

**ASIAN DEVELOPMENT BANK**

**TAR:PHI 37749**

**TECHNICAL ASSISTANCE**

**TO THE**

**REPUBLIC OF THE PHILIPPINES**

**FOR PREPARING THE**

**AGRARIAN REFORM COMMUNITIES PROJECT II**

**September 2004**

## CURRENCY EQUIVALENTS

(as of 1 September 2004)

Currency Unit	–	peso (₱)
₱1.00	=	\$0.0178
\$1.00	=	₱56.20

## ABBREVIATIONS

ADB	–	Asian Development Bank
ARB	–	agrarian reform beneficiary
ARC	–	agrarian reform community
ARCP	–	Agrarian Reform Communities Project
ARCP II	–	Agrarian Reform Communities Project II
ARZ	–	agrarian reform zone
CARP	–	Comprehensive Agrarian Reform Program
CBO	–	community-based organization
DA	–	Department of Agriculture
DAR	–	Department of Agrarian Reform
DENR	–	Department of Environment and Natural Resources
FAPsO	–	Foreign-Assisted Projects Office
IP	–	indigenous people
KALAHI	–	Kapit-Bisig Laban sa Kahirapan (Linked Arms Against Poverty)
LGU	–	local government unit
NIA	–	National Irrigation Administration
TA	–	technical assistance

## TA CLASSIFICATION

<b>Poverty Classification</b>	–	Core poverty intervention
<b>Sector</b>	–	Agriculture and natural resources
<b>Subsector</b>	–	Agriculture sector development
<b>Thematic</b>	–	Sustainable economic growth Inclusive social development Gender and development

## NOTES

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

This report was prepared by P. Spantigati.

## I. INTRODUCTION

1. The Government of the Philippines has requested the Asian Development Bank (ADB) for technical assistance (TA) to prepare the Second Agrarian Reform Communities Project (ARCP II). An ADB Mission from 2 June to 5 July 2004 reached understandings with the Government on the objectives, scope and components, cost estimates and financing plan, and implementation arrangements for the TA. The TA is included in ADB's country assistance program for the Philippines.<sup>1</sup> A preliminary project framework for the TA is in Appendix 1.

## II. ISSUES

2. In the Philippines, poverty is mainly a rural phenomenon. With poverty incidence over 40% in rural areas, and nearly 75% of the total poor living in rural areas, combating poverty and inequity draws immediate attention to the rural population, who depend for their income and livelihood on agriculture. The poorest are landless rural workers and small farmers. The Government has recognized that an important cause of poverty and underdevelopment is how land is used and controlled, and that asset reform is key for improving agricultural productivity. The Comprehensive Agrarian Reform Program (CARP), adopted in June 1988, aims to address the inequitable access to land and other productive resources and ultimately promote agrarian reform beneficiaries' (ARBs') welfare (Appendix 2). By providing farmers with land tenure, building social capital, providing access to basic rural infrastructure, and training farmers in agribusiness and rural enterprises, CARP helps agrarian reform communities (ARCs), which have among the lowest incomes and living standards, overcome poverty.

3. In the last decade the Government made substantial progress in implementing the CARP, particularly by supporting infrastructure and services, land tenure improvement, and institutional strengthening, with focus on the ARCs for integrated development and farm systems improvement through projects implemented principally by the Department of Agrarian Reform (DAR). DAR has mobilized foreign technical and capital assistance from multilateral organizations such as ADB, European Union, International Fund for Agricultural Development, United Nations Development Programme, and World Bank; and bilateral funders such as the governments of Belgium, Canada, Italy, Japan, Sweden, and United States to implement the series of ARCPs throughout the country. Despite this extensive support, only 62% of all CARP municipalities, 50% of all CARP barangays, 54% of all ARCs, and half of all ARBs have benefited from foreign assistance projects. Given the Government's limited resources, many ARCs have not been supported yet, and many ARBs' needs have, therefore, yet to be addressed.

4. **Impact of the Agrarian Reform Communities Project.** DAR is implementing the ARCP,<sup>2</sup> which aims at reducing poverty in about 165 ARCs in 35 eligible provinces, out of the total 1,646 ARCs nationwide, through provision of (i) rural infrastructure; (ii) land survey and titling; (iii) development support services for agricultural enterprises; and (iv) capacity-building for DAR, local government units (LGUs), and ARC organizations. The Project emphasizes a demand-driven approach, local good governance, and commitment by beneficiaries through a process of participatory needs assessment at the barangay level.

5. The ARCP has contributed significantly to enhancing the income and living conditions of ARBs, and to improve peace and order, particularly in the south. Comprehensive impact

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<sup>1</sup> The TA first appeared in *ADB Business Opportunities* (Internet edition) on 6 July 2004.

<sup>2</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Philippines for the Agrarian Reform Communities Project*. Manila. (Loan No. 1667-PHI: *Agrarian Reform Communities Project*, for \$93 million, approved on 18 December 1998, and a completion date of July 2005).

assessment studies conducted by DAR in 2003 showed that the CARP has improved rural living standards and income by developing rural communities and providing access to basic infrastructure.<sup>3</sup> However, land distribution has been relatively slow. While most of the targeted public land has been distributed, transfer of private land has been hampered by several problems, including the refusal of owners to part with their lands and the lack of documents to prove ownership. The ARCP is a rural development project that targets communities that have already benefited from the transfer of land. Therefore, although the broader issue of land distribution and its problems are of concern for the overall success of the CARP, the ARCP has been progressing satisfactorily, notwithstanding delays in transferring land.

