



International  
Labour  
Organization

**Programme for Local Economic Development  
through Enlightened Governance and Grassroots Empowerment  
(PLEDGE)**

# PROJECT OPERATIONS M A N U A L 2016



*PLEDGE is implemented by the Bangasamoro Development Agency with funding from the Mindanao Trust Fund and technical assistance from the International Labour Organization*



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## Acronyms and Abbreviations

ARMM	Autonomous Region in Muslim Mindanao
B/LI	Big and Large Industries
BDA	Bangsamoro Development Agency
BLGU	Barangay Local Government Unit
BOD	Board of Directors
CBDP	Comprehensive Bangsamoro Development Plan
CBO	Community-based Organization
CCA	Conflict-Affected Area
CDD	Community-Driven Development
CEDO	Community Enterprise Development Officer
CINMIN	Central Mindanao
CMO	Central Management Office
DAP	Differently Abled Person
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DSA	Daily Subsistence Allowance
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
E/EDU	Enterprise and Economic Development Unit
ESMP	Environmental and Social Management Plan
ESSC	Environmental and Social Screening Checklist
GRP	Government of the Republic of the Philippines
ILO	International Labour Organization
IS	Informal Sector
JICA	Japan International Cooperation Agency
LED	Local Economic Development
LGU	Local Government Unit
ME	Monitoring and Evaluation
MILF	Moro Islamic Liberation Front
MIS	Management Information System
MLGU	Municipal Local Government Unit
MNLF	Moro National Liberation Front
MOA	Memorandum of Agreement
MSME	Micro, Small and Medium Enterprises
MTCP	Malaysian Technical Cooperation Program
MTF	Mindanao Trust Fund
MTT	Municipal Technical Team

NGO	Non-government Organization
OPAPP	Office of the Presidential Adviser on the Peace Process
PAR	Participatory Action Research
PLEDGE	Program for Local Economic Development through Enlightened Governance and Grassroots Empowerment
PO	People's Organization
POM	Project Operations Manual
PWD	Persons with Disability
RMO	Regional Management Office
SOUTHMIN	Southern Mindanao
TEP	Transition Enterprise Project/Plan/Period
TESDA	Technical Education and Skills Development Authority
VTT	Values Transformation Training
WB	World Bank
WFP	Work and Financial Plan
ZAMBA	Zamboanga Basilan
ZAMBOPEN	Zamboanga Peninsula

## Definition of Terms

**Local Economic Development (LED)** – For BDA-PLEDGE, LED is an economic model designed to promote inclusive growth and development, economic security, confidence building, and lasting peace by reducing income-related poverty. It covers a municipality, where the entry point is a barangay or cluster of small barangays. It also covers specific areas of intervention such as community-based enterprises, agro-aqua industries, micro financing, and economic support infrastructure.

**Enlightened governance** – This is one of BDA-PLEDGE's twin development principles of governance and empowerment. It is based on universal principles such as transparency, accountability, vicegerency, and shared responsibility. The principle is actualized by fast, efficient, and less bureaucratic tools and processes and whereby BDA, or other development agencies, are able to contract target groups directly, without the use of external intermediaries.

**Grassroots empowerment** – the other half of BDA-PLEDGE's development principles that involves the active participation of the target groups in the identification, prioritization, design, proposal preparation, accessing and receiving development assistance, and in the implementation, management, and monitoring and evaluation of their own enterprise programs and projects.

**Supply chain** – A horizontal model of economic development where at least three small enterprise groups or individual entrepreneurs are created to form backward and forward linkages, and to work for the establishment of an internal market system to operationalize the supply chain elements: raw material production, processing/making/small manufacturing, and distribution and marketing.

**Enterprise** – These are business activities designed to operate for profit. These may be community-based enterprises, or micro, small, medium, big and large companies or firms operating through their chosen business objectives such as production, manufacturing, service, transportation, merchandising, etc.

**Core enterprise** – Refers to one of the three enterprise elements of the supply chain where the initial assistance of the PLEDGE project is given. The core enterprise can either be in raw materials production supply or service, in processing/making/small manufacturing, or in distribution and marketing.

**Community-Based Enterprise** – This refers to an informal but profit-oriented business venture owned and managed by a group in a community, registered either as a cooperative or peoples' organization. It is bigger than a livelihood or income-generating

activity (maximum of P350,000 initial capital) and smaller than a micro enterprise (P3 million capital).

**Common Facility Enterprise** – Refers to enterprises that are created or organized to support local enterprises, informal business operators or income generating projects. It is profit-oriented, group-operated, registered, and may grow into a micro or small-scale enterprise designed to support local economic development

**Community Enterprise** – Refers to community-driven projects/ventures usually linked with community development or to support livelihood undertakings (e.g. water system, solar dryer, nurseries, etc.) They are not profit-oriented. They may generate incomes but only to maintain the enterprise. They are not designed for employment creation but may employ a few people to maintain the projects.

