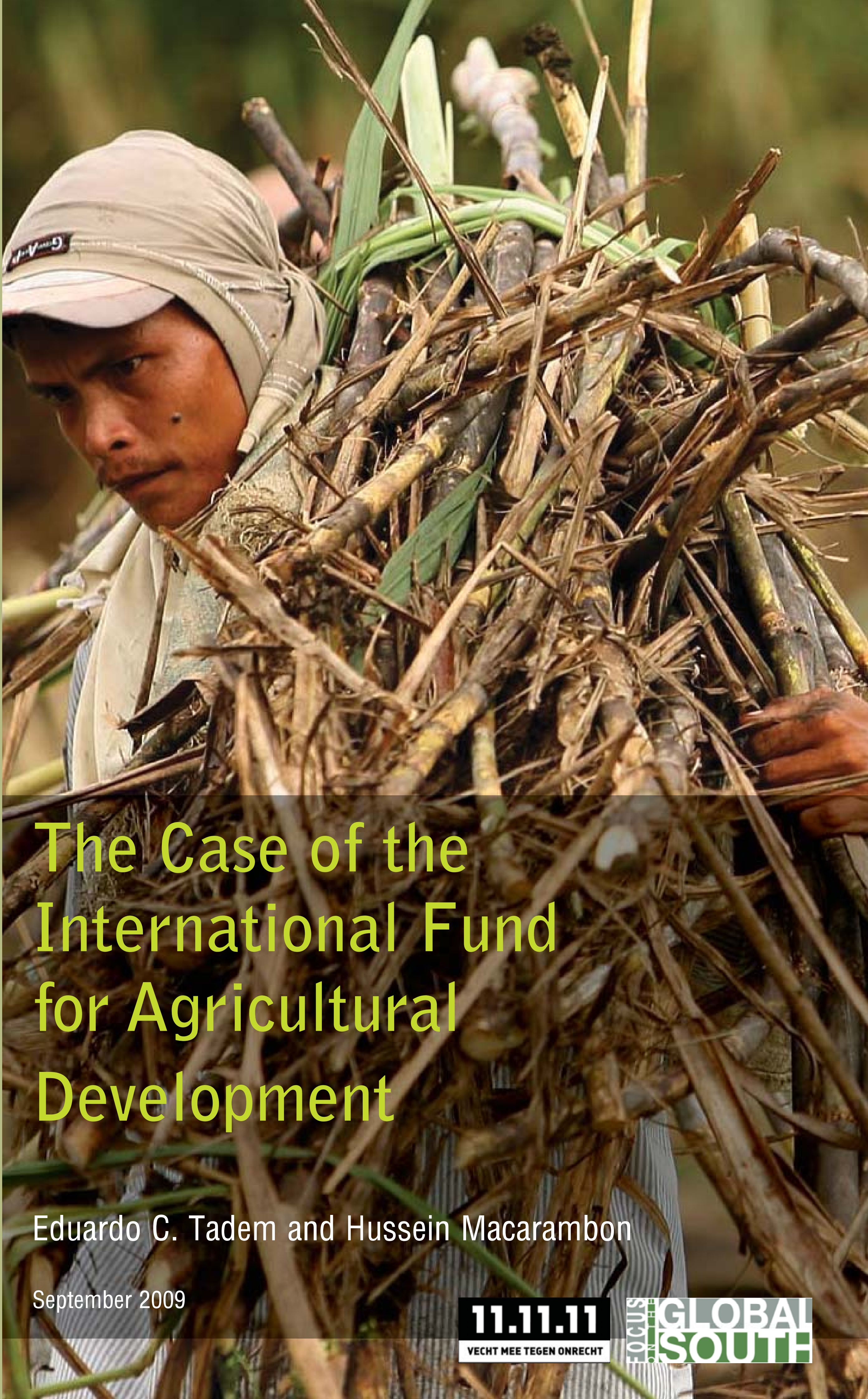
Overseas Aid and Agrarian Reform



The Case of the International Fund for Agricultural Development

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Official Development Assistance and Rural Development: The Case of the International Fund for Agricultural Development

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The International Fund for Agricultural Development (IFAD) is one of the few international financial institutions (IFIs) that direct official development assistance (ODA) to rural development, small farm agricultural production, and empowering poor rural communities. As such it stands in contrast with the more high-profile IFIs like the World Bank and the Asian Development Bank. Despite this laudable non-mainstream approach, IFAD, however, has not been performing well, as gauged from assessments (both external and internal) of its programs and projects. Evaluations of its track record reveal inadequacies and weaknesses in development impact, sustainability and innovation, governance and organizational structure, project and program performance, resource allocation, policy influence, monitoring and evaluation, and partnership arrangements. This paper is divided into three parts. The first is a general discussion of IFAD as an institution, its beginnings, rationale, current strategic framework, and evaluations of its performance since its founding in 1977. The second part is a case study of an IFAD project in the Philippines, the Western Mindanao Community Initiatives Project (WMCIP), a rural development project with capacity building of communities, local governments and other stakeholders for project planning, implementation, and management through participatory processes. The third part forms the general conclusions of the report.

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Part One: The International Fund for Agricultural Development: Different Approaches, Typical Problems

IFAD Beginnings

IFAD is an international financial institution created in 1977 as a specialized agency of the United Nations. Its establishment was one of the major outcomes of the 1974 World Food Conference. The latter was convened by the United Nations General Assembly in response to the rise in global rural poverty due to widespread droughts and famine, particularly in the Sahel region of Africa, in the early 1970s (IFAD website).

According to Hopkins (1992,180-181), IFAD was the "the final organizational creation of the development wave in "international regime building" that spanned four decades from the 1940s to the early 1980s. The "Liberal Wave" (1944–1960), which resulted in the creation of the UN Food and Agricultural Organization (FAO) in 1945 "aimed at harmonization of commercial interests and the coordination of information standards and research." The "Development Wave" (1960–1973) "sought to accelerate the expansion of economic modernization, especially in non-industrial, poorer states." It reflected "the broad effort to strengthen the economic development of "new" states through greater economic resource transfers." This led to the creation of the UN Development Program (UNDP) in the 1960s, the World Food Program in 1963, and IFAD in 1977. In the third stage, the "Structural Conflict Wave" (1973–1981), "coalitions of southern or G77 states sought to control issues, agendas, and budgets in international governmental organizations (IGOs) in order to exercise power and extract resources from industrialized states."

The 1974 conference, held in Rome from 5 to 16 November 1974 and with 135 countries in attendance, was "entrusted with developing ways and means whereby the international community, as a whole, could take specific action to resolve the world food problem within the broader context of development and international economic cooperation (United Nations 1975). Participating governments "examined the global problem of food production and consumption, and solemnly proclaimed that "every man, woman and child has the inalienable right to be free from hunger and malnutrition in order to develop their physical and mental faculties".

The highlight of the UN conference was the proactive stance taken by delegates from developing countries who took the initiative in demanding for the establishment of an international fund for agricultural development to finance food production projects in Third World countries (Hall 2006). These delegates "contended that the causes of food insecurity and famine in the Third World were not so much failures in food production in as much as they were structural problems relating to poverty ..."

The developing countries' demand was embodied in Resolution 13 of the conference's main document which contained these provisions:

> (i) "the need for a substantial increase in investment in agriculture for increasing food and agricultural production in the developing countries;
>
> (ii) "that provision of an adequate supply and proper utilization of food are the common responsibility of all members of the international community; and
>
> (iii) "that the prospects of the world food situation call for urgent and coordinated measures by all countries; and which resolved: that an International Fund for Agricultural Development should be established immediately to finance agricultural development projects primarily for food production in the developing countries."

In his remarks closing the meeting, the Conference Secretary General called the decision to set up an International Fund for Agricultural Development "a notable achievement" of the meeting. He further noted that

> *The implementation of many of the specific programs and policies recommended by the Conference to increase food production would require a substantial increase in the flow of resources for agricultural development. Although it was only a start and the full potential of such a fund had yet to be developed, the cooperation of many countries with potential resources, particularly the response of the oil-producing countries, had been most encouraging*

It took two years of negotiations, however, before an agreement was reached on meeting the prospective target pledge of $1 billion for three-years' activity (Hopkins 1991). [2] Consequent to this, a UN conference was held on 13 June 1976 in Rome to formalize the setting up of IFAD. The "Agreement to Establish IFAD" was opened for signature on 20 December 1976 and has undergone amendments in March 1987 and February 1997.

The Agreement to Establish IFAD

The Agreement stated the objective of mobilizing "resources to be made available on concessional terms for agricultural development in developing Member States" and to "provide financing primarily for projects and programs specifically designed to introduce, expand or improve food production systems and to strengthen related policies and institutions within the framework of national priorities and strategies" while taking into consideration the following guidelines:

> *the need to increase food production in the poorest food deficit countries; the potential for increasing food production in other developing countries; and the importance of improving the nutritional level of the poorest populations in developing countries and the conditions of their lives.*

Membership is divided into three categories: Category I is composed of the OECD developed member states (originally, 20); Category II comprises the OPEC member countries (originally, 13), and lumped in Category III are the developing countries (original number: 59). IFAD's total membership to date is 164 countries.

As organized, it relies on partnerships with the Organization for Economic Cooperation and Development (OECD), the Organization of Petroleum Exporting Countries (OPEC), and developing countries. Its governing structure is composed of a Governing Council (GC), and Executive Board (EB) and a President. The GC is composed of representatives of all IFAD member states and has ultimate power over the fund but may delegate any of its powers to the Executive Board. The EB is composed of 18 members distributed as follows: 8 from Category I countries, 4 from Category II countries and 6 from Category III countries. Each EB member may cast the votes of all the member countries that it represents. The President, currently, Lennart Båge, is the Fund's chief executive officer and chairs the EB; he serves a four-year term that may be renewed once.

Voting in the General Council is based on a complicated two-tiered system divided into "original votes" and "replenishment votes." The first refers to the original distribution of votes upon the establishment of IFAD and is further divided into "membership votes" which is distributed evenly among members and "contribution votes" which is based on the paid contributions of each member to the IFAD fund. "Replenishment votes," on the other hand, refer to membership votes and contribution votes upon each occasion that additional contributions are called for by the GC. This has been fixed at 100 votes for each USD158 million of contributions.

2 1981, a replenishment campaign "yielded pledges for $1.1 billion and actual contributions of $900 million in cash and notes."

IFAD financing is to be provided only to developing countries that are Fund members or to intergovernmental organizations participated in by members. Approved projects are to be guided by the principles of "economy, efficiency, and social equity" and prioritizes "(1) the need to increase food production and to improve the nutritional level of the poorest populations in the poorest food deficit countries; (2) the potential for increasing food production in other developing countries; and (3) improving the nutritional level of the poorest populations in these countries and the conditions of their lives." Projects eligible for assistance "shall be on the basis of objective economic and social criteria with special emphasis on the needs of the low- income countries and their potential for increasing food production, as well as due regard to a fair geographic distribution in the use of such resources."

IFAD's Unique Status

IFAD's strategic thrust is the eradication of rural poverty in developing countries through the provision of official development assistance (ODA) in the form of loans and grants. It acknowledges that, at the time of its founding, "seventy-five per cent of the world's poor live in rural areas in developing countries, … (while) only four percent of official development assistance goes to agriculture." Its purpose is to channel investments to small farmers in developing countries using funds provided mainly by OPEC and OECD states on a roughly 40% to 60% basis (Hopkins 1992,181). IFAD projects itself as a development fund, thus its loans are highly concessional with "lending terms and conditions varying according to the borrower's per capita GNI." Despite this, it nevertheless operates like a bank, imposing a limit on grants which are not to exceed 10 percent of the combined loan-grant program.[3]

In one sense, IFAD's special status makes up for inadequacies in the resource generation and collaborative capacities of the World Bank and the UNDP in that it is able to "secure large pledges from wealthy Third World OPEC (Category III) countries" (Hopkins 1992). As originally conceived, IFAD's new approach in North-South collaboration departs from World Bank and UNDP processes. It has "a unique voting system with 20 OECD states, 12 OPEC states and 109 developing countries each having one-third of the votes," thus giving "formal power to the main contributors while allowing recipient non-oil-producing Third World states a clear voice." Nevertheless, final control over funding allotments rests with the two major donor groups, OPEC and OECD.