6. **Lessons Learned.** The ARCP will be completed in December 2005. Its second phase will enable sustaining the momentum gained and optimize the impact of agrarian reforms. Drawing on the ARCP's success, three lessons and recommendations can guide the design of the second phase to maximize its impact and sustainability.<sup>4</sup> First, ARCP development assistance comes in the form of multicomponent packages, which include land survey and titling, rural infrastructure, livelihood development, support services, and institutional development. Livelihood support provided to ARCs in the form of social capital and livelihood development has proved important to ensure that ARBs can fully avail themselves of the opportunities provided by land ownership and improved rural infrastructure, and translate them into reduced poverty. Under its development support component, the ARCP has financed agriculture, rural enterprise, community and institutional development, and credit.

7. However, effectiveness of agriculture and rural enterprise development is limited when support and training are not adequately adapted to specific local needs, or enough attention is not paid to post-training adoption by ARBs of new technologies and skills acquired. Livelihood support has also shown to be often unsustainable unless assisted community based organizations (CBOs) have reached a maturity level that allows them to access on their own credit sources and markets for their livelihood products. Microcredit extended by the Land Bank of Philippines has not been always available to the extent requested by ARBs and their organizations. Increased attention will, therefore, need to be paid to building CBOs' capacity to a level of sustainable maturity; providing livelihood and agriculture support responding to local needs and demand; and maximizing outreach of microfinance services in ARCs and facilitating access by ARBs to microcredit from diversified sources.

8. Second, the ARCP has been targeting widely dispersed ARCs in a number of provinces, leading to higher costs and administrative difficulties in managing and supervising project activities and reduced development impact. To address this, DAR has in the last year developed the concept of agrarian reform zones (ARZs), and initiated a planning strategy of partnering with several adjacent LGUs to provide development support and management services to ARZs, which are now referred to as Kapit-Bisig Laban sa Kahirapan or Linked Arms against Poverty (KALAH) ARZs. The KALAH ARZ concept aims at supporting the KALAH national antipoverty program.

9. The DAR-KALAH ARZ development strategy is an interlocal and integrated development concept in implementing agrarian reform, aiming at the convergence of support services from various agencies and LGUs, and the expansion of outreach and coverage of assistance to additional ARCs and non-ARC barangays. DAR provincial offices will promote the clustering of ARCs in adjacent municipalities to form an ARZ. Integrated socioeconomic profiles are prepared with LGU and community participation, which become the basis for the ARZ development plan. The DAR-KALAH ARZ development will facilitate a geographic

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<sup>3</sup> Reyes, Celia A. 2003. Impact of Agrarian Reform on Poverty, Vol. 7 of *The Comprehensive Agrarian Reform Impact Assessment Studies*, Vols. 1–8. Manila: Department of Agrarian Reform.

<sup>4</sup> More information on the impact assessment of the CARP and ARCP is in Appendix 2.

concentration of interventions and an up-scaling of coverage, resulting in greater regional impact.

10. Third, LGUs' technical and fiscal capacities need to be improved. A more targeted geographic coverage, focused on ARZs, will allow the Project to significantly increase LGUs' capacities and to have strategic regional impact. A strategic regional context could also justify the provision of sufficient national counterpart funding to achieve equity in providing infrastructure to low-income provinces with high poverty incidence and to balance fiscal insufficiencies in poor LGUs.

11. Finally, the institutional arrangements for implementation and monitoring of the ARCP need to be rationalized. The existing arrangements provide for an excessive bureaucratic and layered approach to administration, involving a number of offices both at central and local government levels and resulting in high administration cost.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

12. The objective of the ARCP II is to reduce poverty by continuing support to the Government strategy for equitable distribution of rural wealth (agriculture land) and provision of rural infrastructure and income through ARC and KALAHI ARZ development. The purpose of the TA is to help the Government prepare an investment project as a follow-up to the ARCP.

13. The components of the ARCP II are expected to be similar to those of ARCP: (i) land surveying and titling; (ii) provision of rural infrastructure; (iii) provision of development support services; and (iv) project management and capacity building of DAR, LGUs, and ARC organizations. In each component, the TA will identify critically needed specific interventions in consultation with communities. The TA will also identify measures to ensure maximum effectiveness of the assistance provided for development support services and institutional development.

14. The selection of the ARCP II area will take into account the ARCP's achievements and support for the CARP from externally funded projects, as well as compliance of ARCs with selection criteria for assistance. However, in designing the Project, the lessons learned (see paras. 6-11) will be fully incorporated. In addition to ensuring sustainability of the ARCP sites, ARCP II geographic coverage is expected to cover new ARCs not yet assisted by the Government or foreign programs. The TA will formulate, in consultation with DAR, criteria for site selection, which identify (i) ARCP sites where ARCs have reached a high level of organizational and developmental sustainability that would justify their mainstreaming into DAR's regular program, and which, therefore, may be excluded from special external funding under the ARCP II; (ii) ARCP sites that need additional support under ARCP II to ensure sustainability of the gains achieved; and (iii) new ARCs demonstrating inter-LGU cooperation and interagency convergence that will result in efficient management and cost-effective provision of interlocal project components. In line with Government priorities and ADB strategy, selection of project sites will be confined to only a few provinces in the southern Philippines.

15. The TA will assess opportunities for the ARCP II to adopt the ARZ geographic focus concept developed by DAR, to maximize the development impact of project interventions and minimize management costs and difficulties arising from wide geographical dispersal of large project sites. If such approach is found appropriate, the TA will help DAR develop the criteria to prioritize and select ARZs to be assisted by the ARCP II, to cover the ARCs falling under the selection criteria. The TA will then determine the intervention package for each ARZ, which, when added up, will constitute the total project investment. In identifying ARCs and ARZs for

inclusion under the ARCP II, the TA will take into account management considerations, as well as local fiscal, governance and technical capacities, and recommend ways to overcome possible constraints.

