

**ASIAN DEVELOPMENT BANK**

**JFPR: PHI 00001**

**PROPOSAL FOR**

**ADMINISTERING A GRANT FROM**

**THE JAPAN FUND FOR POVERTY REDUCTION**

**TO THE**

**REPUBLIC OF THE PHILIPPINES**

**FOR SUPPORTING THE**

**SUSTAINABLE LIVELIHOOD**

**FOR THE POOR IN SOUTHERN PHILIPPINES PROJECT**

To be implemented in conjunction with the proposed loan  
Infrastructure for Rural Productivity Enhancement  
Sector Project (PHI: 30552)

**October 2000**

## CURRENCY EQUIVALENTS

(as of 2 October 2000)

Currency Unit	–	Peso (₱)
₱1.00	=	0.0217
\$1.00	=	₱46.10

In this report, the rate of \$1.00 = ₱45, generally prevailing at the time of preparation of the cost estimates, has been used.

## ABBREVIATIONS

ADB	–	Asian Development Bank
DA	–	Department of Agriculture
IRPES	–	Infrastructure for Rural Productivity Enhancement Sector Project
JFPR	–	Japan Fund for Poverty Reduction
LGU	–	local government unit
NGO	–	nongovernment organization
PO	–	peoples' organization
SOE	–	statement of expenditure

## NOTE

In this report, "\$" refers to US dollars

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## I. INTRODUCTION

1. The Government of the Philippines (the Government) and the Asian Development Bank (ADB) have included in ADB's 2000 country assistance plan the Infrastructure for Rural Productivity Enhancement Sector Project (IRPES).<sup>1</sup> The Sustainable Livelihood Project for the Poor in Southern Philippines (the Project), proposed for grant financing under the Japan Fund for Poverty Reduction (JFPR), will be linked to IRPES. The Project will enhance the poverty reduction objective of the IRPES by promoting sustainable livelihood activities in the selected municipalities covered by the IRPES. The Fact-Finding Mission was fielded from 31 July to 25 August 2000.<sup>2</sup> This report is based on the findings of the Mission and understandings reached during two regional participatory workshops with nongovernment organizations (NGOs), peoples' organizations (POs), representatives from local government units (LGUs), and the Department of Agriculture (DA) on the objectives, scope, implementation arrangements, and cost estimates for the Project.<sup>3</sup> The Government endorsed the Project on 25 August 2000 and the Government of Japan approved financing for the Project on 22 September 2000. The project framework is in Appendix 1.

## II. BACKGROUND AND RATIONALE

2. About one third (32.1 percent) of all families in the Philippines and 44.4 percent of rural households (equivalent to 51.2 percent of the rural population) were living in poverty in 1997.<sup>4</sup> Poverty in the country is primarily rural-based and is caused and sustained by weak rural and agricultural development. Based on headcount data, the incidence of rural poverty increased between 1994 and 1997, whereas it fell in the urban areas. More than 71 percent of all poor individuals reside in rural areas of the country.<sup>5</sup> Poverty is most severe in the southern Philippines, particularly in Bicol, Eastern Visayas, and Mindanao. These poorer regions of the country also reflect lower levels of social indicators. The Government is committed to poverty reduction and has included agricultural development in its core strategy.

3. Rural poverty is exacerbated by the low productivity and profitability of agriculture, which in turn are due to inadequate rural infrastructure. Responding to the Government's strategy of stimulating agricultural growth and reducing rural poverty through improved infrastructure, ADB is processing the IRPES. The IRPES will provide rural infrastructure (access infrastructure, communal irrigation, and potable water) to areas characterized by untapped agricultural potential and high poverty incidence. DA will be the Executing Agency for the IRPES and LGUs will implement the infrastructure component.

4. While the IRPES aims at improving income opportunities for poor households by providing rural infrastructure, it is not an integrated rural development project directly targeting the diversified income needs of the poor. Because of their limited access to productive resources and remunerative employment, some of the poor may not be able to take full advantage of the infrastructure facilities created under the IRPES. Hence, there is a need to expand their income sources and diversify their current resource-based activities so that they

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<sup>1</sup> PHI: *Infrastructure for Rural Productivity Enhancement Sector Project* (PHI: 30552-01), for \$75 million, scheduled for Board consideration on 31 October 2000.

<sup>2</sup> The Mission comprised S. Groff (Mission Leader-Project Economist), N. Ogawa (Programs Officer), A. Bauer (Socioeconomist [Poverty Reduction]), S. Wendt (Social Development Specialist), and L. Adriano (Staff Consultant-Poverty Reduction Specialist).

