

CONCEPT PROPOSAL

PROJECT TITLE	:	Economic Enterprise Development for Peace-Building in Muslim-Majority Agrarian Reform Communities
PROPONENT AGENCY	:	Department of Agrarian Reform
COORDINATING AGENCIES	:	Bangsamoro Development Agency Autonomous Region of Muslim Mindanao, Local Government Units, Department of Agriculture Department of Science and Technology
PROJECT LOCATION	:	Mindanao, Southern Philippines 153 Agrarian Reform Communities within MILF-influenced areas in Regions IX, X, XI, XII and ARMM
TARGET BENEFICIARIES	:	Agrarian Reform Beneficiaries (ARBs), Non-ARB Farmers, Indigenous Peoples
ESTIMATED PROJECT COST	:	<u>P6.14 Billion</u> \$119.618M

1. Background

The Comprehensive Agrarian Reform Program (CARP) remains a flagship program of the Philippine Government to address rural poverty and social justice. The Medium-Term Philippine Development Plan (MTPDP) 2004-2010 stipulates that “development interventions shall be provided to the landless farmers and farm workers to transform them into viable small landowners, cultivators and agri-based entrepreneurs contributing significantly to national development and economic growth.” Agrarian reform shall be pursued hand-in-hand with the creation of a lasting peaceful environment conducive to meaningful productive socio-economic development in the countryside.

As lead implementing agency of CARP, DAR assumes an expanded mandate under Executive Order 364 and 379 to coordinate the implementation of asset reform and the provision of support services to agrarian reform beneficiaries and indigenous peoples in ancestral domain. DAR is also tasked to capacitate them with knowledge, skills and experience to enable them to adopt and use modern technologies to improve productivity and income from their awarded lands. Furthermore, DAR shall provide ARBs with opportunities to harness the power of group action to enhance their access to basic economic and social services. Toward this end, DAR shall mobilize local resources through convergence and partnership mechanisms among government agencies, local governments, and private sector, as well as, strengthen diplomatic relations with the international donor community to generate support for financing the various economic and social support services needed to realize the goal of equitable economic growth with peace.

Relatedly, promoting national harmony and peace are among the priority agenda of President Gloria Macapagal-Arroyo's administration. The government of the Philippines (GRP) seeks the full implementation of existing final peace agreements, the rehabilitation, development and healing of conflict-affected areas and strengthening the peace constituency and citizen's participation in the peace process on the ground.

At the forefront of the peace-building efforts is the Bangsamoro Development Agency (BDA), an agency partaking the character of both the GRP and MILF and established in accordance with the Humanitarian, Rehabilitation and Development aspects of the GRP-MILF Peace Agreement of June 22, 2001. The BDA envisions an enlightened, prosperous, self-reliant and healthy BANGSAMORO community living in harmony, peace, justice and dignity with the rest of the world.

The agency's mission is to determine, lead and manage relief, rehabilitation and development projects in areas affected by war with the following goals in mind: (1) help bring about a favorable atmosphere and a healthy environment in which the peace process can smoothly proceed, (2) institutionalize and systematize approach to issues and concerns regarding relief, rehabilitation and development activities, (3) come up with a critical mass of trained, enabled and productive individuals and institutions that shall effectively keep the Bangsamoro communities moving forward, (4) address the need for the change in attitude and outlook, the acquisition of appropriate knowledge, skills and technologies, and the access to capital and markets, (5) actively participate and assume responsible roles and leadership in the different socio-economic activities to improve quality of life, (6) source out funds for BDA operation, maintenance and projects, and (7) formulate the Comprehensive Bangsamoro Development Plan. Currently, BDA's priorities include capability building, relief and rehabilitation for conflict-affected areas, formulation of the Comprehensive Bangsamoro Development Plan, environmental care and resource generation.

In line with the peace-building and economic development agenda, the Office of the Presidential Adviser on the Peace Process (OPAPP) invited the three rural development agencies namely, DAR (Usec. Gerundio C. Madueño), DA (Usec. Edmund J. Sana) and DENR (Usec. Manuel D. Gerochi), last 24 March 2006 to explore the implementation of development-related confidence-building measure projects for MILF influenced communities.