## **B. Methodology and Key Activities**

16. The TA will start with a rapid review of the impact and lessons learned from the ARCP and other projects in support of the CARP under other foreign assistance, as well as a review of policies and legal issuances, programs, and sectoral analyses. The review will include the validation of the cost-effectiveness and efficiency of the ARC approach including on how to simplify and rationalize the advisory and oversight mechanism at LGU level, and assessment of the proposed methodology of clustering ARCs in ARZs. The review will examine strategies and activities carried out under the regular program of DAR and of the other line agencies involved in CARP implementation, to bring out best practices. Governance and implementation weaknesses, including coordination inefficiencies, will be examined, building on the lessons of the ARCP and other externally aided projects, to strengthen good governance safeguards. As part of the review, the TA will study the delays encountered by the land survey and titling process, to recommend institutional arrangements between DAR, Department of Environment and Natural Resources (DENR), and other stakeholders, to streamline the process.

17. Following the review, the TA will select ARZs that are clusters of ARCs within two or more adjacent municipalities. The TA team will agree with DAR and ADB on criteria for selection of project sites. On the basis of these criteria, the TA will determine the final potential sites, compiling their socioeconomic profiles and mapping the areas. A preliminary estimate is that the total ARCP II sites will have a combined population of some 30,000 ARB households (around 150,000-180,000 people). Agrarian reform will be implemented as a comprehensive development approach, rather than a sectoral concern, in consonance with the spirit of convergence of economic and social development support to ARBs.

18. The TA will then firm up the methodologies for specific component planning and evaluation, taking into consideration the local context. After the desk review and consultation with national program personnel of DAR, DENR, Department of Agriculture (DA), and oversight agencies, the TA will conduct a series of regional and local consultations and dialogues to generate feedback on ARCP implementation. Social aspects such as gender issues, women's and indigenous people's participation in the benefits of ARCP, and its poverty reduction impact will be analyzed, and measures to maximize social benefits as well as good governance safeguards will be built into the ARCP II design.

19. Site-specific component planning will be the basis for determining the cost of developing each site. Planning will be participatory and require the conduct of workshops attended by representatives from DAR local offices, LGUs, DA, DENR, and National Irrigation Administration (NIA); ARC leaders; and other stakeholders. The identified components will be subjected to feasibility analysis using indicators of financial and economic viability and of environmental and social soundness. The feasibility analysis will include an assessment of the technical and fiscal capacity of targeted LGUs and of their absorption capacity on the basis of local equity contribution requirements.

20. The TA will prepare the project implementation schedule and arrangements, set up fund-flow mechanisms (through the newly created Municipal Finance Corporation or other viable options), set up and staff the project management office, and design management systems, especially the planning system and monitoring and evaluation system (including project performance targets and indicators).

### **C. Cost and Financing**

21. The total cost of the TA is estimated at \$358,000 equivalent, of which \$95,000 is the foreign exchange cost and \$263,000 equivalent is the local currency cost. ADB will finance \$250,000 equivalent, consisting of \$95,000 in foreign exchange costs and \$155,000 equivalent of the local currency costs. The TA will be financed on a grant basis by ADB's TA funding program. The Government will finance the remaining \$108,000 equivalent of the local currency costs, and has assured the availability of counterpart services, facilities, and funds by the TA's expected commencement date. The Government has been advised that TA approval does not commit ADB to financing any ensuing project. Detailed cost estimates are in Appendix 3.

### **D. Implementation Arrangements**

22. DAR will be the TA's Executing Agency and, through its Project Development and Management Service and Foreign-Assisted Projects Office (FAPsO), will be responsible for overall TA administration and implementation. FAPsO will provide counterpart staff and office facilities for TA administration, and other administrative support services. Interagency coordination will be ensured by a TA steering committee to be chaired by the undersecretary for support services, which will meet periodically to review TA progress and reports, guide the consultants, and select target project sites. The committee will include representatives of relevant Government agencies such as the Department of Finance, National Economic Development Authority, Department of Interior and Local Government, Department of Budget and Management, DA, DENR, NIA, and Land Bank of the Philippines.

23. The TA will be implemented over 6 months by a team of one international (4 person-months) and seven domestic consultants (21 person-months). Their expertise will include agrarian reform and social development, rural development planning, rural infrastructure, agribusiness and rural enterprise development, microfinance, law, and environmental impact assessment and mitigation. A domestic consulting firm will be engaged by ADB in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers* using quality- and cost-based selection. The outline terms of reference of the consultants are in Appendix 4. Biodata technical proposals will be required from short-listed consulting firms.

24. The TA will be implemented in a fully participatory manner, and will seek active involvement and inputs from LGUs, microfinance institutions, CBOs, ARBs, and other stakeholders through participatory workshops and focus group discussions. ADB project staff will closely monitor the TA implementation through inception, midterm, and final review missions and regular communications. A summary initial social and poverty analysis is in Appendix 5.

25. Two weeks after the work starts, the consultant team leader will submit an inception report for discussion at a tripartite meeting with the Government and ADB. Within 3 months after the work starts, the team will submit an interim report containing the preliminary findings and recommendations, to be presented and discussed by the consultants at a workshop involving high-level representatives of the Government, LGUs, and ADB. A draft final report, to be discussed at the final tripartite meeting, will be submitted five months after the beginning of the TA study. The team leader will submit the final report incorporating the comments of the Government and ADB within one month of the date of the final tripartite meeting.

## **IV. THE PRESIDENT'S DECISION**

26. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$250,000 on a grant basis to the Government of the Philippines for preparing the Agrarian Reform Communities Project II, and hereby reports this action to the Board.

