks to the sustainability of benefits are identified and addressed during the planning and design stages of the sub-project. Other lessons on sustainability were drawn from the experience on sub-projects that were continuing to provide benefits some years after formal completion and turnover.

- L.52) The documentation of policies and procedures coupled with the formulation of a sustainability plan are pre-requisites for sustaining the benefits from PO managed sub-projects.
- L.53) The policies and performance of POs managing completed sub-projects need to be continually reviewed and they will need continued support and assistance after completion of the sub-project.
- L.54) Fee rates and charges for services must be based on realistic estimates of the operating costs and need to include provision for the replacement of worn-out equipment and facilities (depreciation).
- L.55) The users of potable water systems and other infrastructure understand the need for realistic fee rates and will pay their dues if the services are reliable and meet their expectations.
- L.56) The publication of regular financial reports gives members confidence and encourages them to continue paying their dues and/or patronising the services of an organisation.
- L.57) A strong and active barangay council can motivate POs to remain functional after project support has ended and assist them with the enforcement of policies and resolution of conflicts.
- L.58) The barangay council can play an important role in enforcing policies on the payment of water fees but overall responsibility for operation and maintenance should lie with an independent BAWASA. On no account should fees collected for maintenance of the water system be mixed with the BLGU funds.
- L.59) Training community livestock para-technicians for each barangay is a practical and effective way of augmenting the services of LGU technicians and veterinarians in continuing support to livestock raisers.
- L.60) Training farmers to record the income and expenses from livelihood activities increases their appreciation of the financial benefits and encourages them to continue (providing it is profitable!).

With the sustainability of benefits being perhaps the most important criteria for success of a project like STARCM, the importance of identifying risks and discussing the arrangements for sustaining benefits when sub-projects are being designed and proposed can not be overemphasised. However, it is also important that the benefits are monitored and that arrangements are made to continue technical and organisational support after the sub-projects have been formally completed and turned-over.