<sup>3</sup> The workshops were funded using \$9,500 from Technical Assistance (TA) 5894: *Facilitating Capacity Building and Participatory Activities II*, for \$400,000, approved on 28 December 1999.

<sup>4</sup> 1997 is the last year for which complete poverty data are available.

<sup>5</sup> These data differ significantly from international data based on the \$1 per day per capita expenditure on consumption level equitable to 2,400 kcal. Based on the World Bank (2000) criteria, the incidence of poverty has increased from 24.7 percent in 1997 to 26.3 percent in 1999. This increase was due to the Asian financial crisis and the El Niño and La Niña phenomena. The country now has about 26.3 million poor people, up from 18.2 million in 1997.

can maximize the use of and returns from the IRPES-funded rural infrastructure facilities. The Project will address this gap by providing the poor residing in IRPES sites the opportunity to engage in sustainable livelihood projects. Contrasted against traditional livelihood projects whose immediate benefits are sufficient only to meet the survival requirements of poor households, sustainable livelihood activities under the Project will be on-farm and off-farm income-generating ventures that will augment the income streams of targeted poor households. These sustainable livelihood activities will enable the poor households to capture the benefits from rural infrastructure facilities financed by the IRPES.

### III. THE JFPR PROJECT

#### A. Objectives

5. The long-term goal of the Project is to decrease poverty incidence in targeted areas. The immediate objective of the Project is increased and diversified income-generating opportunities for the poor in targeted areas so that they can better benefit from the improved infrastructure facilities financed under the IRPES. This will be done by supporting sustainable livelihood activities for the poor living in areas targeted by the IRPES.<sup>6</sup>

#### B. Scope

6. The Project has three components: (i) sustainable livelihood, (ii) capacity building for participatory learning in project preparation and administration, and (iii) project coordination and poverty impact monitoring. The Project will target between 30 and 80 of the 100 municipalities covered under the IRPES during the three-year project period.<sup>7</sup> Livelihood activities in the first year of implementation will focus on the municipalities where the 10 core IRPES subprojects are located.<sup>8</sup>

7. **Sustainable Livelihood.** This component will support sustainable livelihood activities in about 250 *barangays* (villages) of the project area. Livelihood activities will include innovative and effective on-farm and off-farm activities, which will maximize the use of the infrastructure provided under the IRPES (Appendix 2 lists sample livelihood activities).<sup>9</sup> The various activities will be designed and administered at the local (municipal) level with the help of established NGOs and POs. Livelihood activities can be proposed by individuals or by groups of more than one family pooling their resources. The latter modality will be encouraged as it ensures better economies of scale with a consequently higher impact on poverty. For group activities, the participating families will contract a memorandum of agreement among themselves that specifies their roles and responsibilities.

8. **Capacity Building for Participatory Learning in Project Preparation and Administration.** This component will provide technical support to the NGOs and POs in IRPES sites for designing proposals for sustainable livelihood activities. During the first year of the project implementation, two regionally based NGO networks (one for the Mindanao project area, and one for Bicol, Eastern Visayas, and the island provinces of Region IV) will be contracted to strengthen the capacity of locally based NGOs and POs to undertake project activities. Such

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<sup>6</sup> The specific objectives and activities were developed during the two participatory workshops with NGOs, project offices, DA, LGUs, and representatives of potential beneficiaries.

<sup>7</sup> IRPES will be implemented over 7 years.

<sup>8</sup> These are Aloran, Misamis Occidental; Bayugan, Agusan del Sur; Calbayog City, Western Samar; Dolores, Eastern Samar; Hinunangan, Southern Leyte; Jiabong, Western Samar; Kapalong, Davao del Norte; Mainit, Surigao del Norte; San Jose City, Occidental Mindoro; and Surigao City, Surigao del Norte.

<sup>9</sup> A sustainable livelihood project is defined as an income-generating activity that provides a buffer for the household so that it is less vulnerable to shocks (e.g., drought) and stresses (e.g., illness). It should enable the household to cope and adapt with as well as to recover from such external influences. Additionally, the livelihood activity should be market-oriented and demand-driven; otherwise it lacks the sustainability to effect long-term poverty reduction. A final consideration is that since many livelihood projects rely on the use of natural resources as inputs, inputs should be used with due consideration to environmental management to ensure sustainability.

activities include (i) undertaking initial poverty assessments, (ii) preparing proposals for livelihood activities, and (iii) monitoring and assessing impact. In addition, regional workshops will be held to discuss experiences with livelihood activities.