### PRELIMINARY PROJECT FRAMEWORK

Design Summary	Performance Indicators and Target	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>Reduce poverty and improve socioeconomic status of ARBs in selected ARCs</p>	<p>Raise household income by 35% in targeted ARCs</p> <p>Increase farm and nonfarm employment by 40% in targeted ARCs</p>	<p>PPMS reports, benefit M&amp;E reports</p> <p>Project completion reports</p> <p>Impact assessments, family income and expenditure surveys</p> <p>National statistics</p>	
<p><b>Purpose</b></p> <p>Increase sustainable agricultural production and income in targeted ARCs</p> <p>Provide agribusiness jobs</p> <p>Improve access to potable water</p> <p>Improve access to infrastructure</p> <p>Provide sustainable support services</p> <p>Establish sustainable and effective CBOs</p>	<p>Crop yields increased by 15%</p> <p>Livestock production increased by 20%</p> <p>High-value crops adopted by 50% of beneficiaries</p> <p>Potable water made accessible to 100 barangays</p> <p>Transport and handling cost reduced by 30%</p> <p>All targeted ARCs have active CBOs</p> <p>At least 75% of LGUs meet their counterpart requirements for rural infrastructure maintenance</p>	<p>PPMS reports, benefit M&amp;E reports</p> <p>Project progress reports</p> <p>Impact assessments</p> <p>National statistics</p> <p>Income classification and revenue collection of targeted municipalities</p> <p>Project completion report</p>	<p>Natural disasters</p> <p>LGU counterpart constraints</p> <p>Unfavorable farm-gate prices</p> <p>Negative impact of new technologies</p> <p>Poor maintenance of infrastructure</p> <p>CBO and cooperative failure</p> <p>Sustainable ARC development and mainstreaming of ARCs into regular LGU and Government programs</p>

ARB = agrarian reform beneficiary; ARC = agrarian reform community; CBO = community-based organization; LGU = local government unit; M&E = monitoring and evaluation; PPMS = project performance monitoring system.

## THE COMPREHENSIVE AGRARIAN REFORM PROGRAM

1. The challenge of combating poverty and inequity in the Philippines draws immediate attention to some two thirds of the population who live in the rural areas and who depend for their income and livelihood on agriculture. The poorest are the landless rural workers and small cultivators, while the less poor are rice and livestock farmers; people with access to land, farm-to-market roads, marketing, and small irrigation schemes; and those living in areas with good access to social and municipal services provided by local government units (LGUs). The Government has recognized that an important cause of poverty and underdevelopment is how land is used and controlled. Legislative efforts to change this situation go back to 1936, with the most recent effort being the 1988 Comprehensive Agrarian Reform Program (CARP).
2. Agrarian reform is considered key to rural development because of its envisioned socioeconomic impact on poor farmers through increased productive assets and empowerment. Despite their slow growth, agrarian reform programs have moved from mere land redistribution from the 1930s to the 1970s, to the comprehensive program that brought about not only the distribution of private and public lands but also the convergence of physical, economic, social, technology, and institutional support to agrarian reform beneficiaries (ARBs).
3. The Department of Agrarian Reform (DAR), the lead agency implementing the CARP, adopted and introduced in 1993 an area-focused community-based strategy to delineate and organize agrarian reform communities (ARCs) in key provinces. An ARC is a barangay or a cluster of barangays where at least 50% of households are headed by an ARB. As of March 2004, the country had 1,606 ARCs (1,646 ARCs, including those in the Autonomous Region of Muslim Mindanao) in 1,163 municipalities, with 1.04 million ARBs.
4. The ARC development strategy has eight major components: (i) ensuring land tenure security; (ii) building community organizations; (iii) providing basic infrastructure; (iv) enhancing agricultural productivity; (v) building agro-industries; (vi) enhancing women's participation; (vii) integrating environmental concerns; and (viii) providing social services and facilities.
5. Comprehensive impact assessment studies conducted by DAR in 2003 showed that the CARP helped raise rural living standards and level of development. The CARP transformed land ownership by increasing farm size, and effecting a shift from predominantly share tenancy to full ownership by farmers. Living standards increased significantly more in rice and corn lands in ARCs than in non-ARCs. During 1990-2000, average overall annual incomes of ARBs almost doubled from ₱49,594 to ₱98,653. Farm income increased on average from ₱36,246 to ₱67,761 (+87%), while annual off-farm income decreased slightly from ₱7,555 to ₱6,878. Nonfarm income also increased significantly, from ₱28,780 to ₱49,419 (+72%).<sup>1</sup>
6. Access roads have significantly improved mobility of farm products and people. Concrete farm-to-market roads are generally in good condition and maintained by LGUs. Water supply is available in most ARC barangays. Social and institutional strengthening services have also made an impact. Most ARCs have community-based organizations (CBOs), although these are sometimes beset by management problems. The CARP has improved peace and order. Gender is one area that shows discernible progress: many women have assumed local leadership roles such as membership in barangay councils, or serve as barangay and CBO

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<sup>1</sup> Reyes, Celia A. 2003. Impact of Agrarian Reform on Poverty, Vol. 7 of *The Comprehensive Agrarian Reform Impact Assessment Studies*, Vols. 1–8. Manila: Department of Agrarian Reform.

officials. Women attend skill seminars and pursue livelihood activities or work in cooperative ventures.

7. However, land distribution was relatively slow. In 1972-1987, 755,172 hectares (ha) were distributed to 440,239 farmers, who increased to 898,420 in the following 5 years. In 1992-1998, 2.6 million has. of mainly public lands were distributed to 182,762 farmers. By 2000 a total of 4.7 million has. had been distributed. In 2001-2003, 313,778 additional has were distributed to 215,636 farmers. For 2004-2008, the Government targets redistribution of the remaining 800,000 has at an estimated 200,000 has. per year.

