



Republic of the Philippines
DEPARTMENT of AGRARIAN REFORM

Memorandum Circular

No. 08

Series of 2002

Subject : Decentralized Implementation of the DAR-NLSF Livelihood Credit Assistance Program (LCAP)

I. BACKGROUND/RATIONALE:

The Livelihood Credit Assistance Program (LCAP) is a joint undertaking between the Department of Agrarian Reform (DAR) and the National Livelihood Support Fund (NLSF). Its concept revolves around the provision of credit funds to accredited conduits of program partners, who in turn extends direct micro credit assistance to ARB household members in ARCs to finance their livelihood activities. Under the Program, NLSF provides the funds for microcredit while the DAR provides institutional development interventions in the agrarian reform communities (ARCs).

The program has the following key features: a) micro-credit for livelihood enterprises availed by the agrarian reform beneficiaries in the ARCs and non- ARCs through program conduits; b) capacity building interventions for selected end-beneficiaries, conduits and program implementors on microfinance and enterprise development; and c) savings generation scheme for end-beneficiaries.

LCAP, with a national coverage, has been implemented for almost 5 years (1997-2002). As of June 2002, the total project beneficiaries' availments have reached 22,016 covering 173 ARCs in 33 provinces in 13 regions. In spite of these accomplishments, the Program is faced with the challenge of responding to the increasing requirements of the ARB households for livelihood credit utilized for sustaining themselves or for augmenting their income and the huge opportunity for the program to promote social enterprise establishment as well as entrepreneurial capabilities development for ARBs.

Moreover, based on the agreements reached in the DAR management committee and executive committee meetings, it was decided that the operationalization of LCAP be decentralized to achieve greater participation and involvement of the program players at the field offices. This is to align with the Bayan-anihan strategy being adopted by the DAR as the implementation framework in the Comprehensive Agrarian Reform Program (CARP) geared towards the fulfillment of the program's objective of transforming the countryside into vibrant, self-sustaining and progressive rural communities. As such, the National Livelihood Support Fund (NLSF) and the DAR field offices can directly draw out mechanisms towards a more effective and responsive program implementation.

Given these developments, the program's implementation is being accelerated and strengthened by adopting strategies that will make its operations viable, facilitate the

attainment of a wider program reach, and empowering the field offices in designing the program based on the needs of their ARB constituency. The regional and provincial offices are provided with the opportunity to develop a more customized approach in implementing the program at their level.

The decentralization of the LCAP implementation is likewise congruent with the current thrust of NLSF of achieving higher beneficiaries' reach and the promotion of local governance through the establishment of its regional desks at the offices of the Land Bank of the Philippines.

II. OBJECTIVES

Generally, the guidelines aims to define the procedures to be adopted for the decentralized implementation of the DAR-NLSF Livelihood Credit Assistance Program.

Specifically, it seeks to provide the program implementers with the specific guidelines in terms of the:

1. Roles of the DAR central and field offices under the devolved LCAP program implementation;
2. Scheme for availing the institutional development funds for program implementation to concerned regions and provinces; and
3. Procedures and processes for the monitoring and reporting of LCAP status of implementation.

III. PROGRAM IMPLEMENTATION SCHEME

Under the decentralized LCAP operationalization, the DAR regional and provincial offices are made more responsive and accountable on implementing the program. The administration of program activities is transferred to the field offices. They shall exercise such functions and responsibilities necessary and appropriate to effectively and efficiently supervise the program at their level. As such, LCAP becomes part of the menu of interventions made available to the field offices nationwide. Under this scheme, the field officers and NLSF would be directly coordinating with one another both on the delivery of microcredit and capacity building interventions.

A. Operational Mechanism

The program management and operations of the decentralized implementation of LCAP shall be at the following levels: DAR central, regional and provincial offices.