IFAD reports that, since 1978, it "has invested more than US$10 billion in low-interest loans and grants that have helped over 300 million very poor rural women and men increase their incomes and provide for their families." At present, IFAD "supports more than 200 programs and projects in 81 developing countries and one territory." Many programs are in remote areas where the poorest and most marginalized rural populations live.[4]

Based on its Strategic Framework 2007–2010 (see below), IFAD is projecting that, between 2007 and 2010, it will invest more than US$2 billion more and "with co-financing, this investment will inject about US$4 billion into agriculture and rural development to reduce poverty sustainably."

In order to address the issue of ownership of programs, IFAD relies on partnerships with a range of players— recipient-governments, local organizations of the rural poor, non-governmental organizations, and other donors. It aims to bridge "the gap between multilateral and bilateral donors on the one side, and civil society represented by NGOs and community-based organizations (CBOs) on the other."

IFAD's rural development projects target a variety of rural people— "small farmers, artisanal fishermen, rural poor women, landless workers, rural artisans, nomadic herdsmen and indigenous populations" with the end of "increasing their food production, raising their incomes, improving their health, nutrition, education standards and general well-being on a sustainable basis."

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3 In the original 1976 Agreement, the grant component was set at a slightly higher level of one-eighth (12.5 percent) of total resources committed in any fiscal year.

4 IFAD reports that "at the end of 2006, (it was) financing 185 ongoing programs and projects worth a total investment cost of US$6.1 billion." Of this amount, "IFAD has provided just under US$3 billion and its partners about US$3.1 billion."

IFAD has broadened its concerns from agriculture and food production to include rural development projects such as "rural finance, rural enterprise (off-farm micro and small enterprises) as well as inclusion of marginalized groups such as women and indigenous peoples" (Danica n.d.). In terms of specific program activities, nine major areas are supported:

1. agricultural development,
2. financial services,
3. rural infrastructure,
4. livestock,
5. fisheries,
6. capacity-and institution-building,
7. storage/food-processing/marketing,
8. research/extension/training, and,
9. small- and medium-scale enterprise development.

IFAD's Strategic Framework, 2007–2010

IFAD issued its Strategic Framework for 2007–2010 within the context of the UN Millennium Development Goals (MDGs). It describes IFAD's goal and objectives, key result areas, guiding principles, and the mechanisms it uses "to enable poor rural people to overcome poverty." Key elements of the Strategic Framework follows:

The fight against rural poverty. IFAD works with "poor rural women and men and their organizations, … and developing country governments," in programs designed by the latter and fitted "within national systems and which "respond to the needs, priorities and constraints identified by poor people in rural areas." IFAD also works to "strengthen the agricultural and rural development policies and investments of (its) partner governments and the international development community."

Building economic opportunities in rural areas. While focusing on "the poorest and most marginalized rural people: small farmers, landless people, nomadic pastoralists, artisanal fishers and indigenous peoples," IFAD strives to help "them increase their food production, raise their incomes and productivity, and improve their quality of life, while sustainably managing their natural resources."

Advocacy work for poor rural people. Aside from financing rural initiatives, IFAD "provides a global platform for discussing rural policy issues and increasing awareness of the importance of agriculture and rural development to meeting the MDGs."

A successful global alliance. IFAD seeks to build on the continuing alliance and partnership with OPEC and OECD countries based on a membership-driven development agenda.

Sharing knowledge about rural poverty eradication. IFAD seeks to "transform experience into knowledge, feed it into national systems, and share it with partners" while supporting research into "innovative pro-poor agricultural technologies and approaches by supporting research by international institutions, non-governmental organizations and by farmers themselves."

The IFAD Strategic Framework also analyzes conditions in rural areas within a changing world. While acknowledging opportunities opened by "changes in agricultural marketing systems and production technologies," IFAD laments that the rural areas continue to harbor 75% of the world's 1.1 billion "extremely poor people who "rarely benefit" from these developments and continue to "lack access to the land, water, agricultural technologies, financial resources and markets they need to farm productively." They are deficient in "the organizational power and influence required to advocate for their own needs and take advantage of emerging opportunities." This situation is aggravated by the emergence of new challenges that intensify the rural poor's vulnerability such as "conflict, climate change, environmental degradation and the scourge of HIV/AIDS."

Despite improvements in the capacity of governments, civil society and international organizations to work together in achieving the MDGs, improving aid delivery, promoting recipient governments' ownership of their programs," IFAD notes that "the ability of national governments and the international community to meet the needs of poor rural people lags behind."

More fundamentally, IFAD sees that "agriculture and rural development are yet to be fully addressed in many national poverty reduction strategies" and that "agricultural ministries in many developing countries … have only limited capacity to carry out crucial policy reforms." And, despite "organizations of poor rural people" being increasingly heard, "they are still far from being equal partners in shaping the policies that affect their livelihoods."

IFAD's goal is to "empower poor rural women and men in developing countries to achieve higher incomes and improved food security." The objective is to ensure that "poor rural people have better access to, and the skills and organization they need to take advantage of: " natural resources, technologies and services, financing, markets, employment opportunities, and policy formulation. The results to be achieved include:

1. "Increased productivity and incomes and better food security" for IFAD beneficiaries;
2. Stronger capabilities for recipient countries to reduce rural poverty through policy frameworks, strategies, and policies that benefit the rural poor, efficient government institutions, strong poor people's organizations, and, increased private investments in rural economies."

In order to "ensure that IFAD country operations produce a positive impact on poverty," IFAD has introduced a results-based Country Strategic Opportunities Program (COSOP), defined as "a framework for making strategic choices about IFAD operations in a country, identifying opportunities for IFAD financing, and for facilitating management for results." A total of 64 country-based COSOPs have so far been formulated. While some countries have two COSOPs, IFAD however, has not produced one for the Philippines.

IFAD in the Philippines

IFAD's role in Philippine rural development is described in general terms by the National Economic Development Authority (NEDA) as "support to economic advancement of the rural poor, mainly by improving the productivity of on and off-farm activities." This is undertaken through assistance in the form of three types of project loans: highly concessional loans, intermediate loans, and ordinary loans.

Highly concessional loans are interest-free but carry a service charge of 0.75% per annum and a maturity period of 40 years with a 10-year grace period. Intermediate loans have a variable reference interest rate equivalent to 50% of the interest charged on WB loans and a 20-year maturity period, with a grace period of 5 years. Ordinary loans have a variable reference interest rate equal to that charged by the WB and a maturity period of 15–18 years, including a three-year grace period.

IFAD says that its current strategy in the Philippines "has evolved from the Government's own strategic initiative, captured by the social reform agenda in the post-Marcos era, and from IFAD's strategic framework and key strategic thrusts for the Asia and the Pacific region, as well as from lessons learned from past operations in the country." In this context, the Fund has identified "the least-favored marginal upland and coastal areas as niche areas for support, and upland groups (including indigenous peoples and agrarian reform beneficiaries), coastal fishers, the landless, and women as ... main target groups." In terms of geographic area targets the following have been identified for special attention: Region V (Bicol); Region VII (Panay Island); Region VIII (Samar and Leyte); Region X (Northern Mindanao) and Region XII (Caraga).

The Fund also focuses on the following policy-oriented interventions: "supporting decentralization efforts by strengthening the capacities of community organizations and local government units to identify, initiate and manage local development programs; enterprise and marketing development; private sector involvement in operations; natural resource and environmental management; and promoting access to assets, technologies and markets."

In the area of rural enterprise and microfinance development, IFAD works in concert with other donors such as the Asian Development Bank, the World Bank, the United Nations Development Program, the European Union, Australia, Germany, the United States, Spain, Canada and Japan. IFAD, however, points out that most of these major donors actually support small and medium enterprises rather than microenterprises.

IFAD Projects in the Philippines. Since 1978, IFAD has provided a total of US$125.7 million for 10 agricultural and rural development projects in the Philippines. This comprised 30 percent of the projects' total cost of US$418.6 million. This meant that the Philippine government had to allocate US$292.9 million in counterpart funds or a high 70 percent of total project costs. These projects, which IFAD claims to have benefited 686,250 households, were in the areas of microfinance, irrigation, livestock development, upland agriculture, and community initiatives and resource development. In the field of microfinance, IFAD intends to triple the amount of loans to self-employed people, microenterprises, and in remote areas by 2010.

Recent Projects

In its website, IFAD lists three of the above as ongoing projects: the Western Mindanao Community Initiatives Project (WMCIP), the Northern Mindanao Community Initiatives and Resource Management Project (NMCIRMP), and the Rural Micro-Enterprise Promotion Program (RuMePP). The WMCIP, however, has been deemed completed as of December 2007, three years after the original completion deadline of December 2004. A fourth project is Phase II of the Cordillera Highland Agricultural Resource Management Project (CHARMP II) which was scheduled for implementation in 2008 but still has to begin operations.

Western Mindanao Community Initiatives Project

IFAD identifies the Western Mindanao region as "one of the poorest and least developed in the Philippines, with high rates of illiteracy and underemployment and a poverty rate significantly higher than the national average … (where) many of the region's quarter of a million poor people can barely meet minimum food and non-food needs." The region has also been the site of a long-running ethnic-based insurgency that has claimed thousands of lives. The project aimed to "increase production of subsistence and cash crops and of fisheries" by developing "strong communities that can determine their own needs and mobilize resources to meet them, … achieve sustainable, more productive use of natural resources (and) increase rural people's incomes by promoting higher productivity of both farm and off-farm enterprises."

Of the project's total cost of US$18.2 million, IFAD provided a highly concessional loan of US$14.8 million and a grant of US$750,000. Total IFAD contributions thus amounted to 85.44 percent of total project costs. The original duration of the project was 1999 to 2004 but it was extended twice and finally completed in late 2007. The local implementing agency was the Department of Agrarian Reform (DAR).

Among the activities the project engaged in were: "support for participation in community and institutional development, resource management and small enterprise development and credit, … consolidation of land ownership by former combatants, support for decentralization of authority, … land use intensification, … (and) a process of consultation with all the organizations involved, … and bolstering the capacities of NGOs and people's organizations in the follow-up period." With the above activities, the project had aimed to directly benefit 16,000 households.

In the second part of this research report, the WMCIP will be examined in greater detail as a case study of an IFAD project in the Philippines.

IFAD-FINANCED PROJECTS IN THE PHILIPPINES

Project Name	Initiating Instiution	Cooperating Institution	Lending Terms	Board Approval	Loan Effective-ness	Current Closing Date	Approved Loan or Grant Amount	Disburse-ment
Magat River Multipurpose Project Stage II (Irrigation)	World Bank: IBRD	World Bank: IBRD	I	12 Dec 78	25 Apr 79	30 Jun 85	$10,000, 000	100%
Smallholder Livestock Development Project	AsDB	AsDB	I	17 Dec 81	01 Oct 82	30 Sep 89	SDR 7,100,000 000	33%
Communal Irrigation Development Project	World Bank: IBRD	World Bank: IBRD	I	15 Sep 82	29 Mar 83	30 Jun 91	SDR 10,800,000	64%
Highland Agriculture Development Project	AsDB	AsDB	I	03 Dec 86	21 Aug 87	31 Dec 93	SDR 3,900,000	78%
Visayas Communal Irrigation and Participatory Project	IFAD	UNOPS	I	14 Apr 92	25 Aug 92	31 Dec 99	SDR 11,000,000	89%
Cordillera Highland Agricultural Resource Management Project	ADB	ADB	HC	06 Dec 95	04 Dec 96	30 Sep 05	SDR 6,150,000	64%
Rural Micro-Enterprise Finance Project	IFAD	ADB	HC	18 Apr 1996	04 Dec 1996	31 Dec 02	SDR 10,150,000	97%
Western Mindanao Community Initiatives Project	IFAD	UNOPS	HC	23 Apr 1998	25 Mar 1999	31 Dec 05	SDR 11,000,000	40%
N.Mindanao Community Initiatives and Resource Mgmnt Proj.	IFAD	UNOPS	HC	06 Dec 2001	01 Apr 2003	31 Dec 09	SDR 11,600,000	98%
Rural Micro-Enterprise Promotion Program	IFAD	IFAD	HC	Apr 2005	2007	2014	USD 27.5 million	n.a.

Source: IFAD
Note: Under lending terms, “I” refers to intermediate loans while “HC” means highly concessional loans. One SDR is equivalent to US$1.50. Disbursement figure is the percentage of approved amount.