8. In the last decade substantial foreign assistance has been provided for the CARP, particularly to support infrastructure and services, land tenure improvement, and institutional strengthening. Focus has been on the ARCs, where planning and implementation for integrated development and farm systems improvement have been the guiding principles. Providers of direct development assistance included multilateral organizations such as the World Bank, Asian Development Bank, International Fund for Agricultural Development, European Union, and United Nations Development Programme; and bilateral funders such as the governments of Belgium, Canada, Italy, Japan, Sweden, and United States. However, despite the extensive support provided, only 62% of all CARP municipalities, 50% of all CARP barangays, 54% of all ARCs, and half of all ARBs have benefited from foreign assistance projects. Their distribution in the three island groups is shown in Table A2.

**Table A2: Foreign Support to CARP**

Item	CARP	Supported by Foreign Assistance				
		Total		Luzon	Visayas	Mindanao
		No	%			
Municipalities	1,163	718	62	269	163	286
Barangays	40,263	20,331	50	8,485	5,003	6,843
ARCs	1,646	886	54	304	197	385
Barangays with ARCs	6,761	3,364	50	1,298	809	1,257
ARBs	1,044,076	496,323		201,600	107,618	187,109

ARC = agrarian reform community; ARB = agrarian reform beneficiary; CARP = Comprehensive Agrarian Reform Program; No. = number.

Source: Department of Agrarian Reform.

9. DAR is implementing the Agrarian Reform Communities Project (ARCP),<sup>2</sup> which aims at reducing poverty in about 165 ARCs<sup>3</sup> (of which 152 are provided with rural infrastructure support) in 35 eligible provinces, out of 1,646 ARCs nationwide, through provision of (i) rural infrastructure; (ii) land survey and titling; (iii) development support services for agricultural enterprises; and (iv) capacity building for DAR, LGU, and ARC organizations. The project emphasizes a demand-driven approach, local good governance, and commitment by beneficiaries through a process of participatory needs assessment at the barangay level. The ARCP has significantly reduced poverty and improved peace and order, particularly in the southern Philippines.

<sup>2</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Philippines for the Agrarian Reform Communities Project*. Manila. (Loan 1667-PHI: *Agrarian Reform Communities Project*, for \$93 million, approved on 18 December 1998, and a completion date of July 2005).

<sup>3</sup> The ARCP's original target was 140 ARCs.

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

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	90,000	0	90,000
ii. Domestic Consultants	0	102,000	102,000
b. International and Local Travel	5,000	10,000	15,000
c. Reports and Communications	0	5,000	5,000
2. Workshops	0	15,000	15,000
3. Miscellaneous Administration and Support Costs	0	3,000	3,000
4. Contingencies	0	20,000	20,000
<b>Subtotal (A)</b>	<b>95,000</b>	<b>155,000</b>	<b>250,000</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0	41,000	41,000
2. Remuneration and Per Diem of Counterpart Staff	0	46,000	46,000
3. Others	0	21,000	21,000
<b>Subtotal (B)</b>	<b>0</b>	<b>108,000</b>	<b>108,000</b>
<b>Total</b>	<b>95,000</b>	<b>263,000</b>	<b>358,000</b>

<sup>a</sup>Financed by Asian Development Bank's technical assistance funding program (\$250,000 equivalent).  
Source: Mission estimates.

## OUTLINE TERMS OF REFERENCE

### A. Introduction

1. The technical assistance (TA) will be implemented by a team of international (4 person-months and domestic consultants (21 person-months). The consultants will have expertise in agrarian reform policy and institutional development, rural development, agribusiness and economic development, legal issues relating to land survey and titling, social and institutional development, microfinance, and environment, among others. The consultants will help the Government prepare the Agrarian Reform Communities Project II (ARCP II) to reduce poverty among agrarian reform beneficiaries (ARBs).

2. The consultants will use a participatory approach to identify project sites, design measures to maximize poverty reduction and social impact, and plan project activities and investments. The consultants will involve potential beneficiaries and incorporate stakeholders' views, ensure active participation and inputs by the Department of Agrarian Reform (DAR) and other line agencies and local government units (LGUs) involved in implementing the Comprehensive Agrarian Reform Program (CARP). Data, project concepts and strategies, lessons learned, and institutional and policy recommendations from previous and ongoing projects such as the ARCP<sup>1</sup> and projects financed by other external assistance (European Union, International Fund for Agricultural Development, Japan Bank for International Cooperation, World Bank, other bilateral support) will provide important inputs for the TA.

### B. Terms of Reference for Consultants

1. **Agrarian Reform and Social Development Expert** (international, 4 person-months)

3. The expert, with international experience in agrarian reform and social impacts and benefits of other agrarian reform approaches and implementation, will:

- (i) Review the CARP's ARC approach and compare it with approaches in other countries, to validate its cost-effectiveness and efficiency. Validate the agrarian reform zone (ARZ) methodology proposed by DAR to simplify management and reduce implementation costs.
- (ii) Prepare a socioeconomic profile and poverty assessment of targeted families in the ARCP II sites, or households affected by the Project. Assess the level of poverty and status of empowerment of women in ARCs and identify interventions for improving their development roles and capacities. Take stock of various documents and information on the impact on women of CARP and agrarian reform in other countries during the gender analysis. Prepare a gender action plan and guidelines to enhance women's role and to design training programs to maximize the economic and social benefits for women.
- (iii) Assess the extent to which the Project will affect indigenous people (IP). Prepare guidelines to maximize participation of IP in ARCs, including an IP poverty reduction plan and, if necessary, an IP framework consistent with the overall project objectives and in line with ADB's policy on IP.
- (iv) Evaluate the potential displacement of rural residents and property, assets, and income as a result of infrastructure construction in project areas, and assess the

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<sup>1</sup> ADB. 1998. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Republic of the Philippines for the Agrarian Reform Communities Project*. Manila. (Loan 1667-PHI: Agrarian Reform Communities Project, for \$93 million, approved on 18 December 1998, and a completion date of July 2005).