During the said meeting and discussions DAR presented the development project interventions in the Agrarian Reform Communities (ARCs) and the larger Agrarian Reform Zones Area (see attached maps). It was found out that there are several ARCs in the proposed MILF Ancestral Domain Claim areas covering 153 ARCs in Regions IV-B, IX, X, XI, XII and CARAGA (Please see annexes A - D).

Region IV-B	-	Palawan area with 3 ARCs
Region IX	-	Zamboanga area with 20 ARCs
Region X	-	Lanao del Norte area with 15 ARCs
Region XI	-	Davao area with 2 ARCs
Region XII	-	Cotabato area 23 with ARCs
ARMM	-	5 Provinces: Basilan, Lanao del Sur,

Maguindanao, Sulu, Tawi-Tawi and Marawi
City with 90 ARCs

Last 30-31 March 2006, the Philippine Development Forum (PDF) was held in Tagaytay City and attended by the ODA agencies including representatives from Saudi Fund based in Riyadh, Saudi Arabia. On the said occasion the Undersecretary for Support Services of the DAR (Gerundio C. Madueño), through the help of Prof. Ibrahim Mamao of the Embassy of Saudi Arabia, presented to the Saudi Fund Representative the idea of implementing development-related confidence-building measure projects for MILF-influenced communities, for funding DAR-ARCs within the MILF-influenced areas.

With this backdrop, DAR seeks to propose a project for Peace and Development in Mindanao, which will build on the gains of ARC development strategy and on the lessons and positive experiences of BDA, particularly in the areas of rehabilitation and rural development. Said project seeks to contribute to the peace-building efforts and help spur economic growth in Mindanao, particularly in areas covered by both DAR's ARCs and the MILF. This project will integrate ARCs, other agrarian-reform-covered barangays and the adjacent MILF-influenced villages into viable agrarian reform zones that will have impact on productivity and income improvement among the farming households including ARBs and IPs. The implementation of the said project calls for external grant assistance considering the present fiscal position of the Philippine Government.

The proposed project supports the MTPDP, having an area-focus on poverty in the Southern Philippines, applying principles of progressive engagement with locally-determined, high priority activities and seeking niche roles to leverage other assistance when selecting activities for support.

2. Description of the Proposed Project

2.1 Objectives of the Project

The proposed project aims to improve the economic and social condition of the agrarian reform beneficiaries (ARBs) and indigenous peoples (IPs), by way of the following main objectives:

- To build solidarity and strengthen the capacity of a broader range of ARBs and IPs in the ARCs within MILF-influenced areas to participate in their own development through the identification, planning, implementation, management, monitoring and maintenance of projects based on shared priority needs and resource potentials of the community;
- To improve access and linkages of the target communities to economic opportunities and basic social services such as rural infrastructure, basic education and health services;
- To introduce and disseminate productivity improvement, jobs and income-generating technologies and innovative schemes and arrangements for production, financing and marketing that are environment-friendly and appropriate to the cultural norms of the indigenous peoples;
- To strengthen and institutionalize the most appropriate of the various convergence mechanisms among development stakeholders including the line departments, local government units, state colleges, universities, private

sector, donors and other entities to improve ARB economic and social conditions.

2.2 Project Components

The proposed project shall have four major components, which are supportive of and consistent with the objectives and strategies stated in the government's MTPDP and the 10-Point Agenda for Development, as follows:

2.2.1 Social infrastructure and Capacity-Building

Under this component, target beneficiaries are organized and capacitated. They shall be developed to be self-reliant and capable of self-governance, able to participate in the development processes and chart their own destiny since they have to utilize and make their awarded land productive. Through the adoption of successful and tested participatory approaches, the agrarian reform beneficiaries, indigenous peoples and other stakeholders will be organized and/or existing organizations strengthened toward consensus-building and community mobilization. The project will help in strengthening existing structures and establishing mechanisms for improved community participation in identifying and analyzing development constraints and potentials, identifying appropriate strategies for community development, enterprise planning, resource mobilization, implementation and monitoring. Target communities will be assisted in harmonizing the Bangsamoro Development Plan and ARC/ARZone Development Plan in coming up with a common consolidated plan that will address the priority development needs of the target areas. The beneficiaries and other stakeholders shall be provided with the necessary knowledge, skills and tools along this area through capacity-building training and hands-on workshops, and organizational meetings and consultative assemblies. Based on training needs assessment and prioritization, ladderized training programs will be developed and implemented.