Northern Mindanao Community Initiatives and Resource Management Project

Northern Mindanao is identified by IFAD as a region with a "high incidence of poverty," where most rural people have "limited assets," and a large landless population that is dependent on either tenancy or agricultural work for their livelihood. Social infrastructure and government support services are lacking and credit is inaccessible. Other social indicators are illiteracy and high unemployment "particularly among upland and indigenous peoples." In remote upland areas, basic services are absent, the poor "have limited access to important natural resources such as forests and pastures," and women are particularly vulnerable due to their "low level of social and economic development."

The NMCIRMP is meant "to enable poor communities to plan, implement, monitor and evaluate activities that they have chosen themselves." Targeted populations in 270 villages are indigenous peoples, fisherfolk families, agrarian reform beneficiaries, landless workers, upland dwellers, and women. Self-help groups engage in savings mobilization and help "identify activities that can improve their livelihoods, including improved management of land and water resources, fisheries development and off-farm activities."

Indigenous peoples are special targets, where the project aims to improve standards of living by supporting "advocacy campaigns, legal assistance and orientation programs … . It also assists in mapping ancestral domain boundaries and "formulate a sustainable development and protection plan."

The total cost is US$21.6 million of which 68.52 percent (US$14.8 million) is IFAD's contribution via a highly concessional loan. With a project duration from 2003 to 2009, the NMCIRMP aims to directly benefit 14,800 households. IFAD partners with the Department of Agrarian Reform (DAR) and United Nations Office for Project Services (UNOPS).

Rural Microenterprise Promotion Programme (RuMePP)

Launched in 2007 with a seven-year project duration, RuMePP "builds on the experiences of the IFAD-funded Rural Microenterprise Finance Project (RMFP)," which was implemented from 1996 to 2002. It targets "the rural poor living below the national poverty line of US$263 per person per year in 2000 ... in the poorest 19 provinces in five of the poorest regions in the country." RuMePP aims to benefit 200,000 households.

With its emphasis on enterprise development, the project provides rural poor families "with loans and other financial services and with business development services such as capacity building, market linkages and product development." While focusing "on formation and expansion of microenterprises at the lower and poorer end of the scale of assets, it will also include larger microenterprises, which are an important source of employment."

IFAD considers the RMFP a successful program, thus motivating the launching of a Phase II. In the undated RuMePP inception document, IFAD says that RMFP, through its executing agency, the People's Finance and Credit Corporation (PCFC), "was able to successfully market microfinance for the poor through a Grameen Bank Approach (GBA) using both liquidity for credit provision and capacity building of micro finance institutions (MFIs) in GBA methodology as the two crucial selling factors." It moved from its original focus on NGOs and cooperatives and shifted to rural banks, turning the latter into GBA Replicators (GBARs) which accounted "for 54% of all actively involved replicators, 57% of clients and 61.5% of loans outstanding." IFAD further reports that "the project exceeded all key physical targets" with 435,654 micro-enterprise clients during its life (98% women) with a 96 percent credit recovery rate. RMFP also "supported the creation and/or strengthening of a total of 92,504 self-help groups (SHGs) in 14,828 centers and 447 GBAR branches."

Despite this reported success, IFAD nevertheless observed that "all in all, RMFP had only minimal outreach to the ultra-poor, or the bottom 30% of the rural population." To correct this deficiency, the RuMePP is designed "to deliberately and proactively target the poorest regions, provinces and municipalities."

An IFAD highly concessional loan of US$21.2 million and a grant of US$500,000 make up 80 percent of the program's total cost of US$27.5 million. The Philippine government counterpart amounts to US$5.8 million (20 percent). The implementing agencies are the Department of Trade and Industry (DTI) and the Small Business Guarantee and Finance Corporation (SBGFC). The project duration is seven years—2007 to 2014. Although implemented nationwide, five regions, considered the country's poorest, are especially targeted: Cordillera, Bicol, Eastern Visayas, Socsargen and Caraga. There are no co-financing institutions although the Asian Development Bank is a cooperating agency.

Second Cordillera Highland Agricultural Resource Management Project (CHARMP II)

Like RuMePP, CHARMP II builds on an earlier version, CHARMP I, which was implemented from 1996 to 2005. CHARMP I is deemed to have "contributed to reducing poverty among indigenous peoples in the highlands of Cordillera Region in northern Philippines" (IFAD 2008). CHARMP II expands coverage of the earlier project to cover areas with the most severe poverty incidence in the region's six provinces: Abra, Apayao, Benguet, Ifugao, Kalinga and Mountain Province.

The total project cost will be US$66.4 million of which IFAD will contribute US$27.16 million (41 percent) broken down into a US$26.6 million loan and a US$561,000 grant. The highly concessional loan is repayable in 40 years, with a grace period of 10 years. It will carry the usual IFAD service charge of 0.75% per annum. Co-financing is provided by the Asian Development Bank with US$10 million and the OPEC Fund for International Development (OPIC) with another US$10 million. The Philippine government counterpart will be US$18.8 million, or 28.3 percent of total project costs.

The number of direct beneficiaries is calculated at 12,530 households, or 34% of the population; they are mainly indigenous peoples living in mountainous agrarian communities and where the poverty incidence is over 50%. The project's objectives are to (1) "increase household income ... through sustainable agricultural development, and, (2) "enhance the quality of life in the communities by improving land tenure security, food security and watershed conservation."

A unique feature of farming communities in the region are their centuries-old indigenous farming systems. IFAD's strategy is to support such indigenous economies "which are environmentally sustainable." At the same time, the project also aims to commercialize the local agricultural products through "value chain development and market linkages." It also supports ancestral domain titling; participatory mechanisms in project monitoring and evaluation; strengthening "the capacity of indigenous peoples and their councils of elders to assume responsibility for forest management; and local fiscal autonomy.

The project was recommended for IFAD Executive Board approval in April 2008 but has still to commence operations as of October 2008. The duration of project implementation is seven years.

Evaluating IFAD's Performance

Despite its lofty goals and an approach to official development assistance that diverges from mainstream IFI practices, IFAD's overall performance leaves much to be desired. The following summaries of various evaluations and assessments point to serious problems in virtually all aspects of IFAD's work.

Independent External Evaluation. In 2003, the IFAD Governing Council launched an independent external evaluation (IEE) to review the organization's performance during the period from 1994 to 2003.[5] This IEE was conducted within the context of IFAD's evolution "from a focus on agriculture to encompass a broader agenda of rural development ..., decreasing official development assistance to the agricultural sector" and the adoption of the anti-poverty-oriented UN Millennium Development Goals (MDGs). The IEE's objectives were "to determine the relevance of IFAD's mission and results, and its

5 The IEE covered 21 countries: Armenia, Bangladesh, Bolivia, Burkina Faso, Chile, Egypt, Eritrea, Ghana, Guatemala, Guinea, India, Jordan, Macedonia, Mongolia, Mozambique, Nepal, Pakistan, Peru, Rwanda, Senegal, and Tanzania.

impact in reducing rural poverty," determine the "results and impact of IFAD's activities," and "assess the effectiveness of key corporate and management processes, through which IFAD's policies, programs and projects have been developed and implemented."

The IEE's Report was released in September 2005 and came up with the overall conclusion that while IFAD's mandate of providing "additional resources to improve the well-being of the rural poor—remains fundamental, … there is a danger that (its) agenda has become too broad and distant" with weaknesses emerging "in its management and delivery." This conclusion is elaborated based on several parameters: resource allocation and portfolio performance, project and program performance, policy influence, development impact, corporate performance, corporate governance, policy development, human resource, partnerships, management processes, and learning and knowledge.

With regard to **resource allocation and portfolio performance**, the evaluation report states that while "IFAD's portfolio of projects is broadly pro-poor, … resource allocation has been largely ad hoc, and not fully responsive to regional and country needs, or to borrower performance." Furthermore, self-evaluation is limited and systematic analysis lacking.

Even as national development priorities remain relevant, project selectivity is compromised by the "lack of an effective filter," thus compromising **project and program performance**. The Country Strategic Opportunities Programs (COSOPs), are mere "aggregations of project ideas, with little synergy between projects or instruments." The design process is also deemed to be weak, characterized by "poor institutional analysis" that is reflective of "weak project management."

The Report also notes that while "the majority of projects achieve their project level objectives, … the causal link between objectives and poverty impacts is often unclear and frequently over-ambitious (with) … many examples of inconsistent language, poorly defined objectives and inappropriate or unworkable indicators." Project redesigns often take place, "reflecting poor quality at entry, weak economic and institutional analysis and problems with management and supervision." Economic analysis is rarely used to assess efficiency and "only half of IFAD's projects can be regarded as a good use of resources."

At both project and program level, **policy influence** is "minimal … most take place within a vacuum—reducing the likelihood of both wider strategic policy engagement and longer term institutionalization."

With regard to **development impact**, only "a few high-achieving projects delivered significant gains in household food security and community empowerment … (and) only half the projects sampled achieved more than modest impact. Given these, "the likelihood of benefits being sustained is only modest overall." The lack of innovation is also seen as a major shortcoming, particularly since this is supposed to be the raison d'etre for IFAD. Operational practice is viewed as "an end rather than a means."

The IEE Report sees IFAD's **corporate performance** as weak with "the original business model … failing to deliver the type of catalytic empowerment program to which the Fund aspires" and unable to "evolve to meet present demands." Changes made "have neither gone deep enough nor far enough and have been held back by an organizational culture that is rooted in the original role of the Fund as a complementary funding institution." While "current arrangements meet the basic needs of the organization," **corporate governance** is hampered by "a crowded agenda and short duration of meetings" thus limiting "the ability of the EB to promote improved development performance."

Compared with other IFIs, IFAD's **policy development** is viewed by the IEE as "inadequate" noting that the Fund has "relatively few operational or sectoral policies and few governing internal processes and procedures." Among its identified partners at the country and international level, "awareness of policies and strategies … is low."

Even as IFAD employs more temporary and consultant staff, its **human resource** "policies have been very conservative, and focused only on permanent staff." Its "corporate culture has failed to provide incentives for innovation, failed to foster trust between management and other staff and led to poor vertical and horizontal communication."

While IFAD continues to proudly promote its reliance on **partnerships** arrangements in performing its "catalytic role," the IEE observes that this has only led to "a proliferation of weak arrangements that lack strategic relevance, and have neither objectives nor indicators to monitor performance."

While the need to change its **management processes** has been recognized and initiatives have been taken, "these have been driven more by a search for efficiency than the need to improve impact." The IEE says that "the flat management structure with consensus decision-making has not provided adequate strategic direction and drive to follow through on change agendas."

On **learning and knowledge**, knowledge management efforts have been undertaken, but weaknesses in the Fund's organizational structure have undermined this process. There remains "a substantial communications gap, with low levels of awareness about IFAD's polices and strategies among partner organizations, both at country level and internationally."

The IEE Report emphasizes that IFAD needs to "embrace … a more fundamental set of improvements to revitalize the Fund and shift to a new path" in order to achieve "a better performance, … one that is characterized by more effective innovation and focus on poor people in hard-to-reach circumstances" rather than "continue to introduce isolated reforms and react to changing circumstances." The IEE recommends that IFAD manage the change process well,[6] "address the causes of low impact, develop a new business model, adopt smarter ways to encourage skills and learning, clarify IFAD's niche and reassert its complementary role, and provide direction for development effectiveness."[7]

The Danish critique. In an undated document entitled "IFAD: Danish Strategies and Priorities," the Ministry of Foreign Affairs of Denmark (Danica) added its own assessment of the Fund's performance and capabilities. While acknowledging IFAD's "extensive experiences in rural develpment (and) its potential in addressing all elements of rural poverty reduction," Danica, however, observes that because IFAD is an "exclusively headquarters-based institution," it lacks field presence, thus precluding "the Fund from engaging actively in policy dialogues and partnerships and in the shaping of policies with direct impact on rural development."

Danica also criticizes IFAD's governance structure where the Executive Board takes on too much power where its decisions are routinely endorsed by the governing Council "without debate." Thus Council meetings "are ... characterized by formal statements and general thematic panel debates without concrete operational recommendations to IFAD management."

Turning its attention to the IFAD Strategic Framework 2002–2006, Danica criticizes the lack of "prior consultation process" and the absence of "any substantial discussion or revision in the Board" in the drawing up of the document. This has resulted in a less than clear focus, "not least on the need to adapt IFAD's operation to increased focus on policy dialogue."

