

# Sorsogon Integrated Area Development Project

**T**he Project is located in Sorsogon Province, one of the least developed regions in the Philippines with an incidence of poverty of 78.6 percent at appraisal in 1988.

The objective of the Project was to reduce rural poverty by increasing income, generating employment, and improving living standards of subsistence farmers and fishing communities in Sorsogon Province. The Project comprised five components: (i) road

improvement and rehabilitation; (ii) communal irrigation systems (CISs) and flood control; (iii) health services through schistosomiasis control and domestic water supply; (iv) support services for agriculture and fisheries, including abaca rehabilitation, plant nurseries, and artificial reefs; and (v) project management and training. The Project also attached an advisory technical assistance (ADTA) for Community Mobilization and Development.





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The project cost was estimated at \$30.1 million at appraisal, financed by a loan of \$24.1 million from the Asian Development Fund, and the remaining by the Government. The actual project cost at project completion was \$29.9 million. However, as some road works were still ongoing, the Government provided its own funds to continue, and completed the remaining construction by 1998. Consequently, the final project costs at the time of the project performance audit report (PPAR) were \$32.3 million.

By focusing on poverty reduction in a neglected region, the Project was highly relevant to the strategic objectives of the Government and the Asian Development Bank (ADB). Road development improved rural infrastructure and stimulated the local economy. The trickle down impact of economic

growth induced by the Project was effective when the majority of the population was poor; the Project reduced rural poverty by about 15 percent in the project area. The integrated interventions through schistosomiasis control, domestic water supply, and mitigation of floods improved health conditions of the poor. However, the subcomponents of abaca and plant nurseries were less relevant as their outputs (free seedlings) contributed little to the Project's objective.

The Project accomplished most of the major targets set for the major components, such as roads, flood control, CISs, and health services. Some minor subcomponents, such as plant nurseries and abaca, did not fulfill their targets (but the shortfall of these targets did not seriously affect the Project's objective because these subcomponents were less relevant).

Project implementation suffered serious delays in the first three years but accelerated later when project staff gained experience. As a result, the Project was completed with a delay of 34 months. The project economic internal rate of return (EIRR) of 17.6 percent estimated at appraisal was reduced to 11.5 percent at the time of the project completion report (PCR), and further reduced to 5.2 percent at PPAR. The EIRR at appraisal and PCR overestimated the benefits from the agriculture component, and the substantial shortfall in its actual achievements led to the sharply reduced EIRR.<sup>1</sup>

The Project's sustainability varies by component. Roads, flood control, and health services, which accounted for over 70 percent of the Project's cost, are likely to be sustainable as they have been maintained well by government agencies that have a sufficient amount of regular budget, competent staff, and adequate equipment. The sustainability of the CISs is at risk but can be strengthened if urgent steps are taken immediately. The sustainability of the plant nurseries and the abaca laboratory is poor.

The Project had a significant institutional impact on local governments, which were

<sup>1</sup> However, the EIRR calculation does not capture the substantial amount of indirect and unquantifiable economic benefits generated by the road development component, which stimulated the local economy.



strengthened by absorbing most of the project staff that received substantial training and gained extensive experience under the Project. It is envisaged that these staff will play a valuable role in future design and implementation of development projects in Sorsogon Province. The Project's institutional impact on beneficiaries is limited by the short implementation period of the ADTA and the lack of continued institutional support after project completion.

Overall, the Project's development impacts in Sorsogon Province are readily visible. It improved rural infrastructure, stimulated business, and promoted economic growth. As 11 out of 16 municipalities upgraded their classification levels of economic development, the Province no longer has any Class VI municipalities (the poorest). The Project achieved its objective and reduced rural poverty by about 15 percent in the project area. Based on the above assessments, the Project is rated successful. The performance of both ADB and the Government is satisfactory.

Key issues were identified. First, the Project suffered serious delays in its initial years, with a major cause being the lack of readiness of the project offices at the start of project implementation. Due to the lack of financing before loan effectiveness, these offices, although established, were unable to recruit staff, conduct staff training, and prepare workplans. In the future, project approval should focus on their readiness for implementation. Otherwise, sufficient time should be provided for the start-up phase of project implementation.

Second, the slow release of project funds was the primary reason for most delays under the Project, caused by (i) the large number of signatures required for processing

disbursement vouchers, and (ii) insufficient staff capacity in the agencies involved in approval and release of funds. Future projects should minimize the number of government agencies involved in the funds flow process; full-time staff should be assigned to speed up paper processing in the agencies that are needed in this process.

Third, while the Project reduced poverty, about 50-60 percent of people in the project area remained poor. These were mainly landless and jobless laborers who were in too weak a position to make use of the physical infrastructure invested under the Project. The impact of the community development under the ADTA was minimal due to its short implementation period and the lack of continued institutional support. To maximize the poverty reduction impact, future projects should include social preparation for the poor before the physical investment. Institutional support for the poor should be continued after project completion, which could be financed by ADTAs.

Lastly, the sustainability of the CISs is poor, primarily due to farmers' lack of willingness to pay for operation and maintenance, with an underlying factor being the weak leaders of the irrigators' associations and their lack of ownership of the CISs. Demand analysis for future irrigation projects should be based on farmers' willingness to pay, which should be secured by written agreements with enforcement measures.

In addition to the above issues, the Project provided lessons relating to the design of poverty reduction projects. The approach to reduce poverty through improving infrastructure and promoting economic growth is effective when the majority of the population is poor. However, as many landless and jobless poor are less capable to take advantage of the new infrastructure, direct interventions are needed to remove the key constraints that they face. The impact of irrigation projects on poverty reduction will be limited if the majority of the poor have no access to land, and the projects will benefit mainly the relatively better-off groups, such as landlords, small landowners, and tenants with regular incomes.

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