- importance of resettlement and land acquisition. Prepare an involuntary resettlement framework, in line with ADB's Policy on Involuntary Resettlement.
- (v) Assess the opportunity to support postconflict communities as well as conflict areas, and provide related recommendations.
  - (vi) Review CARP documents and lessons learned in previous interventions to strengthen the support for developing community-based organizations (CBOs). Assess the performance of farmers' cooperatives in ARCP areas as well as those in other rural development assistance projects in terms of membership base, capital build-up, development activities, leadership and empowerment, socioeconomic benefits, access to credit, and growth indicators.
  - (vii) Assess the level of participation of ARBs and the potential for sustainability of people's participation. Conduct a capacity development needs assessment for participating CBOs and define adequate capacity-building programs.
  - (viii) Conduct site-specific analysis of ARBs and ARC residents in the Project, whether at the planning stage, implementation, or monitoring and evaluation.
  - (ix) Help the legal expert and team leader strengthen good governance safeguards based on participatory monitoring and supervision.
  - (x) Prepare guidelines for participatory planning, and benefit monitoring. Identify indicators of participation and progress of community organizational development.

## **2. Rural Development Specialist/Team Leader (domestic, 6 person-months)**

### **4. The specialist will do the following:**

- (i) Coordinate all TA tasks and activities, and consolidate inputs of the TA team members. Take lead responsibility in preparing TA reports and ensuring timeliness of consultants' deliverables.
- (ii) Review records and reports on CARP implementation, under the regular DAR program and under foreign-assisted projects. Analyze the identified bottlenecks, and their causes and effects on implementation of key CARP components.
- (iii) Review institutional capacity and governance issues that may have affected the success of the CARP, and design measures to be supported under the institutional capacity and project management components.
- (iv) Carry out an institutional analysis comprising (a) identification of alternative institutional arrangements to the ARC approach and clustering of ARCs in ARZs; (b) analysis of each alternative and how it can address coordination failures at various levels of DAR and other line agencies; (c) assessment of how clustering of ARCs can reduce transaction costs vis-a-vis other alternative institutional arrangements; and (d) assessment of DAR's delivery of support services to prevent overlapping of functions with the Department of Agriculture (DA), which could lead to duplication of efforts and resources.
- (v) Together with the international agrarian reform and social development expert and DAR review, refine, and finalize the criteria for selection of ARCP II sites, and recommend the final list of project sites. Confirm cost-effectiveness and efficiency of the ARC approach. Validate the DAR pilot strategy of ARZs.
- (vi) Together with the other team members, conduct regional and provincial consultation workshops as well as barangay consultations in a sample of ARCs, focusing on socioeconomic assessment, social development and institutional strengthening activities, LGU contribution and assistance, convergence of other support agencies, and CBO involvement.
- (vii) Finalize, with support from other specialists, (a) the project design and activities, costing the various investment components and consolidating them into a total investment package; and (b) the terms of reference of the consultants expected to be recruited under the ensuing loan, terms of reference, and consultants'

expertise will follow a matrix approach, identifying problem areas, tasks, and activities envisaged, and expertise needed.

- (viii) Finalize with DAR project implementation arrangements. Review structure, staffing, and financial requirements of the existing organization and management of the ARCP, and compare the cost-effectiveness to that of other foreign-assisted projects with a similar scale of investment. Analyze the effectiveness of the systems to manage finance; procurement; planning; monitoring and evaluation; and specific components.
- (ix) Help ADB and DAR develop the (a) project framework, (b) project performance monitoring system, and (c) list of procurement packages.
- (x) Review the agricultural resource structure of each project site and how it affects the distribution of income and wealth among the social groups in the project site, with emphasis on its relevance to ARBs and vulnerable groups such as poor women, IPs, and youth and children.
- (xi) Analyze the risk, if any, of interception by the less poor of improvements in production and other project benefits, resulting in exclusion of the intended project beneficiaries.

### **3. Rural Infrastructure Specialist** (domestic, 5 person-months)

5. The expert will do the following in the targeted ARCs:

- (i) Validate the sites of proposed rural infrastructure. Assess the basic rural and social infrastructure needs and realistically estimate the total investment requirement for the component. Assess the opportunity to include, compared with ARCP activities, additional types of infrastructure for possible support, such as postharvest facilities, and small power generators and distribution lines.
- (ii) Review and strengthen ARCP procedures to identify, prepare, appraise, and prioritize specific infrastructure subprojects, including a realistic checklist.
- (iii) Assess the capability and performance of ARBs and LGUs with regard to planning, construction, and maintenance of rural infrastructure facilities, and recommend ways to improve their capability.
- (iv) Prepare feasibility studies of infrastructure components for at least three ARZs.
- (v) Develop proposals for an implementation mechanism that will actively involve LGUs and ARBs in planning, implementation, and management of infrastructure subprojects to ensure adequate operation, maintenance, and sustainability. A mechanism for cost recovery, if applicable, will form part of the proposal.
- (vi) Update unit costs of proposed infrastructure, specifying local and foreign costs, estimated taxes and duties, price escalation, and physical contingencies in accordance with ADB practices. Prepare, with the economic and financial specialist, the overall cost estimates for the rural infrastructure component.