**9. Project Coordination and Poverty Impact Monitoring.** This component will be undertaken (i) at the LGU level, by designated NGOs and POs, and (ii) at the project level, with a focus on overall poverty impact, by the IRPES project office. The project office will develop guidelines for poverty impact monitoring and, with the assistance of the regional NGO networks, train NGOs and LGUs in applying them.

### **C. Costs and Financing**

10. The Project is estimated to cost \$3.05 million equivalent, comprising \$275,000 in foreign exchange costs and \$2.775 million equivalent in local currency costs. ADB will administer \$2.8 million equivalent, consisting of \$150,000 in foreign exchange costs and \$2.65 million equivalent in local currency costs. The Project will be financed on a grant basis from the Japan Fund for Poverty Reduction, funded by the Government of Japan. The Government, through the IRPES, will finance \$125,000 in foreign exchange costs and \$125,000 equivalent in local currency costs for project coordination, poverty monitoring, and impact assessment.<sup>10</sup> Appendix 3 provides an overview of the costs and financing.

### **D. Implementation Arrangements**

#### **1. Executing and Implementing Agencies**

11. DA, through the IRPES project office, will be the Executing Agency for the Project. The selected NGOs, POs, or LGUs will be the Implementing Agencies. The project office will be responsible for screening and selecting activities based on eligibility and evaluation criteria, as well as for evaluating reports by the associated village councils and the municipal planning offices. Proposed livelihood activities must be endorsed by ADB prior to implementation. Two regionally based NGO networks will implement the capacity building component. A diagram of the project structure is in Appendix 4.

#### **2. Linkages to the ADB-financed IRPES Project**

12. Activities to be financed by the Project will be selected based on eligibility and evaluation criteria (Appendix 5). To ensure the link between JFPR-financed activities and IRPES-financed rural infrastructure, several conditions were built into the eligibility and evaluation criteria. Specifically, all activities must (i) be implemented only in municipalities covered under the infrastructure component of the IRPES, (ii) target the poor households living in those municipalities, (iii) focus on income-generating activities for the poor to help them take advantage of opportunities and benefits resulting from IRPES infrastructure facilities, and (iv) have strong ownership by the associated LGU.

#### **3. Community and NGO Involvement**

13. The Project is designed to ensure that community-based participatory approaches will be applied from activity selection through implementation and monitoring. At the village and municipal level, all activity proposals will be developed by NGOs, POs, or LGUs through a participatory consultation process (e.g., participatory rural appraisal) with the beneficiaries. To be eligible for funding under the Project, the community, with support from an NGO or a PO and its LGU, will have to conduct a participatory needs and poverty assessment. Furthermore, all activities developed through these consultations will be reviewed by the associated village

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<sup>10</sup> DA has agreed to reserve 54 person-months of consulting services (financed by the IRPES loan) for undertaking these activities in the Project.

council and municipal planning office (ensuring consistency with village and municipal plans) before proposals can be forwarded to the project office for final screening and recommendation.

#### **4. Funds Flow, Procurement, Consulting Services, and Disbursement**

14. The livelihood activities will be small-scale with an average size of \$100-\$300 at the household level, \$9,000 for a village, and \$45,000 for an LGU as a whole. To finance these activities, the project office (or DA) will maintain a JFPR account, which will be established with an advance payment provided by ADB. The specific details regarding this advance payment and the establishment of a JFPR account will be subject to an agreement between the Government and ADB. The amount of the advance payment will be determined based on a work plan developed by the project office in conjunction with participating local NGOs and POs and will not exceed \$100,000. Funds for the livelihood component will be channeled from the project office through local NGO or POs onto the beneficiaries. These disbursements will be made against approved individual activity proposals. NGO and PO administrative costs will be channeled in the same fashion.

15. Statements of expenditure (SOEs) by NGOs and POs will be used by the project office (or DA) to liquidate and replenish the advance. The SOE ceiling will be \$10,000. Any unused advance will be refunded to ADB before the closure of the Project. The use of the JFPR account and SOE should be audited and a separate audit opinion on the use of the JFPR account and SOE should be included in the annual audit reports. However, local NGOs and POs should submit all documentation supporting funds release to beneficiaries to the project office. The project office should maintain records of all such documentation for ADB's verification.