On a positive note, Danica acknowledges "broad donor confidence" in IFAD as evidenced by the success in meeting the targeted amount of USD560 million for the 6th replenishment fund covering 2004–2006. IFAD has also been true to its mission of extending loans to low-income countries at highly concessional terms, i.e., 40 years to pay with a grace period of ten years and a 0.75% annual service charge.

6 Curiously, the IEE Report argues "for a more authoritarian approach" to management and that a person be appointed, "reporting only to the President, with broad executive powers and charged with the task of setting performance-based objectives and driving through change to revitalize the Fund."

7 To IFAD's credit, despite the unflattering results of the Independent External Evaluation, the whole report has been uploaded into the Fund's website and is accessible to the public.

In the second "Danish Organizational Strategy for IFAD (Danica 2006), the above arguments are followed up with comments on the Independent External Evaluation (IEE) Report. Danica notes that IFAD's traditional image for being "an extremely efficient provider of international assistance" has been questioned by the report that "pointed to the existence of serious shortcomings and weaknesses in IFAD's way of working that require urgent attention if the full potential of the organization is to be realized." In situating IFAD in terms of Danish multilateral assistance, Danica argues that the IEE's analysis that IFAD programs are beset by "problems of efficiency and effectiveness" could affect Denmark's continuing role in a "specific and advocacy oriented organization" given the country's limited resources.

Annual report on results and impact of IFAD operations, 2006 (ARRI). This 2006 document is the fifth such annual report on results and impact of IFAD operations (ARRI) and comes immediately after the release of the IEE. Emphasizing the objective of "learning", the 2006 ARRI devotes itself to two themes which were highlighted in IEE: sustainability and innovation.

On sustainability, the report admits that this remains a "major problem" since "the Fund's performance has not yet been satisfactory" and has to be improved on ensuring "that project objectives are realistically established, exit strategies are designed early in the project cycle, and systematic efforts are made to build ownership and improve the capacities of implementing institutions." On innovation, the ARRI rates IFAD's performance as "moderately satisfactory" but "observes that past performance in scaling up and replicating successful innovations has been weak."

In general, the ARRI considers IFAD's overall performance as satisfactory in terms of "relevance, effectiveness and efficiency, and rural poverty impact, … impact on human assets, food security and agricultural productivity." The report identifies the following shortcomings: "limited sustainability; difficulties in reaching poorer groups and in promoting gender equity; insufficient attention to markets; and poor monitoring and evaluation." IFAD operations were also seen as "less effective in the impact domains of environment and common resources, and institutions and services," and had an uneven track record in addressing gender issues.

Report on IFAD's Development Effectiveness (RIDE). This internally generated report, issued in December 2007, can be viewed as an indicator of how the organization has responded to the findings of the 2003 IEE. It reasserts the relevance of IFAD's "mandate of reducing rural poverty and food insecurity" especially in the light of "continuing low aid flows ... to the agriculture and rural development sector ... and limited donor support to productive activities."

The Report further claims a "substantial improvement" in IFAD's project performance since the IEE in terms of "project effectiveness, efficiency, rural poverty impact and innovation." More attention, however, needs to be focused on the sustainability of projects, even as the RIDE considers this to be improving. Weaknesses continue to be found "with regard to engagement in policy dialogue, the development of strategic partnerships beyond direct co-financing, and investment in broader lesson-learning and knowledge management." On "organizational effectiveness and efficiency," the Report rates IFAD's progress as satisfactory.

This Report presents a more positive evaluation of IFAD's performance, compared to the IEE. However, since it is based on an internal evaluation, its conclusions need to be validated and reviewed through an external process that would be more objective. The report has come under critical scrutinity from within IFAD itself whose evaluation office head, in an addendum to the report, sought clarification or made corrections on some of the points made by RIDE including IFAD's financial contribution to rural development, recipient governments' committment to investments in the rural areas, the categorization of projects as"'old" and "new," the role of IFAD country presence staff, the "disconnect between ARRI and PPO (portfolio performance report), IFAD's engagement in international policy dialogue, and management issues.

The UN Secretary General. Notwithstanding that most evaluations of IFAD point to a less-than-satisfactory rating, the UN Secretary General Ban Ki-moon was quoted in an IFAD press release on 2 June 2008 as praising the Fund for having "led some of the UN's most successful development efforts aimed at the rural poor across the world" and "its leadership for the organization's long-standing work in eradicating rural poverty."

Ban Ki-moon also lauded the "unique partnership between OECD, OPEC and other developing countries." He further noted that IFAD has "expanded (its) investment in agriculture even as so many others have reduced their spending."[8]

Recent Developments

IFAD's response to the food crisis. The sharp increases in global food commodity prices coupled with decreasing food stocks beginning with the first quarter of 2008 constituted a serious threat to food security, especially the rural poor in developing countries. As attention focused on how international organizations like the UN agencies would react, IFAD, the Fund released US$200 million in emergency support for increased agricultural production through the provision of loans and grants for farm inputs among its developing member countries.

Beyond this short-term support, IFAD also announced that it "will continue to press for rapid and urgent longer-term investment in agriculture, including access to land, water, technology, financial services and markets …"

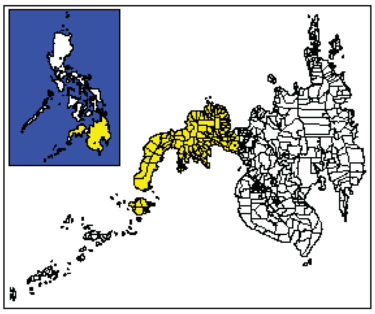
Kevin M. Cleaver, IFAD assistant president for Program Management, "blamed the current global problems on food supply on the lack of attention to agriculture" (Business World 2008). He pointed out that IFAD had been predicting the crisis in food supply but that "most of the world had been complacent" and had now "been taken by surprise." Cleaver added that while food kept appearing in supermarkets, "all over the world, you see degraded infrastructure, farmers who have been neglected."[9]

On aid effectiveness. In support of the 2005 Paris Declaration on Aid Effectiveness, IFAD President Lennart Båge "urged donors and their partners in developing countries to take responsibility for accelerating action to meet the commitments in the … Declaration" (IFAD press release 1 September, 2008). The 2005 Paris Declaration on Aid Effectiveness sought to reform the way aid is managed and delivered by adopting the principles of country ownership, harmonization, alignment with recipient country priorities, results, and mutual accountability.

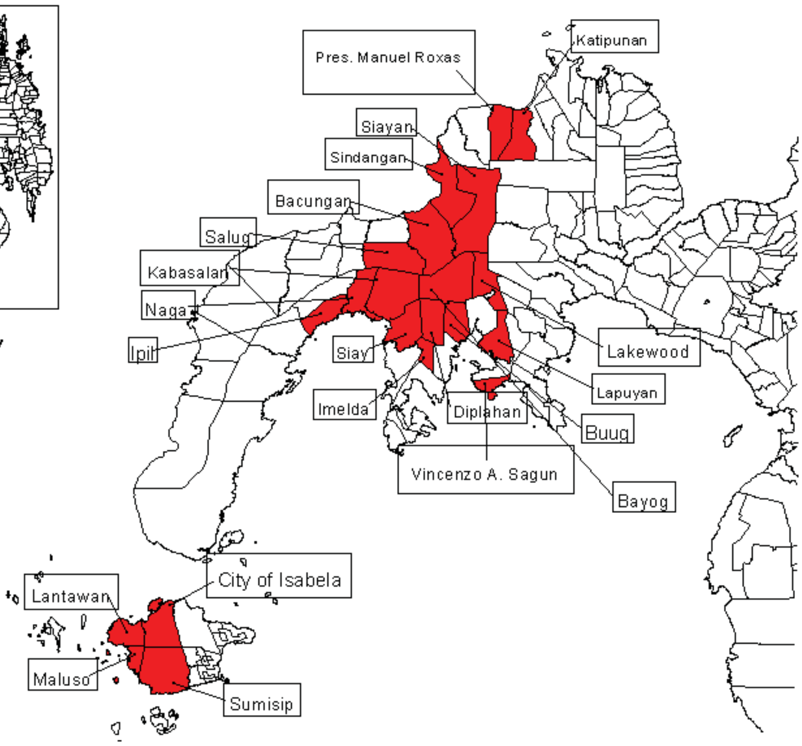
Båge pointed to the challenge posed by the twin problems of rising food and fuel prices and climate change, which could push 150 million people into poverty and hunger and because of these, "failure to meet the Paris commitments is not an option." Among the Declaration's core principles, he "underlined the importance of country ownership for aid effectiveness."

8 IFAD's partner agency, the OPEC Fund for International Development (OFID), has observed that "international investment in agriculture – the mainstay of the economies of the countries in which OFID operates - has significantly declined. The proportion of official development assistance devoted to agriculture dropped from some 20% in the late 1980s to about 3% today." (OFID 2008).

9 Aside from the neglect of agriculture and the consequent bias for urban industries, the 2008 food crisis could also be traced to the following factors: rising oil and fuel prices; worldwide land shortages due to overuse of the land, mono-crop production, increasing meat consumption; pressures imposed on arable land by accelerated biofuel production; new movements in speculative investment funds towards food commodities; and, the growing effect of climate change (Borger 2008, Boycott 2008, The Economist, 6 December 2007 and 27 and 28 March 2008, and Walt 2008).



Western Mindanao Community Initiatives Project Area



As previously mentioned in the first part of this research report, the International Fund for Agricultural Development (IFAD or the Fund) works in support of the country's Medium-Term Philippine Development Plan (MTPDP) 2004–2010. This strategy consisted of identifying target groups and areas in the Philippines where the MTPDP sets priority regions to implement development interventions. In Southern Philippines, Regions X (Northern Mindanao) and XII (Caraga) have particularly caught the attention of the Fund because of the presence of "the productive poor"[10] in these regions. In an IFAD Policy paper, it emphasized its role to assist the rural poor "who are living in poverty and experiencing food insecurity" but "who are able to take advantage of the opportunities to be offered"[11] (by the Fund). These rural people include marginalized groups such as indigenous peoples and other minorities. Since Mindanao is commonly known to be the food basket of the country due to its vast land and natural resources, it is easy for the Philippine government to envisage how other sub-regions in this part of the country could take advantage of the financial assistance to be provided by the Fund.

It is not very difficult to see how the Philippine government foresees Mindanao as an economic "super-region" despite the widespread poverty and the pervasive conflict that precede its name. Despite a heavily rural population of 14 million out of a total of 20 million people, Mindanao still boasts of a total land area of 10.2 million hectares (ha) and a promising agricultural industry. The region has 1.5 million farms on 3.85 million has.[12] In 2003, the region produced 8 million tons of coconuts (56% of national total), 2.8 million tons of corn (61%), 3.2 million tons of palay (24%), and 4 million tons of bananas (74%). It also produced about 42% of fishery and aquaculture production and some 30% of livestock. It is thus reasonable for the Philippine government to invest in Mindanao, as growth centers start to develop from the economic activities contributed by agriculture and spill-over effects impact the "productive poor."

With Zamboanga City placing next only to Davao City and Cagayan de Oro City in terms of its economic outputs in 2003[13], the Zamboanga Peninsula has become another target area of the Philippine government

10 Policy paper on Reaching the Rural Poor: Enabling the Rural Poor to Overcome the Poverty. Undated.
11 Ibid.
12 2002 Census of Agriculture, National Statistics Office.
13 2005. The International Bank for Reconstruction and Development/ The World Bank. Joint Needs Assessment for Re-

as part of its integrated national agenda for action on anti-poverty with specified intervention focus on rural poor. The government has put emphasis on this development agenda in Western Mindanao. It that covers agrarian reform communities (ARCs), coastal villages, resettlement areas, areas with Certificates of Ancestral Domain Claims (CADCs), other upland dwellers and remote areas that are lagging in access to social services. While limited efforts to respond to the needs of these areas have been earlier funded by the government, they have been largely implemented by local government units (LGUs) and to some extent, by non-governmental organizations and peoples'organizations. With the promise of integrating the rural poor into the growing economy of Zamboanga City and of engaging civil society, Western Mindanao thus became a convergence area for both the Fund and the Philippine government in targeting the rural poor as a poverty eradication scheme. Hence, the Western Mindanao Community Initiatives Project (henceforth referred as WMCIP) had become a major rural development project.