Specifically, the roles and functions of NLSF and DAR at each level are defined below:

1. DARCO level through the BARBD:

1. Oversee LCAP operationalization by ensuring the establishment of the Regional Program Management Committee (RPMC) and the Provincial Program Management Committee (PPMC) at the regional and provincial offices, respectively.
2. Undertake policy enhancement and/or reformulation resulting from the recommendation of the regional/provincial LCAP operationalization.
3. Facilitate access to capacity building activities for field offices.
4. Provide technical assistance to the RPMC/PPMC through the following:
 - 4.1 Prepare a pro-forma partnership agreement that will serve as a guide of the DAR field offices, NLSF as well as the program conduit in formalizing their working arrangements on the implementation of LCAP.
 - 4.2 Conduct an orientation-briefing involving the Regional and Provincial LCAP Point Persons on the devolved implementation of LCAP. This is intended to acquaint the program implementers on their roles under the decentralized LCAP implementation.
 - 4.2.1 Prepare management report on the results contribution of the program to the over-all program over-all program beneficiaries' development targets/objectives.
 - 4.2.2 Devise a monitoring system to document program status.
 - 4.2.3 Act on issues that require special attention on matters relative to policies and guidelines implementation.
 - 4.2.4 Participate in regional and provincial program assessment and planning conferences.

2. DARRO level -

For a more effective program implementation at the regional level, a Regional Program Management Committee (RPMC) shall be established. It shall be composed of the following members:

Regional Director	-	Chairperson, DAR
Regional Desk Officer	-	Co-Chairperson, NLSF
Account Officer(s)	-	Member, NLSF
Regional CARPO, SSD	-	Member, DAR
Regional CARPO, Administration	-	Member, DAR
Regional CARPO Planning	-	Member, DAR

The RPMC shall undertake the following functions:

1. Implement program policies and guidelines.
2. Design program work and financial plans in coordination with the provincial offices and NLSF.

3. Policy review and recommendation to DARCO.
4. Develop/implement capability building for implementors and agrarian reform beneficiaries.
5. Receives and initially review the accomplished accreditation documents of the prospective program conduit submitted by DARPO.
6. Coordinate with NLSF on the approval, release of funds to conduits, schedule of field validation activities, e.g., OAA, PRO, etc.
7. Conduct of monitoring and reporting activities, e.g., regional program assessment, preparation of regional status reports, etc.
8. Coordinate submission of field reports by NLSF and provincial offices.
9. Submit program status report to DARCO.
10. Provide technical assistance to field offices.

The Regional LCAP Point Person under the supervision of the CARPO, SSD, shall provide the secretariat work. It is expected that policy-related issues shall be forwarded to the DARCO-BARBD for appropriate action. The RPMC shall meet at least once in every two months to assess the progress of the LCAP implementation in their region.

c. DARPO level -

At the provincial level, a Provincial Program Management Committee (PPMC) shall be established that will implement the activities under LCAP. The PPMC shall be composed of the following members:

Provincial Agrarian Reform Officer	-	Chairperson, DAR
Provincial Desk Officer	-	Co-Chairperson, NLSF
Account Officer(s)	-	Member, NLSF
Provincial CARPO, BDCD	-	Member, DAR
Provincial CARPO, Administrative	-	Member, DAR
Provincial CARPO, Planning	-	Member, DAR
Regional LCAP Point Person	-	Member, DAR

The PPMC shall undertake the following functions:

1. Implement the various activities under LCAP at the provincial level by involving the MAROs/DFs.
2. Ensure the generation of program conduits both at the provincial level, at the BDCD through the LCAP Provincial Point Person, and the MARO/DF, and endorse qualified conduits, based on the LCAP criteria, to the region.
3. Coordinate with NLSF on the approval, release of funds to conduits, schedule of field validation activities, e.g., OAA, PRO, etc.
4. Undertake monitoring and reporting activities through the attendance in the program assessment, preparation of provincial status reports, conduct of field visits, etc.

The Provincial LCAP Point Person under the supervision of the CARPO, BDCD, shall undertake the secretariat work. For proper information of the region on the operationalization of LCAP, at the provincial levels, the BDCD shall provide a copy of the minutes of the PPMC meeting to the RPMC, one week after the PPMC meeting. The PPMC shall meet on a monthly basis to assess the progress of the LCAP implementation within the province.

B. Implementation Procedures for the LCAP Product Components:

For congruence with the new structure and mandate of NLSF and in keeping with the spirit of expansion and networking, as well as in recognition of the heterogeneous nature and status of program implementation due to the specific characteristics of each area, individual partnership agreements based on specific field requirements shall be executed between or among NLSF and the DAR Regional or Provincial Offices.

Specifically, the partnership agreement which spells out the roles and responsibilities of the partnering institutions under the decentralized LCAP operationalization shall be able to define the working relationships between or among the DAR, field offices and the conduits, if required as a party to the contract.