This component will, likewise, address the concerns on sustainability of the support services convergence mechanism and improving the capacities of DAR, LGUs, BDA, other government agencies, private sector and ARC organizations at the provincial and municipal levels.

This component will build upon the strides made by other existing projects implemented under CARP (DAR has 22 Foreign-Assisted Projects (FAPs) backed by the various funding institutions and is considered by the National Economic and Development Authority (NEDA) as one of the best performing National Government Agencies in terms of foreign-assisted projects implementation) in establishing a convergence mechanism at the provincial level designed to rationalize, integrate and institutionalize development interventions of various stakeholders in improving agricultural productivity and beneficiaries household incomes. DAR has 22 Foreign-Assisted Projects (FAPs) backed by the various funding institutions and is considered by the National Economic and Development Authority (NEDA) as one of the best performing National Government Agencies in terms of foreign-assisted projects implementation.

Activities to be undertaken shall include enhancing the common understanding of the convergence principles, mechanisms, and processes including goals and objectives and partners' roles and responsibilities to facilitate common action and sharing resources for the implementation of projects as contained in the harmonized BDA-

ARC/ARZone development plans. Likewise, resource mobilization strategies shall be strengthened including provision of appropriate trainings for partner agencies and the preparation and updating of a directory and profile of service providers and donor agencies to serve as guide for resource mobilization. The strong and active involvement of LGUs at all levels within the area will be further intensified.

This component is consistent with the action plan spelled out in the MTPDP to “ensure harmonization of program systems and procedures among the LGUs and CARP implementing agencies for the convergence of efforts in agrarian reform areas”.

2.2.2 Agribusiness and Rural Enterprise Development

The project seeks to provide ARBs and IPs with opportunities for directly increasing household productivity and incomes. Under this component, economic and entrepreneurial support shall be provided to assist farmers and their organizations in acquiring skills. This support shall include training and capability enhancement activities, ensuring access to appropriate and environment-friendly farming technology, facilitating access to rural credit and development of appropriate financial, investment and marketing arrangements and schemes consistent with indigenous cultural norms and practices.

The project intervention will start during the planning activities in component 2.2.1 (social infra and capacity-building) where the identification of projects in the area will be directed towards those that will promote farm diversification and value-adding, and will place greater emphasis on market consideration and income-generation. Where applicable, the project will assist farmers to prepare their micro-enterprises to develop toward upscaling and commercialization through market-driven approaches and facilitation of farm-firm linkages.

Projects identified in the area will be assessed for possible consolidation and integration into a viable agribusiness, initially for pilot-testing and eventually for wider replication. The identification of enterprises to be supported will consider those that will provide economically-viable enterprises to individual ARBs or farmers' organizations and will have excellent potentials for tapping wider markets, both domestic and export to help enhance the profitability and ensure sustainability of the enterprise.

Implementation of sustainable market-driven agri-based enterprises shall be supported by the appropriate value-adding post-harvest processing and market linking services. The project will support the farmer beneficiaries to become entrepreneurs in their communities through extension services, technology dissemination, and the facilitation of access to credit and market information and market facilities.

Tie-ups with State Universities and Colleges (SUCs) and extension centers shall be established for the development of demonstration farms and nurseries prior to adoption of new technologies or when there is a need to redistribute the seedlings for massive adoption to farms.

In areas with comparative advantage for cultivating high-value crops and vegetables, the setting up of affordable Green Houses with built-in drip irrigation system, whenever feasible, shall be promoted. Through this technology, most of the

environmental factors, pests and diseases that may affect crop production are controlled, thus, obtaining maximum possible returns for the farmer beneficiaries.