Project Background

WMCIP was an intervention towards rural development. The project fund was largely a loan, granted by the United Nations International Fund for Agricultural Development in partnership with the Philippine government. The Foreign Assisted Projects Office (FAPsO) of the Department of Agrarian Reform (DAR) was the supervising and implementing institution of the project.[14] It covered the four provinces of Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay and Basilan. It was projected to benefit 16,000 households within 81 identified barangays, including 21 Agrarian Reform Communities (ARCs), 11 Certified Ancestral Domain communities, 5 areas with Integrated Social Forestry programs, and 19 coastal/fishing communities in the project area.[15]

In 1991, the Fund deployed a Country Strategy Mission to Western Mindanao, also known as the Zamboanga Peninsula. This mission had been instrumental in coming up with a framework that aimed at facilitating institutional capacity and strengthening of grassroots organizations so that local communities could better access productive resources. Locally, the Philippine Congress appropriated Php4b (USD [13]0m in 1998) under the Poverty Alleviation Fund[16] to promote anti-poverty projects of key provinces and municipalities under which the WMCIP provinces fall. The two strategies complemented each other through the signing of an agreement upon which the implementation of the WMCIP objectives had been based.

Despite the presence of risks such as the tendency of the Western Mindanao region to be a target of violent attacks from organized groups,[17] IFAD and the national government, with the facilitation of the DAR and the engagement of NGOs, were optimistic about the economic and social outcomes of the project. The preferential bias for community institution-building, popular participation, especially of women and the most vulnerable groups, as well as linking of the communities to other resource structures, made this project consistent with internationally accepted human development goals.[18]

Based on of the principles of cooperation and participation by relevant stakeholders of development in the region, the program put a premium on participatory planning and implementation; community development; natural resource management and institutional strengthening at the village and municipality level. It was a measured approach to agricultural, fishery and forestry enhancement (through applied

construction and Development of Conflict-Affected Areas in Mindanao. Manila: World Bank.

14 Since the total project fund consisted of the IFAD loan (85%) relative to a small grant component, this means that the general population was expected to take the overall tax burden in repaying the loan.

15 See WMCIP or DAR website.

16 Commission on Audit (COA) 2006. Official Development Assistance Audit Report. See COA website http://www.coa.gov.ph.

17 The resurgence of conflict in the region may be attributed to the presence of structural violence and other forms of organized crimes which exacerbate the dynamics between different local forces (MILF, ASG, CPP/NPA, and the government forces). Ideology-based conflicts come side by side with issues related to drugs and other forms of criminality.

18 International Fund for Agricultural Development. 1998. Report and Recommendation of the President to the Executive Board on a Proposed Financial Assistance to the Republic of the Philippines for the Western Mindanao Community Initiatives Project. See IFAD website.

research, demonstration in systems development and enhanced extension), delivery of social services and provision of credit for enterprise development.[19]

Project Costs. The total project costs as of the latest DAR report, including physical and price contingencies, are estimated at Php678.307m (US$ 18.5m). Government counterpart remained at Php100.106m as initially planned, while the total loan being administered by the DAR and the Land Bank of the Philippines (LBP) was Php576.44m. DAR had been responsible for Php449.10m while the rest was under the supervision of LBP. The beneficiary households financed 2% of the project outlay. The IFAD loan of US$ 14.8m equivalent was about 85% of the total cost and would bear an annual interest rate of 0.75% over a 40- year term with 10 years of grace period. The grant portion was US$ 0.75m.[20]

In addition to the Philippine government's counterpart funding of about 15% of the total costs, it was also responsible for handling the IFAD loan, which had been administered mainly by two government agencies, the DAR and the LBP. DAR supervised the allocation of Php449 million (78% of the loan) for the implementation of the project and the coordination with other line agencies; while the LBP managed Php127.3 million (22% of the loan) of the IFAD loan for the Small Enterprise Development and Credit Service components of the project.[21]

In 1998, right after the Financial Crisis that swept Asia, foreign exchange costs were estimated to be US$ 4.2m or 24% of the total project cost. Project costs had been forecasted to cover 6 years from the start of the project. The first year had covered activities that established project administration and the commencement of community development. Initially, activities in the final year were anticipated to complete all field activities and project wind-up; major activities were supposed to happen in years 3 to 5 which accounted for over 70% of the total project cost, but many, if not all, of these activities had been rescheduled.[22]

Implementing Agency. While the principal implementing agency of the project was the DAR, it also collaborated with other relevant government agencies to carry out the project objectives throughout the project timeframe. The collaborating agencies were the Land Bank of the Philippines (LBP), Department of Agriculture (DA), Department of Interior and Local Government (DILG), Department of Environment and Natural Resources (DENR), Bureau of Fisheries and Aquatic Resources (BFAR), National Commission on Indigenous Peoples (NCIP) and the Local Government Units within the project area.

Project Mission. WMCIP's focal points were on pluralistic planning and implementation, community development, including support for infrastructure, natural resource planning and institutional strengthening at the village and municipality levels; hence it was heavily program-based. However, the objectives of the WMCIP were mainly based on project settings which were bound to be completed according to the project timeframe. The project supported community and institutional development, natural resource (land, marine and water) management, small enterprise development, and credit and project management. The basic premise behind the participatory approach was that the poor are both willing and able to undertake institutional and organized activities to overcome their poverty.[23]

Project Benefits. In terms of the general benefits of the project, the WMCIP looked at rural development by combining the discrete vantage points of economic development and socio-cultural enrichment. The project aimed at enhancing/building up the capacities of the communities, local government units and other stakeholders for planning, implementing and managing the projects through participation in local planning and development. It sought to empower the rural communities to define their development priorities and negotiate and bargain with local governments, NGOs, the private sector and other development partners.

19 Ibid.
20 Department of Agrarian Reform. 2003. The DAR ODA Portfolio.
21 See IFAD 1998.
22 Ibid.
23 Ibid.

WMCIP's initial investment in the local communities using the participatory process had been promising, as it facilitated the engagement of the local organizations and helped in developing the Barangay Development Plans of the different communities. The project allocated generous support for activities needed to apply this framework; hence NGOs were equally pleased at the project objectives of involving the affected communities as early as the conceptualization and planning stages.[24] WMCIP's focus on the most disadvantaged groups in the communities and its sectoral approach assured the inclusion of the rural women, youth, marginal farmers, and the indigenous peoples.[25] But these reactions had been short-lived as the project took more time to implement its objectives and as some of the stakeholders had been excluded in its processes.

Rationale of the Study

It is important to explain the relevance of the project not only in terms of its impact on agricultural productivity and food security, but also its impact on social capital, community empowerment, environment and natural resource base, local and national institutions and market access. Equally important is to understand the limitations of the project and why certain failures happened. This will ensure that the sustainability of any project will improve and scoping for future projects will cover the lessons of past failures.

The study is a descriptive account of the results and impact of the WMCIP based on qualitative and quantitative data collected through key-informant and in-depth interviews of relevant officials of the implementing agency, the Department of Agrarian Reform. Secondary data and other desk reviews have also been useful in coming up with a critical analysis of WMCIP performance. The descriptive approach focuses on both the performance and the understanding of the underlying factors that led to the final state of the project.

Project Highlights

Conceptualization and Planning

WMCIP was conceptualized through an extensive process of consultation between IFAD, Philippine government, NGOs and various local stakeholders. After several workshops, a post-formulation report in 1997 and an appraisal mission by IFAD and the government, the basic project concept and content had been laid out.[26] The need for further work to refine and firm up certain technical aspects of project design and elaborate in more detail the strategy, structure and mechanisms for implementation was recognized. The aim was to minimize any delay or complication in commencing activities after the approval of the loan— taking account of current peace and development initiatives after previous experiences of civil unrest in the region.

The Appraisal Mission worked under the supervision of the Project Development and Management Services of DAR. Its field work covered the three provinces of Zamboanga del Norte, Zamboanga del Sur, and Basilan, which formed the main focus of the activity. A visit was also made to the island of Tawi-Tawi in the Autonomous Region of Muslim Mindanao (ARMM), a high priority area for grant financing of settlement of ex-combatants and agricultural rehabilitation in support of the peace process.

In all of the proposed target provinces, the Mission covered a representative sample of prospective project sites, inspecting the agricultural and natural resource environment and meeting relevant government and NGO officials and beneficiaries. The findings and recommendations of the mission were discussed with the relevant officials of the Government and related agencies at a wrap-up meeting and other consultations

24 Based on interviews and online reports, there are no indications whether the BDPs are actually implemented or not.
25 ICRAF/IFAD Annual Report. 2003. For Developing Mechanisms to Reward the Upland Poor in Asia for Environmental Services that They Provide. 2003 Annual Report.
26 See IFAD 1998 Appraisal Report.

the following month. The conclusion of these meetings revealed that there was a general acceptance and a strong support for the project proposal from all the concerned parties, including the Fund.[27]

Site Selection. The selection of the project sites was heavily based on these criteria: high levels of poverty, agricultural stagnation, potential for enhancing the productivity of natural resources and responsive local partners and stakeholders. Following an extensive process of local consultations, the target areas and beneficiaries were selected based on the presence of prospective stakeholders, which included the agrarian reform beneficiaries; land users operating under other systems of tenure, such as Certificate of Ancestral Domain Claim and Integrated Social Forestry; and poor fishing communities in the coastal areas.

The distribution of these groups coincided with areas of concern on natural resource use, degradation and conservation with the active presence of line agency and NGO activities for poverty alleviation. A further positive factor in site identification was the presence of local government units where previous projects had formed manageable, integrated area development clusters. The defined project area consisted of clusters of municipalities and barangays, which shared common resources and where common problems could be tackled and potentials harnessed in a coherent manner and with a reasonable prospect for success.

Local Inputs. In addition to its partnership with the national government and its line agencies, IFAD also coordinated with local government units (provincial, municipal and barangay levels), people's organizations, NGOs and other local stakeholders. Thus, when the project partners were invited to several workshops in view of conceptualizing the project objectives and content, the following inputs had been incorporated into the project: i.) poverty incidence in the proposed target areas; ii.) identification of basic minimum needs; iii.) low local government units revenues; iv.) absence of development aid in Western Mindanao; v.) presence of support units such as NGOs, people's organizations, private sector and academia. These identified criteria were instrumental in the drafting of the Project documents and in selecting the targeted project sites. Another input was an agreement between the then ARMM Governor Nur Misuari and DAR Secretary Horacio Morales that led to the inclusion of former MNLF rebels within the target areas as beneficiaries of the project.[28]

Feasibility Studies. The project had financial and economic feasibility studies to determine the project impact on the targeted household beneficiaries in the area. The financial analysis closely looked at budgets for major existing crops of coconut, rain-fed or upland rice, irrigated rice and corn, vegetables, rubber, Robusta coffee, and animals such as hog and chickens. The study found out that these targets had potential for improvement and they subsequently formed the basis for six farm models that typified the changes that could be effected by the proposed farming systems. The sources or authors of these studies were undisclosed.

The pre-implementation stage's economic study that had been conducted was confined to the consideration of the readily quantifiable direct benefits, secondary and linkage benefits from Project actions – for instance in soil and water conservation or infrastructure improvement. Social effects, however, were ignored. Benefits of increased agricultural and fisheries production and enterprise profitability were projected from the analysis of beneficiaries and financial impact. The financial values were converted to economic terms by valuation of tradable inputs and outputs at border prices.

The net benefit and cost streams generate an economic internal rate of return of which 14% reflected a satisfactory prospective result for the project. The sensitivity of the economic internal rate of return to increases in costs or falls in benefits of 10 or 20%, or to benefits lagging one year was limited—indicating the resilience of project activities.

27 See DAR website. With this particular input, it could be concluded that the WMCIP had, in effect, now included peace-building as an implicit objective.