16. For the capacity building component, funds will be channeled from ADB directly to the two regional NGO networks in accordance with the terms of the contracts. Any procurement under the Project will be conducted in accordance with ADB's *Guidelines for Procurement*. Because of the unique nature of activities to be undertaken, the geographic coverage required, and the lack of accordingly qualified domestic NGOs, the two NGO networks implementing the capacity building component will be selected and engaged using direct selection procedures and in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the selection and engagement of consultants. Prior to application of direct selection procedures, the Central Operations Services Office of ADB and the concerned Department will certify that all other sources of competitive expertise have been reviewed and found unsuitable.

#### **5. Performance Monitoring Indicators**

17. For performance monitoring, economic indicators will be used to assess the changes in the income levels of targeted families against other households in the village. The initial poverty impact assessment will be repeated at midterm and at the end of project implementation.

#### **6. Reporting and Impact Assessment**

18. NGOs and POs (and LGUs, as appropriate) will be responsible for preparing quarterly progress reports on individual activities. The project office will be responsible for compiling these reports and preparing semiannual reports for submission to ADB. In addition, initial and end-project poverty assessments will be undertaken in participating villages by the associated NGO or PO in cooperation with the LGU. The project office will undertake overall poverty impact assessments 18 and 34 months after the Project has started.

## **E. Expected Impact**

### **1. Estimated Poverty Reduction Impact**

19. Promoting livelihood projects in conjunction with IRPES rural infrastructure will enable approximately 70 percent of the Project beneficiaries to move above the poverty line on a sustainable basis. However, while its direct impact on poverty reduction is significant, the indirect benefits and impact, due to the small-scale nature of the activities, are expected to be relatively low. In sum, an estimated 50,000 poor people (7,500 rural households) will directly benefit from the Project. In an average municipality of 34,000 people, about 50 percent (17,000 people) live below the poverty line. In this single municipality, livelihood activities would target about 1,000 persons, or 6 percent of the municipal poor. In the participating villages the poverty reduction impact is expected to be substantial, namely a reduction in poverty incidence of about 20 percent by Project completion. Appendix 6 provides a summary of the estimated poverty reduction impact.

### **2. Participatory Development Issues**

20. The Project employs participatory approaches at all levels and focuses on sustainable livelihood, supports only income generating activities with direct link to the IRPES, and builds on loan-financed project monitoring and impact assessment. The project provides capacity building for NGOs and POs, ensures proper selection and ownership through an independent screening of proposed activities, and directs funds flow to poor households. The Project concept was developed using participatory techniques and has a high level of ownership by the prospective implementation partners (i.e., NGOs, POs, LGUs, and DA). It will also empower the poor and their representatives (NGOs and POs) in the project area.

## **F. Risks and Assumptions**

21. Delayed project implementation is a perennial issue in nationally implemented projects in the Philippines. However, this risk will be minimized through partnerships with NGOs, POs, and LGUs. As access to IRPES-financed infrastructure is a precondition for participation in the Project, the beneficiaries and NGOs or POs that want to participate in the Project will put pressure on their LGUs to accelerate the process of availing of IRPES support. At the village level, NGOs and POs may find it difficult to exclude some of the poor from the Project.<sup>11</sup> However, detailed eligibility criteria, the participatory needs analyses, the requirement to link with the IRPES-financed infrastructure, and the poverty assessment will help mitigate this risk.

## **IV. RECOMMENDATION**

22. The President recommends that the Board approve ADB administering grant assistance to the Government of the Republic of the Philippines in an amount not exceeding the equivalent of \$2,800,000, to be financed by the Japan Fund for Poverty Reduction on a grant basis, for the purpose of the Sustainable Livelihood Project for the Poor in Southern Philippines.

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<sup>11</sup> Only about 45 percent of the poor can absorb sustainable livelihood projects. Other poor people require different support or interventions (such as social development, social assistance, empowerment, and assets) to reduce poverty.