Once the partnership agreement is executed, the DAR regional/provincial offices shall spearhead the conduct of the following activities:

1. Convene the RPMC/PPMC.
2. Assessment of the microcredit and institutional requirements of the ARBs.
3. Formulation of the RPMC/PPMC operations plan.
4. Issuance of local Special Order for the members of the RPMC and PPMC.

To guide the field offices in implementing the LCAP, the following activities under the three components of the program shall be undertaken:

1. On micro-credit component –

This component focuses on the provision of micro credit funds to qualified members of ARB households through accredited conduits/program partners and the generation of savings among the end-beneficiaries who availed of micro credit assistance.

The following procedure shall guide the regions/provinces with no conduits as well as in the generation of additional conduits of regions/provinces with existing conduits:

- Generation of Pre-Evaluation Questionnaire (PEQs).
- Evaluation by the DAR Regional and Provincial Office and the NLSF Account Officer doing the final table evaluation.

- Applicant conduits with PEQs that qualified under the accreditation criteria will be subjected to an organizational assessment and analysis (OAA) and credit investigation/background investigation (CIBI).
- Applicant conduits that passed the OAA and CI/BI shall undergo the pre-release orientation (PRO).
- Fund release and monitoring of program conduits.

2. Capacity building component –

This component focuses on enhancing the capability of the program implementers, conduits and end-beneficiaries towards a more efficient program implementation. This shall include attendance to training courses, seminars/workshops, conferences, forum, study visits, among others, by program implementers and conduits, and the facilitation/provision of coaching/mentoring activities, as well as technical assistance or advice for program implementers, conduits and selected end-beneficiaries.

The training interventions may be implemented through the following approaches:

- a. Linking with microfinance institutions, GAs, etc. to access course offerings and other capacity building services available.
- b. Submit training proposals and forge a MOA with institutions offering capacity building courses on microfinance.
- c. Accessing of the institutional development fund for the conduct of capacity building activities based on the following:
 - Preparation of activity proposal to be submitted to DARCO-BARBD for program implementers, conduits, and end-beneficiaries in regions/provinces with active conduits.
 - The capacity building activities to be funded may include, but not limited to the following: training courses, seminars/workshops, conferences, forum, study visits to acquire knowledge and skills on microfinance program implementation, among others.
- d. Conduct of training activities through invited microfinance experts using the institution development fund that shall be downloaded by the DARCO for the transition activities related to institutional development.

3. Savings component –

This component focuses on the generation of savings among the end-beneficiaries who availed of micro-credit assistance. This shall involve the following activities:

- a. Survey of level of implementation of savings through the organizational assessment using either of the following instruments:
 - Organizational maturity indicators of ALDA,
 - Partners Appraisal Assistance

- b. Analysis of results as basis for systems to be installed and technical assistance to be provided by the implementers or external consultants/experts hired for the purpose;
- c. Field validation on the assessment results on the level of implementation of the savings component, as basis for the technical assistance to be provided;
- d. Orientation and training of PO conduits (not implementing savings scheme) on RSMT, including inputs on systems to be installed on savings operation;
- e. Installation of systems and procedures on the operation and management of savings;
- f. Generation of Passbook from microfinance institutions offering said service;
- g. Passbook distribution; and
- h. Field visits and progress monitoring.

C. Availment of LCAP Institution Development Funds -

As a consequence of the decentralized LCAP implementation, the remaining DAR funds transferred to NLSF comprising DAR's counterpart for the joint working fund and the capability building fund amounting to over Three Million Pesos (PhP 3 M) as of 31 May 2002, will be made available to the field offices.

Specifically, the availment and utilization of the LCAP Institutional Development Fund shall be based on the following:

1. The amount to be provided per region/province will be on a pro-rata basis depending on the number of actual ARBs and ARCs in each region/province, potential conduits that will be servicing the ARCs, among others.
2. The Bureau of Agrarian Reform Beneficiaries Development (BARBD) shall determine the allocation of the funds, based on the provincial consolidated Institutional Development Plan containing the LCAP development plan per coop.
3. Said plan shall be reviewed, evaluated and approved by the PPMC and RPMC for endorsement and approval by DARCO.
4. The DARCO shall review, evaluate and approve the Institution Development Plan and advise the NLSF/FO.
5. NLSF shall facilitate the downloading of funds to the field offices based on the approved IDP. It shall provide the DARCO through the BARBD the status of funds downloaded to the field offices as well as compliance on the IDP.
6. Liquidation of the funds downloaded to the field offices shall be in accordance with the Commission on Audit (COA) requirements of the NLSF.
7. The total amount comprising the LCAP Institution Development Fund to be provided to the field offices shall be dependant on the total amount currently

available at NLSF. Once the said fund has been fully exhausted, the DAR regional/provincial offices and NLSF shall fund the activities identified in the regional/provincial institutional development plan on an equal cost sharing arrangement.