Agribusiness enterprises and other business models that will incorporate the adoption of sustainability mechanisms. with forward or backward integration activities, will be promoted. To optimise the use of resources and initiatives, enterprises complementing the activities of other institutions and on-going interventions within or around the zones will be strongly encouraged. Activities with potential for promoting agribusiness development and job-creation that will provide equitable benefits to ARBs, IPs and other marginalized sectors of the area will be given priority attention.

The promotion of sustainable agribusiness and rural enterprises in the communities is in line with the 10-point agenda of the present administration. In particular, the proposed project will directly contribute to the creation of 6 million jobs and development of one to two million hectares of land for agribusiness.

2.2.3 Access Rural Infrastructure and Basic Social Services

Critical physical infrastructure will be provided to pave the way for the access of target communities to more economic opportunities and to social services responsive to the needs of the poor. Rural infrastructures such as farm-to-market roads, bridges, irrigation facilities, post-harvest facilities, potable water supply systems, basic health care stations, additional classrooms and educational equipment and facilities will be given priority.

Support will be given to development of physical linkages that will facilitate integration of the different economic activities of the ARBs, other farmers and IPs to enable them to improve production and commercial viability of their products. As such, the project will support improvement of roads that will link agrarian reform communities / agrarian reform zones to market centers and processing centers. To maximize local resources, tie up and cost-sharing arrangements with local government units (LGUs) and other agencies will be institutionalized in the construction, rehabilitation and maintenance of facilities.

The Rural Infrastructure Component of the project covers three major classifications. These are 1) access infrastructure involving barangay or farm-to-market roads, (FMR) connecting bridges and low level causeways, hanging foot bridges and appurtenant cross drainage structures, 2) communal irrigation facilities and 3) levels I and II potable water supply systems (PWS).

2.2.4 Project Management

Under this component, project implementors, particularly, the LGUs and other stakeholders, including project beneficiaries, shall be capacitated to ensure long-term sustainability of the project management mechanisms beyond the life of the project.

A project management office shall be organized to handle day-to-day the planning and implementation of the project to ensure effectiveness of outcomes for the target ARCs as well as project beneficiaries and stakeholders. The project management

component is required to ensure the effective installation of all project policies and procedures at every level of operations. Day-to-day implementation and problem solving is required, with accountable and cost-efficient management processes.

Project management shall be mainstreamed within the existing structure of the DAR. As the executing agency for the project, DAR will assume full supervision and responsibility in the management and implementation of the project. Project activities will be closely coordinated through existing inter-agency structures at various levels. Appropriate memorandum of agreement will be forged with coordinating agencies as well as with the ARMM regarding implementation arrangements for the project. At the national level, a Project Management Board will be organized to address policy issues and operational concerns approve global and annual work and financial plans. Project activities and operational concerns at the provincial and municipal level will be coordinated through the existing Provincial and Municipal CARP Implementing Teams. At the ARC level the project will establish Barangay CARP Implementing Teams to coordinate project activities and address critical implementing arrangements on the ground.

Project Results and Monitoring and Evaluation System will be put in place at the start of the project operation. Proper baseline survey and data will be conducted and establish at the start of project operation to ensure regular monitoring of the achievement of project outcomes and objectives and to facilitate proper impact evaluation at the end of project life. Likewise, information on project milestones, accomplishments, lessons learned and best practices in project implementation will be documented and disseminated to project stakeholders to instill project ownership and encourage cooperation, active participation and support among stakeholders and relevant publics.

2.3 Socio Economic Benefits

Overall, the project will contribute to the achievement of the objectives of the Medium Term Development Plan and the realization of the 10 Point Agenda of President Gloria Macapagal-Arroyo's Administration, namely, creation of 6 million jobs, development of 2 million hectares agribusiness lands, decentralization of development through infrastructure projects, provision of potable water in all barangays and attainment of peace in Mindanao.

Specific project interventions will directly improve productivity in agriculture sector through increase in cropping intensity and crop yield. Introduction and promotion of diversified farming practices will result to greater food security and income of rural households. Dissemination of livelihood technology and capacity building for enterprise development will increase rural household income and spur growth in the rural economy.