28

Base Economic Internal Rate of Return (%)	14
a. Cost increase by 10%	12
b. Cost increase by 20%	11
c. Revenue drop by 10%	12
d. Revenue drop by 20%	10
e. Benefits lagged 1 year	12
a. + c.	10
b. + d.	7

Source: WMCIP Post-Appraisal Report (see IFAD website)

From the WMCIP Project Planning Matrix and from interviews with DAR officials, the following have been the identified targets in terms of households that demonstrated increase in incomes of 1–10% above the poverty threshold by 2004:

-Zamboanga del Norte (ZdN) = 4,600 households;
-Zamboanga del Sur (ZdS) = 4,200 households;
-Zamboanga Sibugay (ZS) = 4,200; and
-Basilan = 3,000 households.[29]

Social and Environmental Impact Assessment. Given the levels of degradation in the middle and upper catchment areas in Region IX, and the damage from illegal and over-fishing in coastal areas, the project interventions projected to pose minimal hazards in the target areas.[30] The agricultural, land management, and conservation practices that were incorporated in support of perennial crop and timber planting in undulating and upland areas and mixed cropping with coconut were consistent with the sloping agricultural land technology. Other technical packages for application in upland areas discourage the use of land over 18 degrees slope for cultivation, and included conservation techniques such as vegetative contour barriers, napier or vetiver grass and Ipil-Ipil or madre cacao. Only small amounts of incremental fertilizers and agro-chemicals were advocated. Integrated pest management systems utilizing the farmer field school system, as developed by FAO, were introduced to reduce the need for chemicals.[31]

In fisheries, no overall negative environmental impact was expected since the recommended interventions were specifically targeted not to increase fishing pressure on the in-shore areas, and all operations within these waters were small-scale and widely dispersed.[32] In addition, the control and communal management systems, seaweed expansion and mangrove re-vegetation measures positively advocated the safety of marine environment. However, the danger of self-pollution with cage aquaculture was recognized and rigorous adherence to prudent carrying capacity limits to prevent leakage of fish waste and wet feed materials were enforced.[33]

It was also recognized that there were certain risks in the socio-cultural aspects of the project implementation in a region where there is a continually high incidence of poverty, a large proportion of ethnic communities and a turbulent history of social unrest. There was the risk of further marginalization of the upland communities since the project could be partial to the ARCs,[34] and biased against indigenous people's communities and social forestry areas where the DAR had no substantial experience in project

29 In 2003, the national annual poverty threshold was Php12,475, or Php34 a day per person. Zamboanga del Sur had 34.4% poverty incidence among families or an annual per capita poverty threshold of Php10,310; Zamboanga del Norte 64.6%, Php10,871; Zamboanga Sibugay- No data; and Basilan 33.5%, Php10,987. http://www.census.gov.ph/CARAGA/HTML/PRESS%20RELEASE/Poverty%20Incidence.pdf

30 Forest Covers (in hectares) Zamboanga del Sur- 18,581; Zamboanga del Norte – 100,652; Zamboanga Sibugay-32,886; Basilan – 16,505 . Source: http://www.forestry.denr.gov.ph.

31 See IFAD 1998 Appraisal Report.

32 It is not indicated what incentives were offered to discourage overfishing. Without such incentives, illegal fishing would normally increase.

33 Ibid.

34 This is a clear limitation of the DAR as the implementing agency without adequate institutional capacity to address the needs of the people in the uplands or forest areas.

management. Also, the project inputs, services and products might not be able to respond to forestry and agro-forestry needs of Certificate of Ancestral Domain Claim and Social Forestry agreement holders. The people in the upland areas were deemed to be still risk-averse, and suspicious of the intentions of the national government. Thus an element of skepticism about the impact on and rate of progress of the upland community development and enfranchisement processes was present.[35] The project design had attempted to address these factors by formulating strong but flexible and sensitive community organization and enterprise/credit interventions which were imagined to be firmly based at grass-roots level and capitalized on existing knowledge, experience and resources in the project area.

Consultations. According to published accomplishment reports, affected communities or the beneficiaries of the project had been properly informed prior to and during the planning stage of the WMCIP. The project team, composed of the key agencies and NGOs, mobilized and organized community leaders as well as a number of household beneficiaries, to develop their capability to undertake the forthcoming development activities such as infrastructure and natural resource management interventions. These community mobilizations were made through several workshops that identified the project objectives to address the local concerns of the beneficiaries. The participatory process of informing the affected communities was used to better suit the local requirements at the barangay level during the planning stage. The process was also used in the formulation of Agrarian Reform Community Development Plans which identified smaller projects that, if approved, would source funds from the WMCIP.[36]

Involved Local Organizations. It is noteworthy that many of the local organizations had been actively involved in the planning stage of the project. The NGOs had been instrumental in planning the framework of the Community and Institutional Development component of WMCIP. This had been an important development transition stage from the Community Organizing and Community Development Simulation Framework developed by the same stakeholders. In this framework, the community leaders initiated a series of participatory dialogues with village members to mobilize them. This was followed by a series of training in Participatory Rural Appraisal (PRA), leadership training, participatory planning, exposure visits, and project implementation. These training activities were designed to capacitate the leaders and members in identifying the main issues in the community and to agree on the priority projects to be implemented and included in the village development plan.[37]

In the case of NGO engagement, the project contracted private groups (Quedan Corporation - QUEDANCOR; Peoples Credit and Finance Corporation - PCFC) and other NGOs[38] to nurture viable and sustainable community institutions in close collaboration with the DAR and the respective local government units.[39]

The WMCIP also undertook planning exercises to prepare development action plans for the Certificates of Ancestral Domain Claims and the ARCs, and took into account the natural and human resource and core skills available within the local communities. The development action plan prioritized the activities, prepared the budget for different interventions and sought funding from the WMCIP and other sources.

Access to Project Documents. The official website of the DAR is the host to a three-page introduction to the WMCIP. The data and statistics contained in the website are limited and conclusive; the main page does not prompt the user to a database that contains all the relevant outputs and reports (i.e audit and accounting reports, workshop proceedings, etc). The IFAD has a specialized website that features the development of the WMCIP and its future plans in the region but the site is also limited in scope of the project results. From both the DAR and IFAD ends, therefore, the public's right to full disclosure of information about the WMCIP project was clearly not properly addressed.[40]

35 It is important to remember that the attitudes toward the project were not constant, which normally happens in any given locality; but this is still within the conceptualization stage of the project.

36 Interview with key WMCIP respondents.

37 Ibid.

38 Mindanao Alliance of Self-Help Societies (MASS-SPEC); Peoples Sustainable Development Cooperative - PSCD; National Federation of Labor - NFL-ARD; Xavier Agricultural Extension Services - XAES; PhilDHRRA; and CO-TRAIN.

39 Included in the original Appraisal report released by the IFAD. This was omitted in more recent reports.

40 Insert

Project Management Team. According to some stakeholders, there seemed to be an anomaly in the project management team which is composed of concurrent DAR officials. It has been a regular practice of the DAR foreign assisted projects officve not only to oversee ODA projects but also to manage them firsthand. To an observer, it may seem improper and unethical for DAR officials to take on ODA project management roles as this may lead to the loss of accountability with the principles of checks and balances being ignored. Also, concurrent positions held by the DAR officials who were involved in the WMCIP seemed to put less weight on the relevance of time, effort and focus vis-à-vis the achievement of the project objectives. The Belgian Integrated Agrarian Reform Support Program (BIARSP) and IFAD's intentions to transfer project management to the DAR occurred during the tail end of the project. This was based on two calculations: one, it would save costs of maintaining autonomous project management offices; two, DAR staff would have acquired capacity for program management and other technical expertise. Even if these justifications were true, the DAR obviously disregarded a more pluralistic and inclusive approach to project management by involving other groups such as NGOs or local government units.[41]

Budget Planning. Since the DAR had been the main contractor of Belgian and Japanese OECF[42] projects in the country, it had become accustomed to drafting an annual budget for development projects. Despite the agency's experience in budget planning, the financial and economic feasibility studies had only predicted the appropriation of the budget within 6 years from the intended start of the project. Hence, some factors had not been considered in the conceptualization stage. These are[43]:

i.) The devaluation of the Philippine currency (Peso) after the Asian financial crisis in 1997 had not been integrated into the project costs. Although early financial studies took into account possible foreign exchange fluctuations due to the economic volatility of the Philippines, it had not predicted that the project would be delayed and would last for more than 6 years. Consequently, there were discrepancies from the advised calculation of the Central Bank of the Philippines using an exchange rate that was calculated in constant purchasing power parity—reflecting differences in domestic and international inflation from the base of US$1=Php 36. From 2004 to 2008, the Philippine peso had vacillated from an exchange rate of US$1 = Php 50, plus or minus 5Php.[44]

ii.) Procurement of services: There were a number of procurement issues that had not been properly studied in the planning of the project. These issues are discussed in detail in Section 4.2 of this report.

iii.) Co-financing and future partnership agreements have not been given incentives to secure the sustainability of the project objectives. The possibilities of financing partners were deemed to have a minor share of the total costs of the project—which meant that it only targeted costs for technical assistance, training and materials supply to sub-projects in the early stages of the implementation. Opportunities for identifying other financing agencies were not actively pursued. For example, there was a tentative agreement during the appraisal mission with the USAID Growth with Equity in Mindanao (GEM) project to provide training and support in agribusiness development under its loan element; and to assist in the supply of agricultural inputs under the grant element for ex-combatants rehabilitation. However, there are no reports to show that WMCIP had actively engaged the participation of USAID in the project.[45]

Rural Development Concerns. The interviewed respondents' major concern was the new orientation to rural development that was rooted in partnerships and convergence between different agencies and

41 Interview with key WMCIP respondents.
42 Overseas Economic Cooperation Fund, the precursor of the Japan Bank for International Cooperation (JBIC).
43 These factors were based on the gaps that have been missed by the project outputs.
44 The national average inflation in 2006 decelerated to 6.2 percent from 7.6 percent as all the commodity groups recorded slower average annual growth rates. During the year, lowest inflation rate was in December at 4.3 percent while the highest inflation rate was noted in February and March at 7.6 percent. Available from: http://www.census.gov.ph/data/sectordata/sr07278tx.html
45 This is an important variable as the 2005 Paris Declaration on Aid Effectiveness emphasizes the importance of donor coordination. In fact, UN agencies now use common country assessment frameworks (CAF).

the communities, in line with government policy. The concept of convergence, however, had yet to secure the desired commitment among national agencies, local government units, NGOs, people's organizations, and the local stakeholders; partnership with local and community institutions of the poor in the target areas had not been institutionalized at the time of the project's inception. Convergence was an idea that came from DAR during the tenure of Secretary Horacio Morales (upon the influence of NGO partners at the national level). Even within the state bureaucracy, convergence became a byword and objective only among rural-oriented agencies like the DAR, DA and DENR.[46]

In response to this concern, a community-centered, participatory, demand-driven, process-intensive approach was employed to stimulate reforms in the existing systems and processes in the target areas.[47] This required a change in the attitudes and working methodologies of the implementing agencies and their local partners. The issue of weak partnership and coordination among the different project players had caused delays in the project's implementation. Many strategies—such as technical studies, advocacy, capacity building and a design to harness the relative advantages of different partner agencies for the achievement of the defined objectives—had been employed.

Other ODA-assisted Projects in the Area. There were several ODA projects in the Western Mindanao region during the period of WMCIP implementation.[48] These projects might not be seen as duplication of the WMCIP but there had been areas that overlapped with the spatial designation of the IFAD-assisted project. For example, the UN Food and Agricultural Organization (FAO) had prepared the initial paper work on six proposed projects that aimed to increase agricultural productivity and the incomes of traditional fisherfolk through seaweed production; funding had since been sought for these objectives. Another example is the USAID, which reviewed proposals to support the reintegration of MNLF ex-combatants into the mainstream of society. Recently, the European Union has been exploring similar aspects; while Canada has been funding a Local Government Support Project for the Southern Philippines Zone of Peace and Development (SZOPAD) that had been extended in 1997 to include Region IX. The Expanded Belgian Agrarian Reform Support Project had been funding projects on health and education in the region's ARCs. New Zealand is considering proposals for developing the capabilities of various levels of governments. Japan has also been supporting the Western Mindanao region through scholarships, capacity building, and has considered proposals on secondary education, integrated coastal and fisheries resource management and agro-industry growth centers. Germany and Spain both had projects in SZOPAD which aimed at expanding to cover Region IX with the improvement in peace and order conditions. In addition, there have been major development projects of Japan Bank for International Cooperation (JBIC) and the World Bank in the Zamboanga Peninsula and on nearby islands. Despite all these initiatives, however, there is still a pronounced need for strategic assistance with more emphasis on alleviating poverty and managing natural resources in the region; these aid projects will have to be beneficial and attractive in order to be replicated in other areas by the government.[49]

Implementation

The project was not implemented according to schedule because there were existing dynamics between concerned groups within the area prior to the start of the project cycle. Initially, the project was approved in April 1998 and was expected to be completed within six years. The original completion date was in December 2004. However, the project's major activities had not entered full operation until the latter half of the timeframe. The completion of field activities was expected to occur in Year 6. Although the project officially took effect for implementation in May 1999, the process of onsite interventions did not start until October 2000. This might be due to an impasse in the selection of NGO contractors who were supposed to establish and manage the provincial site operations units. In the original project design that was approved by IFAD, NGOs were supposed to be the project's implementers.[50]

46 Interview with key WMCIP respondents.
47 See IFAD 1998.
48 Department of Agrarian Reform. 2003. The DAR ODA Portfolio. See DAR website.
49 Ibid.
50 Official Development Assistance Watch, ed. 2005. Engaging ODA: Lessons in Civil Society Participation. Quezon City: Management and Organizational Development for Empowerment Inc.