Likewise, the remaining funds to date under the Institution Building Development Program (IBDP), less the amount previously committed to partner organizations, from the Fifteen Million Two Hundred Forty-Seven Thousand Six Hundred Seventy-Five Pesos and Thirty Centavos (PhP 15,247,657.37) transferred to NLSF, shall also be made available to the field offices. This shall be intended for localized partnership program on institution development in accordance with the existing guidelines promulgated on the operationalization of the IBDP. Selection/identification of the partner NGOs shall be left to the regional/provincial offices subject to the approval of the IBDP Program Management Committee.

D. Monitoring and Reporting

In view of the membership of DAR in the NLSF Man-Com, represented by the Assistant Secretary for Support Services, issues and concerns with policy implications may be forwarded to the Office of the Assistant Secretary for Support Services through the BARBD. This will be validated and consolidated, and shall be taken up during the NLSF Man-Com meeting. The regional/provincial offices concerned will be informed on the action taken, in relation to the issues/concerns raised for immediate action.

Moreover, to ensure a better handle of the regions/provinces on the program implementation, the following monitoring and evaluation tools shall be adopted:

1. Assessment/classification and analysis of the conduits –
 - This will be done through table evaluation based on available information gathered concerning the conduits.
 - The classification to be done would be to cluster conduits into active, inactive, and with past due.
 - The list to be generated will be basis in the provision of interventions to conduits, program implementers, and end-beneficiaries. In the continuous implementation of the program, the classification of conduits shall be regularly updated on a quarterly basis.
2. Provincial Assessment and Consultations –
 - Priority areas to be included are those where livelihood credit is most needed; e.g., with existing livelihood opportunities, high density of ARBs, etc.; with active conduits; inactive conduits; among others
 - The said activity is expected to yield the following outputs:
 - a. Universe for potential area expansion.

- b. Capacity building requirements of conduits and program implementers as inputs in designing the appropriate capacity building interventions.
- c. Status of the implementation of the three program components, which shall be the basis in providing appropriate capacity building interventions.
- The participants shall include the SSD/BDCD CARPOs, LCAP Point Persons, program conduits, MAROs/DFs, selected ARBs, etc.

In terms of monitoring the periodic accomplishment of LCAP, the provincial office shall accomplish LCAP Decentralize Implementation Form I (LCAP DIF I) attached as Annex A. The form aims to capture the accomplishments at the program level in terms of number of conduits, number of beneficiaries, amount availed, number of conduit availments, number of ARCs covered and number of beneficiaries availments. LCAP DIF I shall be submitted to the regional office on or before the 7th of the first month of every quarter for review and consolidation. This shall be endorsed/forwarded to DARCO through BARBD on or before the 15th of the first month of every quarter. BARBD shall then review, analyze and consolidate the quarterly status report on LCAP for information and reference.

While the project-based reporting system is being adopted, BARBD shall initiate the integration of the key program/project indicators of LCAP with the existing DAR monitoring system at the DARCO level. Once the LCAP key indicators are integrated in the ARC Forms I-11, the adoption of the LCAP project-based monitoring system shall be deemed completed. It shall be emphasized that a cycle of one year of adoption of the LCAP DIF I by the field offices shall be operationalized. As such, LCAP DIF I shall be phased-out and the analysis of the status of the LCAP implementation shall now be based on the data culled out from the ARC Forms 1-11.

III. EFFECTIVITY

This Memorandum Circular supersedes the Joint DAR-ETF Memorandum Circular No 09 series of 2000 and takes effect immediately upon approval. This shall remain enforced unless modified or repealed by a subsequent Memorandum Circular.

September 27, 2002, Diliman, Quezon City.

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SP.

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