**APPENDIXES**

<b>Number</b>	<b>Title</b>	<b>Page</b>	<b>Cited on (page, para.)</b>
1	Project Framework	7	1,1
2	Sample Livelihood Activities	8	2,7
3	Cost Estimates and Financing Plan	9	3,10
4	Project Structure	10	3,11
5	Eligibility and Evaluation Criteria	11	3,12
6	Estimated Poverty Reduction Impact	13	5,19

### PROJECT FRAMEWORK

Design Summary	Performance Targets	Monitoring Mechanisms	Assumptions and Risks
<b>Goal</b> Decreased poverty incidence in targeted areas	Poverty incidence in villages included in the Project decreases from 60 percent in 2000 to 40 percent in 2004	<ul style="list-style-type: none"> <li>• Project surveys</li> <li>• Municipal statistics</li> </ul>	
<b>Purpose</b> Increased and diversified household income	<ul style="list-style-type: none"> <li>• Annual household income in project areas increases by 50 percent and is sustained</li> <li>• Sources of household income are diversified</li> </ul>	<ul style="list-style-type: none"> <li>• Project surveys</li> <li>• Municipal statistics</li> <li>• Project completion reports</li> </ul>	<ul style="list-style-type: none"> <li>• No major natural calamity in the project area during project life</li> <li>• No major economic calamity</li> </ul>
<b>Components/Outputs</b> <ul style="list-style-type: none"> <li>• Sustainable livelihood</li> <li>• Capacity building for participatory learning</li> <li>• Project coordination and poverty impact monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Livelihood activities supported in about 250 villages</li> <li>• Two regionally-based NGOs contracted</li> <li>• NGOs and POs in project areas trained to develop, implement, and monitor livelihood projects</li> <li>• Project activities coordinated and poverty impact monitored by Infrastructure for Rural Productivity Enhancement Sector project office</li> </ul>	<ul style="list-style-type: none"> <li>• Project reports</li> <li>• Project reports</li> <li>• Project reports</li> <li>• Project reports</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficiently capable nongovernment organizations (NGOs) and peoples' organizations (POs) can be found in project area</li> <li>• Regional NGOs have sufficient capacity</li> <li>• Training programs provide adequate training to enable NGOs and POs</li> <li>• Department of Agriculture remains committed to the Project</li> </ul>
<b>Activities</b> <ul style="list-style-type: none"> <li>• Send letter of invitation to regional NGOs soliciting proposals and select two regional NGOs</li> <li>• Contact local NGOs and POs in subproject sites and invite proposals</li> <li>• Screen proposals for adherence to selection criteria</li> <li>• Design and implement local NGO and PO training programs</li> <li>• Select, finance, implement, and monitor livelihood activities</li> </ul>	<ul style="list-style-type: none"> <li>• Start: January 2001</li> <li>• Complete: March 2001</li> <li>• Responsibility: ADB and project office</li> <li>• Start: March 2001</li> <li>• Complete: October 2003</li> <li>• Responsibility: Project office</li> <li>• Start: March 2001</li> <li>• Complete: October 2003</li> <li>• Responsibility: Project office</li> <li>• Start: April 2001</li> <li>• Complete: December 2003</li> <li>• Responsibility: Regional NGO and project office</li> <li>• Start: May 2001</li> <li>• Complete: December 2003</li> <li>• Responsibility: Project office, NGOs, and POs</li> </ul>	<ul style="list-style-type: none"> <li>• Project reports</li> <li>• Asian Development Bank (ADB) review missions</li> <li>• Project reports</li> <li>• ADB review missions</li> <li>• Project reports</li> <li>• ADB review missions</li> <li>• Project reports</li> <li>• ADB review missions</li> <li>• Project reports</li> <li>• ADB review missions</li> </ul>	<ul style="list-style-type: none"> <li>• Regional NGOs have sufficient capacity</li> <li>• NGOs and POs are interested in and capable of participating in the project</li> </ul>

### SAMPLE LIVELIHOOD ACTIVITIES

During the regional consultations with nongovernment organizations, peoples' organizations, local government units, Department of Agriculture, and other stakeholders, potential livelihood activities that could be funded under the Project were developed and are summarized in Table A2.