Since the project was a loan by the Philippine government and the stipulations included that all funds had to pass government review and supervision, it meant that the funds were government property and were thus subject to government procedures. Likewise, it was argued that NGOs that were supposed to be contracted to manage the site operating units were not legally bound to answer to both the national government and IFAD; hence, there was a change in government attitude towards the NGOs that were initially considered to be part of project management. The government decided that financial accountability to the project should not be given to the NGOs. The funds were thus placed under the government's control even if public perception of corruption and inefficiency in the government is high.

Aside from the reasons given above, there were some constraining factors that led to the forfeiture of the contract that was supposed to be awarded to the NGOs. One of these was the existing dynamics and competition among the different NGOs that expressed interest in managing the site operating units.[51] Despite the capacity of NGOs to deliver, the DAR did not want to favor any particular NGO since this might be seen as prejudice against others. Hence it assumed managing and technical roles of the project. Eventually, all the NGOs were awarded specific but minor roles relevant to each project component (but not any managing roles).

Full operations began after amendments to the financing agreement assigned the DAR to establish and manage the site operating units and the NGOs in the area to lead in social preparation, community mobilization, and capacity building. In actual implementation, the number of barangays involved for 2001–2002 was 49 and 32 for the period 2002–2003 (a total of 81), exceeding the original target of covering all 80 barangays by one barangay.. However, since the project was not completed by December 2004 as planned, the fifth supervision mission that wrapped up work in July 2004 recommended that the project be extended for another year.[52]

Procurement Issues. The subject of procurement of goods and services was supposed to be in accordance with the guidelines of IFAD and the United Nations Operations Office for Project Services (UNOPS). The major procurement items included equipment, vehicles, inputs, credit, training and technical assistance. Contracts with beneficiary organizations would have to be used in accordance with procedures and conditions by the Government for participatory implementation. Contracts for goods and services costing more than US$ 100,000 and contracts for consulting firms, NGOs, individuals over US$50,000 would be given prior review by UNOPS; between US$50,000 and US$100,000 by UNOPS post review; and below US$50,000 by selective review during supervision missions.[53]

One issue evident in the review of sources was the enforcement of NGO engagement as service providers. The services that the NGOs provided the project lacked guidelines and technical expertise to backstop activities on the ground, while provision of prompt financial support was a major flaw of the project design. On the other hand, the WMCIP's commitment to deliver services to the target areas and the contracted groups was affected by perceived "dynamics" among the NGOs, by the questionable competency of project specialists, by poor management and poor monitoring of project activities on the ground.[54]

Another issue was the effectiveness of service providers given their dual roles in the project implementation. For example, NGOS continued executing their roles as service providers bound by the Terms of Reference and Memorandum of Agreement they signed with the WMCIP's leading agency and IFAD, even as they tried to play the role of advocate for the local communities. Their dual role as both service provider and advocate was seen by some respondents as a possible conflict of interest that motivated them to continue assisting the local communities while trying to observe their mandate as contracted service providers.[55] In practical terms, NGOs are constrained by their limited capacity to both empathize with the local communities while addressing the challenging targets they have to achieve.

51 The NGOs that were involved in the bidding process: Basilan: KFI, Kahapan Foundation; Zamboanga del Norte: PhilNet RDI Development Consultants and the Union of Subanen Tribal Communities CESCODE KAKASAK MKTIF; Zamboanga del Sur: Ipil Development Foundation MUCARRD, XAES, MOFAZS (Moro Alliance of Zambo Sur); Zamboanga Sibugay: ITPPA, XAES, MOFAZS.

52 Ibid.

53 See IFAD 1998.

54 Interview with key WMCIP respondents.

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There had been an implicit process continuity between WMCIP and the BIARSP since many of the WMCIP personnel and project management experts had previously served with BIARSP.[56] One of the procedures that were retained was the implementation of the Cash-out & Counterpart feature of the WMCIP. This was implemented in 2004 as part of the project labor outsourcing strategy. The beneficiaries had been contracted to actively engage in the project components especially in agricultural production. This engagement carried out the 70-30 deal between the project and the beneficiaries; 70% was equivalent to the compensation that the beneficiaries received for the services they provided while 30% was their contribution to the project as stakeholders of the project sites. Their contract indicated that the labor cost would be Php120 per day, which meant that they received Php80 per day based on the rate of their agricultural outputs, while the Php40 was immediately understood to be deducted although this was generally perceived in the benefits they had received from the project.[57]

Actual Implementation Issues. In December 2004, when the project had reached its original deadline, it had been assessed that WMCIP had already covered 81 villages and 21 municipalities. It had formed 183 core groups, 81 Barangay (Village) Development Teams, 21 Municipal Development Teams, and established 183 people's organizations (POs). It had trained 17 NGO point persons, 62 community organizers, 17 field extension agents, and 646 local participatory development cadres, and facilitated the profiling of 16,479 households. WMCIP had established the "Co-Initiative Training Consortium", facilitated the setting up of the DAR-IX Technical Advisory Group, and conducted five Training of Trainers (TOT) on Gender and Development in which about 250 people participated. Because of the program to link the barangay development plans with those of the municipal government and to get the commitments of the line agencies to support the community initiatives, WMCIP was able to mobilize 10 government agencies (at both national and local levels) to work directly with the communities and to be involved in WMCIP-led activities.[58]

However, the first accomplishments of objectives had only been seen towards the last two years of the project and this could be explained by several factors. The fast turnover of the WMCIP staff was one of the reasons for the delay; there was also some protest by NGO partners for the slow distribution of funds and the unclear arrangement about their roles in the project.[59] Some NGOs revealed that there were a lot of problems in the initial stages, thus delaying the immediate implementation of the project.

In addition, there was a complaint by participants that kept recurring in the various focus group discussions conducted by the Resource Center for Empowerment and Development (RCED) during the impact assessment sessions. The communities were not happy about the delay in the disbursement of the PHP 120 million credit from the LBP and the PHP 2 Million pesos infrastructure support for each of the barangays. The availability of these support projects had raised their hopes but in fact the credit program[60] was implemented only towards the end of the program and infrastructure projects like roads, dryers, and water systems underwent a bidding process as facilitated by LGUs, to contractors using very little of community labor and inputs.[61]

Local Participation in Project Implementation. The local government units in all provinces where the project had been implemented took a pivotal role of serving as a coordinating bridge between the national government and the local beneficiaries. At the provincial level, minor counterpart funds and a provincial coordinating committee in each of the provinces covered by the project coordinated with other provincial agencies to review programming and operational concerns as well as monitor the project's progress. The core of the project activities occurred at the municipal and barangay levels. Project proposals from community organizations, or those developed as part of the planning processes, were screened

56 Ibid.
57 Office of Evaluation - International Fund for Agricultural Development. 2006. Annual Report on the Results and Impact of Operations Evaluated in 2006. See IFAD website.
58
59 Ibid.
60 The WMCIP includes a credit fund of about P200 million pesos channeled through Land Bank. However, it took some time for these credit funds to move due to accreditation requirements of Land Bank plus other conditions.
61 Ibid.

and evaluated based on agreed criteria. The different service units within the municipality supported community-based proposals.[62]

In the original project document, there was no clear provision for the involvement of community coalitions and federations in the project sites as a way to strengthen rural organizations. However, in interviews with the assisting NGOs and with the servicing line agencies, it was found that some NGOs and line agencies tried to link the village organizations with municipal and sometimes provincial-level agencies for easier access to markets, other resources and services, and for advocacy purposes.[63]

Since the project wanted to promote rural development by empowering local communities to define their development priorities according to their local needs, any risk of economic dislocations had been contained to a minimum, if not prevented. However, it is important to note that in March 2006, two years past the project deadline, IFAD Consultant Rachel Polestico mentioned in her Impact Monitoring and Evaluation report that only 69% of her sampled beneficiaries from the four provinces experienced or felt any increase in their income as a result of the project's interventions in their communities. This concern had been addressed by the project workshops that explained how agricultural productivity takes years before it is evidently felt by the communities.[64]

There were no reported physical dislocations as outcome of the project. Many of the infrastructure development initiatives consisted of rehabilitating existing roads and other physical infrastructure, hence local families had not been physically impacted by these programs. Also, there were no reported cases of major environmental damage in the project sites except for the minor cases of slippage in some of the infrastructure development plans of the project. These cases were addressed by having the CIE follow-up and supervise local implementing agencies such as the LGUs or the line agencies of the government.[65]

Project Performance

Currently, the WMCIP is now regarded as complete after four years since its December 2004 deadline had been extended (two years more than the expected 6-year term). WMCIP has been able to facilitate the formation and the enabling of 183 local organizations in 81 barangays.[66] The level of organizational capacity varies among different organizations, but they have been provided with opportunities to enable them to participate in the formulation of their Barangay Development Plans. They have also been able to take part in the implementation of some of their proposed programs. The deployment of NGOs to assist in the Community Institution Building component of the project, the mobilization of the services of the line agencies and the LGU, the support for the NRM program, and attempts to champion some key enterprises were factors that contributed to the development of the communities and in effect, the strengthening of these rural organizations.

The Mid-Term Evaluation Report was done in July 2004. It included substantial data and analyses, made by Mr. Peter Situ, Portfolio Manager of the United Nations Office for Project Services (UNOPS), Mr. Clovis Ike J. Payumo,— rural engineer and community development consultant, Mr. Jan Delbaere—natural resource management specialist and Mr. Gerda Heyde— economist, IFAD Mission leader and member of the Impact Assessment team (December 2004)[67] that was organized by RCED and the Balay Mindanaw Foundation, Inc. (BMFI) in Cagayan de Oro City.[68]

The study believes that the WMCIP had the best intentions to propel development in the Western Mindanao region with an early bias towards community organizing and local initiatives through the active involvement of the local stakeholders. The study unequivocally stated that the ability to achieve rural development rests upon the role of local communities who will be putting their self-defined priorities in

62 Debuque, Teresa L., ed. Strengthening Capacities of Organizations of the Poor: Experiences in Asia. 2006. Case Study on Western Mindanao Community Initiatives Project by Rachel Polestico.
63 Interview with key WMCIP respondents.
64 Case study by Polestico 2006.
65 Interview with key WMCIP respondents.
66 Department of Agrarian Reform. DAR Accomplishment Reports 2007 and 2006. See DAR website.
67 See Mid-Term Evaluation Report 2004.
68 The Mid-Term Evaluation Report is a more comprehensive assessment of the project components while the Impact Assessment was only a monitoring report of the project impact.

the regional development agenda. It is thus important to see how far the aim of the project to capacitate the local stakeholders has been and how ready they have become to face future development initiatives as a collective driving force.

There were initiatives of WMCIP that would have worked better if there was a conscious effort to harness the collective power of coalitions and federations. The credit and enterprise components of WMCIP would have operated much earlier and more successfully if there were attempts to link the different POs to pool together some capital to start their micro-enterprises instead of having to wait for the Land Bank of the Philippines to implement the credit program for the Project. The Project-Unit Sustainable Integrated Area Development Plans would have generated more interest if there were PO federations that championed the concept.[69]

In WMCIP, there are examples of practices that united POs into one consolidated group, but these have not been recorded because they were not part of the program. The question of whether there are PO federations or coalitions of sectoral groups was not even raised. It is a matter of recognizing that coalition-building is the next step to community organizing to enable the communities to work for larger issues more effectively. One challenge that confronts IFAD is the recognition of these groups and of the need for financial support to facilitate the process and make it more effective in servicing the needs of the communities. Another challenge is the possible increase in overall project costs if this coalition of local PO's were to be recognized by the PSC, since the coalition's services may prove to increase as their skills can compete with the project's human resource. However, if the coalition is able to show real competitive differential (RCD), then the increase in project costs may be compensated by future costs of hiring consultants and other experts.