### **4. Agribusiness and Rural Enterprise Development Specialist** (domestic, 3 person-months)

6. The expert will do the following:

- (i) Prepare an agricultural profile of agrarian reform areas in each proposed ARZ, focusing on major crops produced, production technologies, yield levels, market system, income of farmers. Identify activities that can be supported through the convergence of support services from DA, Department of Environment and Natural Resources (DENR), Department of Science and Technology, other line agencies, academic institutions, and private sector organizations.
- (ii) Conduct local consultations to determine opportunities for agribusiness activities and rural enterprises that can be undertaken by ARC cooperatives. Identify related marketing aspects, and needs for support.

- (iii) Prepare a menu of training and skill development activities, to support ARC agricultural and enterprise development, which may be adopted by LGUs and DAR local offices. Prepare guidelines for LGUs and DAR officers to ensure that the training is fully responsive to local characteristics and needs, and that ARBs participate in determining the content of support.
- (iv) Work with the microfinance specialist to identify how to best address difficulties in accessing microfinance services.

**5. Economic and Financial Specialist** (domestic, 3 person-months)

7. The expert will do the following:

- (i) Prepare economic and financial models for farm, off-farm, and nonfarm livelihood of representative farm households that have high potential for development in ARCs. Assess market potential and marketing constraints of proposed models. Identify the need for credit (if any) and demonstrate financial viability and sustainability of activities proposed, and their impact on return on family labor.
- (ii) Prepare income statements and financial cash-flow models and identify credit needs of representative cooperative enterprises to demonstrate the financial viability and sustainability of proposed cooperatives' activities to be financed.
- (iii) Establish the required socioeconomic benchmark parameters for use in monitoring project progress and evaluating project impact at the input-output level, and project socioeconomic and environmental impact levels.
- (iv) For at least three typical but distinct ARZs, present benefits and costs of the components and their viability, and compare them with alternative household activities. Prepare an economic and financial analysis of these model ARZs using ADB's *Guidelines for the Economic Analysis of Projects* and the methodologies and formats of the National Economic Development Authority Interagency Coordinating Committee.
- (v) Help the team leader draw up a detailed project implementation plan, including loan disbursements and flow of funds (taking into account recent Government developments and the creation of the Municipal Development Corporation). Prepare a framework for project monitoring and evaluation survey formats.
- (vi) Present the impact of the incremental recurrent expenditure at the end of the disbursement period on the national Government and LGU budgets and assess their financial sustainability. Identify potential sources of cost recovery.
- (vii) For a few representative LGUs (in at least the three model ARZs), analyze their capability for equity participation based on their internal revenue allocation, other incomes, annual expenditure, and debt service obligation.
- (viii) Prepare detailed cost estimates, broken down by project component and in foreign exchange and local currency costs, and a financing plan for the Project, using the COSTAB<sup>2</sup> software package to prepare, among others, cost tables and loan disbursement projections.
- (ix) Carry out a sustainability analysis comprising (a) an assessment of how operation and maintenance costs of rural infrastructure facilities can be covered, including the feasibility of collecting user fees; (b) institutional sustainability analysis for ARC organizations, especially after project completion; and (c) mechanisms to ensure accountability of service providers (i.e., CBOs, contractors, consultants, and project staff) to beneficiaries.

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<sup>2</sup> Costab is a computer software program that helps financial analysts, project economists, and project engineers estimate project costs. Costab, developed originally by the World Bank to improve the efficiency and effectiveness of project work, is now widely used in ADB. Costab is a new version created by ADB in early 2002. It meets ADB's standards for calculating charges for interest, front-end fee, and commitment fees incurred during project implementation.

**6. Microfinance Specialist** (domestic, 1 person-month)

8. The expert will do the following:

- (i) Review and analyze credit assistance projects to understand why small credit programs for farmers perform poorly.
- (ii) Study the constraints on credit, and other problems of agribusiness development and identify innovative arrangements to counteract these constraints.
- (iii) Identify alternative channels of microfinance services (Land Bank of the Philippines, rural banks, microfinance CBOs, and other potential sources of credit) for easy access from target ARBs and their cooperatives. Review existing products, and requirements for credit assistance to ARC cooperatives.
- (iv) Design microfinance facilitation activities to help ARB households prepare simple bankable plans, access microfinance, and obtain credit.

**7. Legal Expert in Land Tenure** (domestic, 2 person-months)

9. The expert will do the following:

- (i) Analyze the legal aspects of the CARP, including a review of its case-flow management, timelines required to prepare cases, number of hearings, etc. to determine where capacity shortfalls may be backstopped by contracting legal research or outsourcing legal services to private firms to expedite cases, as well as improve the win record.
- (ii) Review the experience of the ARCP's land survey and titling component and analyze the legal impediments experienced; and all documents relevant to the evolution of agrarian reform laws and current programs and targets of land tenure transfers (particularly during ARCP II).
- (iii) Help the team leader review institutional capacity and governance issues that may have affected the success of the CARP, and design measures to be supported under the institutional capacity and project management components.
- (iv) In close consultation with DENR and other agencies, design the land survey and titling component, taking into account the characteristics of target project sites, and recommend ways to overcome poor progress in the component.

**8. Environment Specialist** (domestic, 1 person-month)

10. The expert will do the following:

- (i) Conduct project site visits and local consultations to review environmental data and assess the potential environmental impact of the ARCP II components.
- (ii) Complete a comprehensive environmental assessment consistent with Government regulations and guidelines as well as *Environment Policy* and *Environmental Assessment Guidelines*, covering (a) initial screening of proposed project areas to determine if they cover ecologically sensitive areas or if these are intended as nature reserves; (b) initial environmental examination of proposed project activities, in accordance with the ADB format, considering the critical parameters for project environmental review, and recommendation of measures to avoid negative impacts; and (c) recommendations, if environmental issues are identified, on additional environmental studies and recategorization of the Project and preparation of a full environmental impact assessment report.
- (iii) Prepare guidelines for an environmental impact assessment of the rural infrastructure and develop recommendations and checklists that will eliminate or minimize any adverse environmental effects.
- (iv) Develop indicators for monitoring and reporting the environmental impact and the effectiveness of mitigation measures.