**Livelihood** – The major source of daily family income of people in the communities used to support daily needs such as food, shelter and clothing (e.g., for farming, fishing, animal raising, etc.). Livelihood activities may generate income, but are usually without profit or surplus orientation; they are often unstable or seasonal, and most of the time dependent on government transfer payment programs.

**Support to livelihood projects** – Refers to projects that are usually provided by government or non-government organization designed to sustain, maintain, or improve the quality of community livelihood undertakings. Support is usually provided as part of social and welfare services or done through transfer payment schemes (e.g. small market outlets or *talipapa*, transport, power, etc.)

**Economic support infrastructure** – Refers to both physical structures (such as roads and bridges, transport, power, water, communication facilities) and business development services (such as training, organizing, small business advisory, business facilitation, etc.)

**Anchor firm/industry** – Refers to small, medium, big and large firms, companies or industries present and operating within the municipality that can be studied through a supply chain analysis to identify peripheral community-based enterprises that can be developed to contribute to local employment, improve company-community relations, promote industrial peace, and enhance local economic development.

**Peripheral enterprise** – Refers to community-based enterprises that can be organized and operated by people in the vicinity of anchor firms/industries to become part of the supply chain system as providers of products, commodities or services.

**Capital** – Traditionally refers to as finance or money. It also refers to development capital concepts of technical (e.g. training, tools, equipment), social (e.g. community-based and people organizations), environmental (e.g. natural raw materials), institutional

(e.g. service providers), political (e.g. availability, accessibility and applicability of government services) knowledge, experience, skill, information, etc.

**Capital generation** – Refers to strategies to raise financial or money-based capital, including savings from business operations, raw material-processing-marketing partnerships, requiring advance payment or materials from customers, borrowing from family or friends, or other means not related to borrowing from banks and financial institutions for loans or credit.

**Micro financing** – Refers to the formal and institution-based financing programs of banks and financial institutions, and to credit and loans services of micro financing programs of non-bank and non-government organizations.

**Indigenous micro financing** - Refers to community-based, culture-sensitive (e.g. Riba-free) financial schemes, including endowment, needed to support the expansion of community-based enterprises that may not be qualified under formal micro-financing programs of banks and financial institutions.

**Informal sector** – Refers to business operators or income-generating projects of individuals or families that are often unregistered and unregulated.

**People's organization (PO)** – Refers to a group of people organized for certain programs, issues or purposes. They are usually member-based and often used as channels for the delivery of government or non-government programs and services.

There are two type of POs: Mother POs refer to existing POs that are organized for specific purposes and are applying for program assistance from the PLEDGE project, and, Originating POs, which are organized by target groups for the first time solely for the purpose of seeking PLEDGE assistance.

**Project proposal** – Standardized forms or templates used by target groups to apply for technical and financial assistance from the project. Proposals are a product of community-based enterprise planning processes and contain the most important data and information needed for assessment and approval by the BDA. There are two types of project proposals: Type A for proposing group enterprises that can be expanded into a supply chain, Type B for proposing common facility enterprises that can serve specific economic activities of individuals, social groups or economic sectors.

**Service contract** – The instrument that governs the financial and technical assistance of approved project proposals of POs. The contract defines the specific roles of POs as contractors-beneficiaries, and the BDA as the resource provider. It also contains the schedule of activities that will be implemented and the manner of financial support and management that will be followed to implement the approved project proposal.

**Transition Enterprise Project/Plan/Period (TEP)** – Refers to a short-term enterprise training and development process which includes a forecasting technique, and which is implemented during a specific timeframe (5 months). The TEP is designed to match the informal and seasonal nature of the rural economy and considers the actual capacity and capability of underprivileged, underserved and marginalized target groups to run a business enterprise.

# Introduction to the Manual

This manual is a product of Participatory Action Research undertaken by the Bangsamoro Development Agency (BDA) and its partners. This is the updated third edition as of July 2016 reflecting all the pending comments of MTF. The tools and implementing guidelines in the manual are now being utilized by the BDA in community-based enterprise and local economic development.

## PLEDGE Project Background

The *Program for Local Economic Development through Enlightened Governance and Grassroots Empowerment* or PLEDGE is a project (2014-2016) of the BDA. The project concept was agreed upon in a number of formal and informal consultations, dialogues and multi-level discussions within the BDA from 2008 to 2010. The submission and the process of approval by the World Bank-Mindanao Trust Fund (WB-MTF) and the choice of the International Labour Organization (ILO) as the executing partner-agency took at least three years of negotiations.