Actual Impacts. Since the project targeted poorer sections of the population, it included far-flung villages that were difficult to reach. Most of the beneficiaries (40%) belonged to the "highly vulnerable" category (i.e., with incomes of PHP 3,000 and below). The "vulnerable" ones (i.e., with incomes in the PHP 3,001–3,500 range) made up 7.6% of the beneficiaries, while those classified as poor (i.e., with incomes in the PHP 3,501–3,500 range) comprised 24.4% of the total number. Some 27.9% of the beneficiaries were regarded as "poor but not vulnerable." Households earning less than PHP 51 per day, and were considered as "absolutely poor", made up 9.1% of beneficiary households, while 86.4% were living below the poverty threshold set in 1997 at PHP 7,083 income per month.[70]

The Impact Assessment conducted by the RCED compared the conditions of the project beneficiaries and the non-project beneficiaries. The data showed that over the last two to three years, project beneficiary households saved P6,000 per year compared to P3,000 savings per year of a non-beneficiary household and that 69% of sampled beneficiaries reported increases in their income. This may imply that savings have been generated from increased incomes but further study is needed particulalry since savings might have come from different sources; or that they were made by sacrificing necessary spending. The emphasis on savings (rather than productivity and income gains) may be overstated since they could also dampen necessary consumption, money circulation and inputs for greater productivity. In any case, the late implementation of the credit program had served to lessen income gains.[71]

Impact Indicators	**Percentage of Sampled Beneficiaries from 4 Provinces who experienced or felt the impact**
Increased Income	69%
Conserved Environment, Soil and Water	81%
Strengthened Community	72%

Source: RCED Impact Assessment

69 Engaging ODA 2005.
70 Ibid.
71 Impact Assessment: Participatory Impact and Evaluation conducted by IFAD Consultant Rachel Polestico of Southeast Asian Rural Social Leadership Institute (SEARSOLIN).

Provided Social/Basic Services	84%
Helped in Maintaining Peace and Order	85%
Increased Food Security	85%

Source: RCED Impact Assessment

As to the project impact on poverty alleviation, respondents had mixed reactions, both of appreciation and dissatisfaction. WMCIP has involved 9,345 households in enterprise development, conducted 589 enterprise trainings, tested 17 products, and registered 19 enterprises. It has entered into a memorandum of agreement (MOA) with QUEDANCOR and established two pilot credit villages with eight self-reliant teams. It has also conducted a micro-credit capability study and prepared guidelines for poverty alleviation assistance. However, of the 9,345 families identified as eligible for credit, only 70 households (1.0%t) were able to access credit. The incremental credit fund of US$ 3.26 million, which was supposed to be managed by the Land Bank of the Philippines (LBP) through local credit conduits (LCCs) and LCPIs, was problematic for some time because the LCCs were required to borrow money at a very high interest rate of 8.75% per annum. Fortunately, in June 2004, the interest charge was brought down to 4.75%, thereby attracting downstream credit providers.[72]

Although the fundamental target of the project was to enhance the skills of communities in managing this project through the facilitation of workshops and other collective activities, the programs that promoted adult literacy among the beneficiaries had very little benefits since it was not considered a priority among them.[73] In terms of the positive impacts of the project on human development, a sense of empowerment and higher self-esteem were observed; but concerns were raised whether the implementing agencies were only providing service delivery instead of people's empowerment.[74] There were also some negative perceptions from the local participants about their engagement in the project. There was concern about the net increase in the workload of the project participants on top of the regular work that they did before the project was implemented. In the case of increased agricultural output and better access to water, women were particularly affected since they had to continually manage their households while participating in the community activities. [75] In effect, the initial social impact assessment was not able to identify that some sectors of society might not find the development interventions as necessarily agreeable to their demands.

Part Three: Conclusions

In the Philippines, although industrialization and globalization have ushered in a more liberalized market, agrarian reform continues to be seen as an important strategy to achieve rural development, poverty alleviation and property rights enhancement for rural communities.[76] Social justice and equity as primary goals of agrarian reform are usually seen to conflict with the demands of free market access as competition intensifies. This is where Official Development Assistance (ODA) comes in; and it is important to note that ODA in the Philippines has had a long history of highs and lows in terms of its success, to improve the living standards of the rural poor.

ODA to the Philippines has been around for more than two decades in the hope of alleviating poverty, with an emphasis on enhancing the capacity of rural communities to increase the income they get from agriculture and other related activities. Agrarian reform and other similar communities have been targeted to get a slice of the pie; in 2007 alone, there was an increase in loan approvals that amounted

72
73 Initiatives could still have benefits even if they are not identified as priorities by target groups. Adult literacy, for one, may not have been a priority but could still have incalculable benefits to the community.
74 Ibid.
75 Interview with key WMCIP respondents.
76 It must be stressed that while the WMCIP was implemented by DAR, the target groups consisted of both AR communities and non-AR groups.

to at least US$1.26 billion.[77] However, poverty remains widespread, especially in the agriculture-based rural areas where international donor organizations such as the IFAD continue to operate their loans in the form of foreign aid.

In the implementation stage of the IFAD-funded WMCIP, the project had had limited convergence points between the national government and the local stakeholders. Although consultation processes were undertaken in the conceptualization and planning stages, the DAR, being the implementing agency, had all the prerogatives in decision-making and process execution, i.e. the procurement of goods and services, which left minor roles to the key NGOs in the project organization. This would naturally be seen as a lack of transparency which would in turn be a factor that might promote corruption. In short, even if the communal needs of the beneficiaries had been identified prior to the implementation of the WMCIP, the lack of ownership by the local stakeholders in the processes not only resulted in weak sustainability efforts but also lack of accountability among the principal project members.

The government and the IFAD should be accountable for the target impacts and outcomes that they promised the beneficiaries. A long-term strategy should have been in place to require both the donor and the implementing agency to validate whether the project objectives had been achieved over a longer period of time. At the moment, the local government units, the Zamboanga-based NGOs, and the rural communities are left to make things work after the project term ended,[78] not to mention after it missed its original deadline. In effect, aid monitoring and sustainability mechanisms should be in place and should include a wider range of stakeholders. Their concerns should be included in the development of local development agenda so that other development endeavors will be institutionalized and included in the local budget appropriations.

More than reiterating the problems of the WMCIP, it is necessary to look at the lessons learned from the project and provide recommendations for its sustainability. During its final year, the WMCIP's project management team was worried about closing processes in terms of exit strategies and project sustainability issues. A mid-term evaluation report in 2004 found several positive impacts generated by the project components on community and institutional development, natural resource management, and small enterprise development and credit. Some of these positive impacts were: participatory development at the barangay level; stronger People's Organizations; positive economic impacts; contributions to the peace and development process; positive environmental awareness; increased accessibility to markets by the improvement or creation of road infrastructure; improved quality of life; and enhanced role of women in development undertakings.[79] To facilitate handing-over processes to the LGUs and other stakeholders, the project should have attended to two immediate areas of support: the availability of funds to finance fast-track implementation; and the sufficient availability of technical staff to handle the workload being mainstreamed to various implementing agencies to ensure sustainability, an aspect that IFAD projects have been criticized to be lacking.

Finally, the promotion of local communities as stakeholders at the heart of rural development in Western Mindanao entails their empowerment and the enhancement of their capacity. They should be engaged throughout the duration of the project from planning and implementation to evaluation and design of sustainability strategies. Local institutions should be able to find ways in achieving self-sufficiency in terms of financial investments as well as meaningful devolution. Since there are many complaints by the local beneficiaries of WMCIP, there should be another round of consultations on what alternatives can be best used to offset the current failures such that positive outputs will be realized as planned. This endeavor will introduce innovative approaches to managing and implementing other projects in order for the Fund and its partners to attain a more commendable success rate in rural development not only in the Philippines but also elsewhere.

77 ODA Watch. Time to Dismantle the Roots of Evil. A Citizen's report on Official Development Assistance (ODA) to the Philippines. The Alternative People's Development Forum. UP Diliman. 25 March 2008.

78 See Maintenance and Sustainability section of this paper.

79 IFAD Annual Performance Review 2006. Improving performance and policy Impact: highlights, learning and outcomes. Asia and the Pacific Division, Bangkok, Thailand. 20-23 June 2006.

IFAD's focus on rural development, rural poverty eradication in developing countries, and spurring agricultural growth and productivity makes it an important player in the global development arena. While assistance to agriculture has been declining and the sector has been suffering government and private sector neglect, IFAD stands as a unique and non-mainstream model of foreign assistance. Its emphasis on supporting the poorest of the rural population and on small farm economies is particularly noteworthy. Moreover, its programs for capacitating organizations of the rural poor as well as rural-based and rural-support NGOs add value to its work.

It seems a shame that despite its important and valuable role, IFAD should be hobbled with weaknesses and problems that adversely affect its ability to deliver on its promise and satisfactorily achieve its objectives and targets. With the major food crisis that engulfed the world in 2008, IFAD's role becomes even more important. But its ability to influence governments and private interests to go back to basics, e.g., greater support for agriculture, can only be measured by a corresponding commitment to fixing its own delivery systems.

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Overseas Aid and Agrarian Reform Working Papers Series

The Overseas Aid and Agrarian Reform Working Papers Series is a joint research initiative and publication of the Belgian Alliance of North-South Movements (11.11.11) and the Focus on the Global South-Philippines. Activist researchers from various non-governmental research institutions have come together to carry out this collective undertaking.

To date, three out of four poor people in the Philippines are rural poor. Land remains central to their autonomy and capacity to construct, sustain and defend their livelihoods, social inclusion and political empowerment. But to a large extent, land remains under the monopoly control of the landed classes in the country, while in many parts of the country poor peoples' access to land is seriously threatened by neoliberal policies. This is despite two decades of land redistribution, with relatively modest accomplishment, under the Comprehensive Agrarian Reform Program (CARP). The mainstream development policy community has taken a keen interest in land in recent years, developing land policies to guide their intervention in developing countries, including the Philippines. Internationally, while generally well-intentioned, not all of these land policies advance the interest of the rural poor. In fact, in other settings, these may harm the interest of the poor. Widespread privatization of land resources facilitates the monopoly control of landed and corporate interests in such settings. Local, national and transnational rural social movements and civil society networks and coalition have taken the struggle for land onto global arenas of policy making. In the Philippines, CARP has been the focus of overseas development assistance around land since the mid-1980s. Huge amounts of money, both aid and loans, went to various projects directly and indirectly linked to agrarian reform. Except for occasional officially commissioned project evaluation studies, there has been no systematic and comprehensive critical examination of such development intervention in the Philippine countryside. This is perhaps one reason why the advocacy work of autonomous rural social movements in the Philippines around the issue of overseas development assistance and land reform has been quite unsystematic and ad hoc at best.

It is in the context of providing modest assistance to rural social movements and other civil society groups that are engaged in land reform campaign that this research has been undertaken and the working paper series launched. It aims to provide a one-stop resource to activists engaged in local and national campaigns for progressive land policy reforms. The research covers analysis of the policies of the following institutions and themes: (1) World Bank, (2) European Union; (3) International Fund for Agricultural Development (IFAD); (4) Belgian Development Aid; (6) Canadian International Development Assistance (CIDA), (7) Japanese aid, (8) Asian Development Bank (ADB), (9) a Mindanao-focused study covering various aid agencies, and (9) an overview analytical paper that covers the remainder of aid agencies (FAO, UNDP, AusAid, GTZ, USAID) and links the various findings to the broader issue of agrarian transformation and development in the Philippine countryside.

The research is coordinated, and the working paper series edited, by Jun Borras, Jennifer Franco, Mary Ann Manahan, and Eduardo C. Tadem.

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11.11.11 is a coalition of the Flemish North-South Movements. It combines the efforts of 90 organizations and 375 committees of volunteers who work together to achieve one common goal: a fairer world without poverty. For more information, visit: http://www.11.be.

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