## INITIAL POVERTY AND SOCIAL ANALYSIS (IPSA)

### A. Linkages to the Country Poverty Analysis

<b>Is the sector identified as a national priority in country poverty analysis?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No	<b>Is the sector identified as a national priority in country poverty partnership agreement?</b>	<input checked="" type="checkbox"/> Yes  <input type="checkbox"/> No
<p><b>Contribution of the sector or subsector to reduce poverty in the Philippines:</b>          The fundamental goal of the Comprehensive Agrarian Reform Program (CARP) is to equitably distribute access to land and other productive resources and, ultimately, promote the people's welfare. In the Philippines, poverty is mainly a rural phenomenon. With a poverty incidence of more than 40% in rural areas, where nearly 75% of all the poor live, combating poverty and inequity draws immediate attention to the rural population, who depend for their income and livelihood on agriculture. The poorest are landless rural workers and small cultivators. The Government recognizes that an important cause of poverty and underdevelopment is how land is used and controlled, and that asset reform is key for improving agricultural productivity. By providing land tenure, building social capital, providing access to basic rural infrastructure, and training people in agribusiness and rural enterprises, the CARP helps agrarian reform beneficiaries (ARBs), who are among the poorest of the country's population, overcome poverty and improve their welfare.</p>			

### B. Poverty Analysis

**Proposed Poverty Classification:** Core Poverty Intervention

<p><b>What type of poverty analysis is needed?</b></p> <p>The project preparatory technical assistance will assess the requirements of ARBs and other families living in agrarian reform communities (ARCs) for financial and technical assistance in the Agrarian Reform Communities Project II (ARCP II) interventions, particularly in building social capital and community organizations, training in agribusiness and rural enterprises, developing rural infrastructure, and analyzing the feasibility of proposed strategies and activities in poverty reduction. The TA will ensure that the project framework will allow for interventions and monitoring mechanisms to improve human development, including income, nutrition, and general social welfare. A poverty analysis will be undertaken to estimate the expected impact of the Project on poor ARCs, other stakeholders (including nongovernment organizations, community-based organizations [CBOs], cooperatives, and other local groups), and government agencies, particularly provincial and municipal governments. The analysis will evaluate the distribution of project benefits and impact across various income groups, and estimate the distribution of project effects on the poor, as outlined in ADB's <i>Handbook for Integrating Poverty Impact Assessment in the Economic Analysis of Projects</i>.</p>
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### C. Participation Process

<p><b>Is there a stakeholder analysis?</b>      <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>During the review of ongoing and completed agrarian reform projects, the consultants will identify and consult with all stakeholders and determine the characteristics, roles, and functions of the target groups. In particular, the consultants will undertake a participatory rapid appraisal or similar approaches to gather background information on the ARBs and other communities living in ARCs, meet with key individuals and local groups, and engage in dialogue to identify rural development needs and constraints. The outcome of the analysis will form the basis for proposing selection criteria for inclusion of project sites, and for identifying project interventions.</p>
<p><b>Is there a participation strategy?</b>      <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>The TA will be implemented in a fully participatory manner. The consultants will organize and conduct a series of stakeholder workshops and focus group discussions at the national and project site level during TA implementation to solicit stakeholder inputs to assess the situation, impact of the ARCP, and design of project strategy and specific activities for incorporation in the ARCP II.</p>

**D. Gender Development**

<p><b>Strategy to maximize impacts on women:</b>  Gender-disaggregated data will be collected during the stakeholder workshops and TA implementation, using the ARCP database and baseline surveys. The potential role of women in the ARCP II will be emphasized, especially in agribusiness and rural enterprise development and management, and strengthening of existing or creation of new cooperatives and CBOs. The TA will ensure that women are provided equal opportunities in training and microenterprise development.</p>
<p><b>Has an output been prepared?</b>      <input checked="" type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>A gender plan will be prepared by the consultants as part of project design. The gender plan will be based on a prior assessment of gender issues in the selected project sites and include specific interventions and activities to address identified gender issues.</p>

**E. Social Safeguards and other Social Risks**

Item	Significant/ Not Significant/ None	Strategy to Address Issues	Plan Required
<b>Resettlement</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Some small rural infrastructures may involve minor land acquisition and resettlement. Consultants and stakeholders workshops will assess involuntary resettlement issues, and prepare an involuntary resettlement framework.	<input type="checkbox"/> Full <input checked="" type="checkbox"/> Short <input type="checkbox"/> None
<b>Affordability</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Minor land acquisition is expected, and that will be counted as part of the local government unit (LGU) contribution vis-a-vis national counterpart contribution. As LGUs will have to provide a minimum percentage of equity, IR financing will not change overall affordability for LGUs.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Labor</b>	<input checked="" type="checkbox"/> Significant <input type="checkbox"/> Not significant <input type="checkbox"/> None	In designing and implementing rural infrastructure and other livelihood support, the Project will maximize generation and employment of local labor.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Indigenous Peoples</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None	Some ARCs may cover indigenous peoples (IP) areas. Consultants and stakeholder analysis will identify IP issues, and prepare, if appropriate, an IP plan.	<input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Other Risks and/or Vulnerabilities</b>	<input type="checkbox"/> Significant <input checked="" type="checkbox"/> Not significant <input type="checkbox"/> None		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No