Provision of basic access infrastructure will stimulate economic activities in the area that will redound to improve economic revenues as well as savings in time and financial resources for example benefits in terms of vehicle operating cost savings, more time for productive livelihood activities. Installation of basic social service facilities will alleviate rural poverty through improvement in health conditions and reduction of incidence of water borne diseases and literacy improvement among the residents of the target community. Other social infrastructure facilities such as tribal centers, multipurpose buildings, classrooms will contribute to better social capital

formation and greater participation by the community in development efforts. Proper maintenance of infra facilities, empowerment of the ARB and IP groups and key implementers to ensure self-reliance and good governance at the local level will be expected outcome of various capacity building trainings to be implemented by the project.

2.4 Design Considerations

While planning documents with identified specific infrastructure needs are available at the Local Government level and other line agencies operating in a particular area, the identification and prioritization of needs still rest with the community, hence, the project must adopt a "Demand-Driven" approach. This ensures that interventions provided by the Project are relevant and responsive to the true needs of the agrarian reform communities.

Aside from the critical need for farm-to-market roads, potable water supply system and irrigation facilities, due to the essentially agriculture-based physical configuration of the ARCs, other support rural infrastructure is, likewise, needed as basic post-harvest facilities, particularly, warehouses and drying pavements for ARCs with substantial production areas, fish landing facilities and solar driers on stilts for coastal areas and basic social infrastructure facilities like barangay health stations, day-care centers and elementary school buildings for ARCs with no access to ensure a healthy and productive community. Multi-purpose community centers are also necessary to provide a venue for the conduct of socio-cultural activities and similar functions. The provision of well-defined foot trails will ensure accessibility of Muslim areas from the nearest all-weather road.

The demand for basic rural infrastructure in ARCs to be covered under this assistance is diverse and huge and cannot be addressed by the project alone. Experience shows that LGUs and communities have the tendency to identify a "wish list" of sub-projects for assistance of this type to such an extent that even those not critically needed are being proposed for financing under the Program. An effective system of ensuring that "demands" are within the limits of what is basically necessary to trigger development in ARCs is, therefore, necessary.

Accomplishing the overarching goal of the project, with the following specific objectives, shall determine the rural infrastructure menu of the project:

- Reduce transport time and cost of farm inputs;
- Reduce vulnerability of rural poor to various types of crisis situations;
- Enhance ability to grow and market crops;
- Increase production diversity and growing options;
- Increase cropping intensity and improve yields and productivity;
- Reduce post-harvest losses and transport damage improving quality of products;
- Reduce incidence of water-borne diseases;
- Improve community hygiene and public health; and
- Provide social benefits through better access to education, health and other community services

Given the initial findings, the rural infrastructure menu shall consist of the following

under the three (3) major classifications:

1. Access Infrastructure to cover:

- Highly critical Barangay or Farm-to-Market roads and their appurtenant structures;
- Sledge trails or motorcycle roads;
- Trails, footpaths and hanging foot bridges in upland areas;
- Single-lane concrete or bailey bridges and low-level crossings; and
- Small fish landing facilities

2. Social Infrastructure to cover:

- Potable Water Supply (Level I and Level II);
- Elementary School Buildings;
- Barangay Health Stations for IPs;
- Day-Care Centers;
- Tribal Centers; and
- Rainwater Collector to building facilities

3. Agricultural Infrastructure Support to cover:

- Small-flow Communal Irrigation Schemes and Drainage facilities (CIS. CIP, SWIP);
- Shallow Tube Wells (STW); and
- Small communal Post Harvest Facilities.

2.5 Scope of Assistance

The proposed project shall cover the 153 ARCs within Muslim-majority and MILF-influenced areas.

2.6 Summary of Investment

	(In Phil. Pesos)	(In U.S.\$)
Project Preparation (Technical Assistance grant)	- P 20-Million	\$389.636
Phase I - (78 ARCs at P40-M per ARC)	- P3.12 Billion	\$60.783M
Phase II - (75 ARCs at P40-M per ARC)	- P3.00 Billion	\$58.445M
Total for Phase I & II	- <u>P6.14 Billion</u>	\$119.618M

Note: Exchange rate used is P51.33. to a U.S. \$