**Table A2: Sample Livelihood Activities**

<b>General Category</b>	<b>Livelihood Project</b>
Intensive cultivation	Purchase of water buffalo to hasten land preparation Revolving fund to buy fertilizer that will increase coconut yield Shift to production of organically-grown rice or corn, which command higher prices In uplands, shift to the planting of fast-growing timber species or fruit trees Purchase of rice thresher, corn sheller, solar drier, etc. to improve product quality Purchase of abaca stripping machine for abaca cultivation in upland areas
Crop diversification	Intercrop with coconut tress, banana production, coffee, or bee keeping/sericulture Multicrop with upland rice/corn, temperate-types of vegetables, medicinal plants and herbs Cocoon/silk worm production
Crop-livestock/ Crop-fishpond	Aside from farming, goat raising, and other livestock production that can be managed by women or tribal communities With lowland and upland grains farming, complement with inland fish farming
Other agriculture-based activities	Organic fertilizer production to complement organic grains production Rubber seedling nursery Coconut pleat production Gemelina (a fast-growing timber species) saw mill Wood-based handicraft, paper, and furniture products Yam processing Small feed mill to complement corn production Salt making in coastal areas Ice plant to ensure longer life shelf of fish products Fish drying/preserving Purchase of fish mechanical drier Crab fattening Access to sea weed farming technology and simple processing
Food manufacturing	Meat preparation (sausage, meat paste, etc.), curing, preserving, canning, and halal preparation Dressing and packing of poultry Quick freezing of fruits, vegetables, and fish Drying, smoking, curing, cooking in brine of fish and marine products Fish sauce/paste production Processing (dried, preserved, frozen/chilled, etc.) fruits and vegetables Mixed condiments and spices Flour, starch, cereal products, pasta products, and snack products Biscuits, cookies, cakes, ice cream cones, and other baked products Milk, cream, and other dairy products Juiced, candied, pureed, chipped, and powdered fruits/vegetables Mineral water and carbonated and noncarbonated drinks
Clothes	Men's, boys', women's, girls', and babies' clothes, underwear, and accessories Embroidered/crochet parts of apparel under subcontract schemes Hats, gloves, handkerchiefs, neckwear, belts; anoraks, uniforms, night dresses, etc.
Paper and paper products	Handmade paper, recycled paper, and stationery, Paperboard, cartons, pouches, and box filers
Soap, toiletries	Shampoo, herbal soaps, loofah, etc.
Handicrafts and house wares	Dolls and accessories, other toys Baskets and basket work Pandán, buri palm, abaca place mats, rags, coasters, hot pads Artificial flowers, fruits, and foliage made of thin plastics Jewelry and imitation jewelry

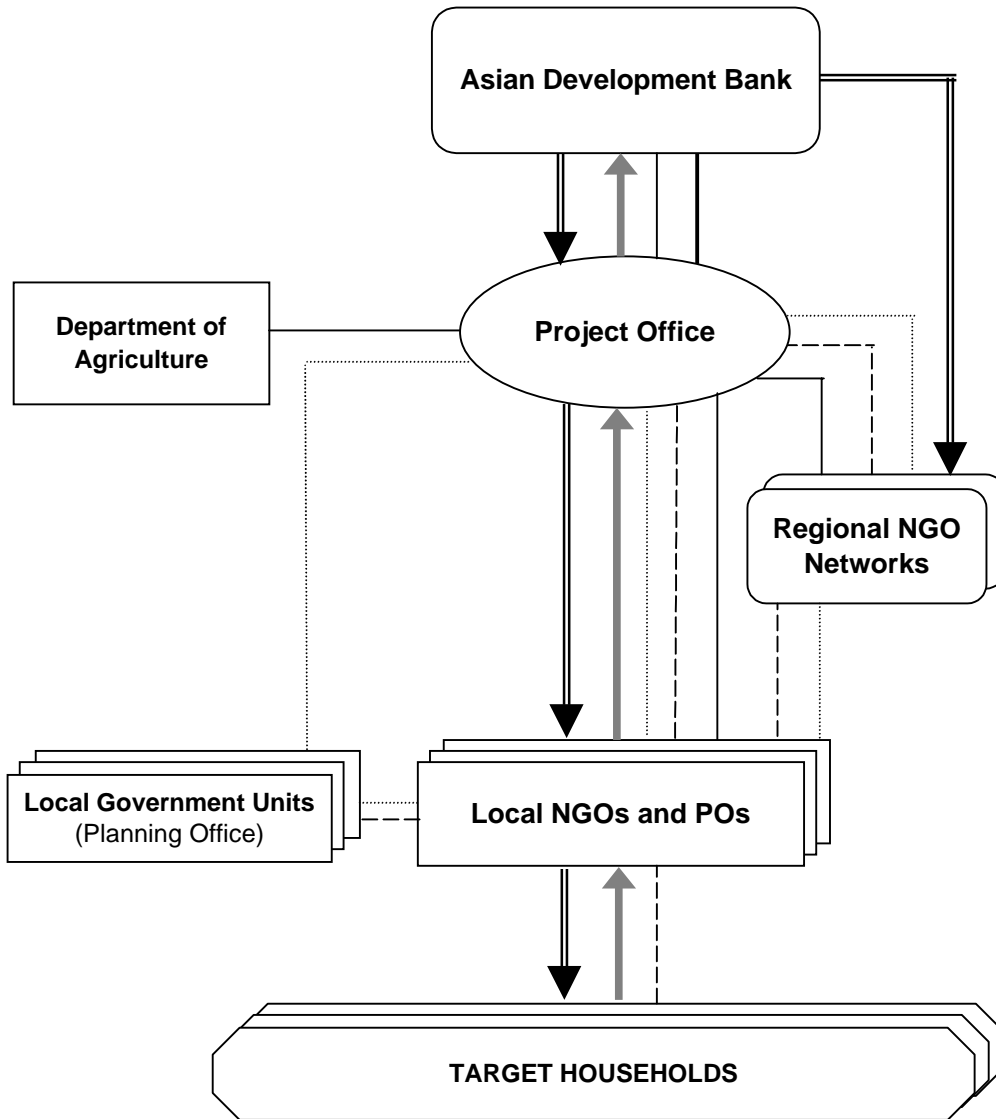
**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. JFPR Financing</b>			
1. Sustainable Livelihood			
a. Livelihood Activities	0.0	2,200.0	2,200.0
b. Administrative Costs for NGOs or POs	0.0	220.0	220.0
2. Capacity Building for Participatory Learning in Project Preparation and Administration	0.0	130.0	130.0
3. Contingency	150.0	100.0	250.0
<b>Subtotal (A)</b>	<b>150.0</b>	<b>2,650.0</b>	<b>2,800.0</b>
<b>B. IRPES Financing: Project Coordination, Poverty Monitoring, and Impact Assessment</b>			
	125.0	125.0	250.0
<b>Subtotal (B)</b>	<b>125.0</b>	<b>125.0</b>	<b>250.0</b>
<b>Total (A+B)</b>	<b>275.0</b>	<b>2,775.0</b>	<b>3,050.0</b>

IRPES = Infrastructure for Rural Productivity Enhancement Sector Project, JFPR = Japan Fund for Poverty Reduction, NGO = nongovernment organization, PO = peoples' organization.

Source: Staff estimates, developed in consultation with NGOs, POs, local government units, and Department of Agriculture.

**PROJECT STRUCTURE**



- Policy Guidance and Overall Management Direction
- Direct Administration and Supervision
- Technical Guidance and Assistance
- ..... Coordination
- Livelihood Project Proposal Flow
- Funds Flow

NGO = nongovernment organization, PO = peoples' organization.

## ELIGIBILITY AND EVALUATION CRITERIA

1. Livelihood projects that are proposed for funding under the Project will be screened based on eligibility criteria (for shortlisting proposals) and evaluation criteria (for final selection).

### A. Eligibility Criteria

2. The eligibility criteria are as follows: (i) the activity site should be within the selected municipalities of the Infrastructure for Rural Productivity Enhancement Sector Project (IRPES); (ii) the proposal is a sustainable income-generating activity and should clearly show its economic link to the IRPES rural infrastructure; (iii) a rapid poverty assessment that identifies the poor and their needs as well as the participatory design of the activity has been done; (iv) the implementing agency is a credible nongovernment organization (NGO), peoples' organization (PO), or local government unit (LGU); (v) the local government of the project site has concurred with the proposal; and (vi) the amount requested for the activity should not exceed \$300 per household, \$9,000 per village, and \$45,000 per municipality. Funding should go directly to poor households, but pooling of resources will be encouraged through memoranda of agreement between the beneficiaries.

### B. Evaluation Criteria

3. Eligible proposals will then be screened objectively and expeditiously on the basis of evaluation criteria. To standardize the assessment, weights are assigned to each of the evaluation criteria (Table A5). The evaluation sheet will be used by (i) the village council and the municipal planning office for recommending the suitability of the livelihood proposal, and (ii) by the project office to evaluate the proposal and recommend to the Asian Development Bank for approval.

4. **Targeting the Poor.** The proposal will provide a socioeconomic profile of the prospective beneficiaries, clearly stating who among the household members will be the actual participant(s) in the activity, their expected roles/tasks, and the extent of gender participation. The process of how the beneficiaries were identified and selected should be discussed in the proposal. The quality of the initial poverty assessment, including a problem analysis and proposed solutions will be taken into account.

5. **Addressing Income Poverty.** The proposal will clearly show the expected changes in the income of the beneficiaries with and without the activity. It will illustrate how the activity will enhance opportunities for beneficiaries to move out of poverty.

6. **Project Viability.** Four areas will be reviewed when considering the viability of the proposed activity: (i) a comparison of the expected costs and benefits of undertaking the activity, (ii) an assessment of the activity's cost recovery potential, (iii) an analysis identifying the benefits of the activity in terms of maximizing the use of or optimizing the returns from IRPES rural infrastructure, and (iv) an analysis of the environmental sustainability of the activity.

7. **Participatory Development Process.** The identification and design of the project must have been done in a participatory manner with the beneficiaries, the private sector, and the LGUs.

8. **Effective NGOs and POs.** The effectiveness of the NGO or PO will be assessed based on (i) its track record in managing income generating or other direct poverty reduction-related activities, (ii) the transparency and cost effectiveness of its planned operations, and (iii) the accountability and monitoring measures it will use.

9. **Counterpart Funding.** LGUs, NGOs, and POs that put up counterpart funds for the proposed activity will be assessed favorably.

10. **Approach.** The proposal will also be evaluated in terms of its innovative features as well as on its replicability.

**Table A5: Evaluation Sheet for the Selection of Livelihood Activities**

Criteria	Indicators	Weight (percent)	Scores (0-10)	Evaluation (weight x scores)
Targeting the poor	<ul style="list-style-type: none"> <li>Socio-economic profile of target beneficiaries and quality of initial poverty assessment, including problem analysis</li> <li>Process of identifying/selecting beneficiaries</li> <li>Extent of gender participation</li> </ul>	15		
Addressing income poverty	<ul style="list-style-type: none"> <li>Income effect with and without the activity</li> <li>Income-augmenting measures</li> </ul>	15		
Sustainability and viability	<ul style="list-style-type: none"> <li>Cost-benefit</li> <li>Cost recovery</li> <li>Economic link to IRPES</li> <li>Environmental sustainability</li> </ul>	18		
Participatory development process	<ul style="list-style-type: none"> <li>Participatory approach in activity identification &amp; design</li> <li>Ownership of the activity by beneficiaries</li> </ul>	12		
Effective NGOs and POs	<ul style="list-style-type: none"> <li>Track record in livelihood projects</li> <li>Transparency and cost effectiveness in operations</li> <li>Working relationship with beneficiaries</li> <li>Accountability measures</li> <li>Monitoring system</li> </ul>	15		
Counterpart funding	<ul style="list-style-type: none"> <li>From LGU</li> <li>From NGO or PO</li> </ul>	10		
Approach	<ul style="list-style-type: none"> <li>Innovative</li> <li>Replicable</li> </ul>	15		
Total		100		
Comments				
Recommendation				
Dates: Submission: Evaluation:	Signature Name: Position			

IRPES = Infrastructure for Rural Productivity Enhancement Sector Project, NGO = nongovernment organization, PO = peoples' organization.

### ESTIMATED POVERTY REDUCTION IMPACT

Area of Impact	IRPES	Sustainable Livelihood Project
Number of Poor People in the Philippines (total/rural; million)	26.3 / 19.1	
Poverty Incidence (total/rural; percent) <sup>a</sup>	35.7 / 51.2	
Population in the IRPES Area (million)	36.2	
Of Which are Poor (million)	18.1	
Number of Municipalities Covered under the Project	100	50
People Living in Participating Municipalities (million)	3.5	1.7
Of Which are Poor (percent)	51.2	51.2
Number of Villages Covered by the Project	1,200	250
People Living in Participating Villages (million)	2.7	1.7
Of Which are Poor (percent)	60	60
Number of People Benefiting from the Project ('000)	865	80
Of Which are Poor	428	80
Direct Beneficiaries	705	50
Indirect Beneficiaries	160	30
Estimated Poverty Reduction Impact ('000 people)	93	50
Estimated Poverty Reduction Impact (percent) <sup>b</sup>		
National Rural Poverty Level	35.7 → 35.6	35.7 → 35.7
Provinces Covered under the Project	49.9 → 49.6	49.9 → 49.7
Covered Municipalities	50.0 → 48.7	50.0 → 49.2
Covered Villages	60.0 → 48.9	60.0 → 40.0

IRPES = Infrastructure for Rural Productivity Enhancement Sector Project.

<sup>a</sup> If the national poverty line is applied the incidence of rural poverty is about 15 percent higher.

<sup>b</sup> Reduction in poverty incidence from 2000 to 2008 in the case of IRPES, and from 2000 to 2004 in the case of the Project.

Source: Staff estimates, based on national data and surveys.