PLEDGE was primarily designed for the institutional and staff capacity building of the BDA on community-based enterprise development to support the peace process through confidence building projects in conflict-affected communities, in support of the agency's five-year strategic plan. As such, the BDA has been tasked to develop systems, tools, methodology and people to address income-related poverty and destitution. The BDA believes that while the Bangsamoro problem is perceptibly political, any political solution must be accompanied by measures to address social injustice, the quest for self-determination and to extricate people from the vicious cycle of poverty and marginalization.

The BDA wants to guide the Bangsamoro out of the vicious poverty cycle and into a virtuous cycle of knowledge, skills, productivity, and prosperity and to make sure that there will be no sliding back. This means a serious change in attitudes and values; the acquisition and application of relevant knowledge and skills necessary for maximizing productivity; the adoption of management and governance systems, policies and standards necessary for national and global competitiveness; and the development of a culture that shall sustain the characteristics of an economically emancipated and successful entrepreneurial Bangsamoro community.<sup>1</sup>

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<sup>1</sup> From the original PLEDGE project proposal of the BDA



## **Purpose of the Manual**

The manual serves as a guiding document (step-by-step guide) for BDA staff and project teams that will be tasked to work with local communities to establish, develop and sustain community-based enterprises. However, it can also be used by other organizations supporting local economic development and livelihood initiatives.

It is divided into two parts: Part 1 contains concepts, principles and policies that the BDA will adhere to as it supports communities in enterprise development, while Part 2 contains tools and guidelines in actual enterprise project development -- from planning to implementation.

Planning and implementation tools and templates (in Word) are included in the accompanying CD.



# PART 1

CONCEPTS, PRINCIPLES,  
MANAGEMENT FRAMEWORK AND POLICIES



## Section 1

# The Bangsamoro Development Agency (BDA)

The BDA is a development agency established in accordance with the Humanitarian, Rehabilitation and Development Aspects of GRP-MILF Peace Agreement of June 22, 2001. It is the centerpiece of its relief, rehabilitation and development aspect. As agreed by both parties, the Moro Islamic Liberation Front (MILF), through a Central Committee Resolution on June 2, 2002, created the Bangsamoro Development Agency.

The BDA is an attempt to institutionalize and systematize an approach to the problem of relief, rehabilitation and development to help improve the quality of life of the people in conflict-affected areas (CCA). It is also intended to help bring about a favorable atmosphere and healthy environment in which the peace process can smoothly proceed. The BDA endeavors to help the Bangsamoro “get back on his/her feet and put the economy back in his/her hands”. Fueled by this direction, the BDA has embarked on a series of capability building programs and activities in the hope and desire to become equal to the formidable task of rebuilding lives and transforming mindscapes, as well as landscapes.

## 1.1 Vision, Mission, Goals and Development Principles

### Vision

An enlightened, progressive, self-sustaining and healthy Bangsamoro community living in harmony, dignity, justice, security and peace

### Mission

1. BDA commits to participatively determine, design, lead and manage the relief, rehabilitation and development of conflict-affected areas in Mindanao.
2. BDA promotes a model of development anchored on the belief of stewardship and values of inclusiveness, fairness, transparency, and accountability as a learning organization towards institutional competence, effectiveness, efficiency and sustainability.

### Goals

1. To help bring about a favorable atmosphere and a healthy environment in which the peace process can smoothly proceed;
2. To institutionalize and systematize approaches to issues and concerns regarding relief, rehabilitation and development activities;

3. To come up with a critical mass of trained, enabled and productive individuals and institutions that shall effectively keep the Bangsamoro communities moving forward;
4. To address the need for the change in attitude and outlook, the acquisition of appropriate knowledge, skills and technologies, and access to capital and markets;
5. To actively participate and assume responsible roles and the leadership in the different socio-economic activities aimed towards improving the quality of life;
6. To source out funds for BDA operations, maintenance and projects; and
7. To formulate a comprehensive Bangsamoro Development Plan.

### **Development Principles**

The BDA's guiding development principles adopted by its stakeholders and partners in development are primarily anchored on Islamic values and traditions:

1. BDA views development as the successful implementation or realization of the purpose or reason why Allah (s.w.t.) created Man. Allah (s.w.t.) did this for two main reasons. First is for Man to worship Allah (s.w.t.) and second, is for Man to be Allah's "Khalifa" on this earth. Behold, thy Lord said to the angels, "I will create a vicegerent on earth." (Qur'an 2:30). Everything created in this universe has been placed under Man's responsibility, care and disposal, being the "Khalifa" of Allah (s.w.t.) to facilitate his efforts towards the fulfilment of the two main reasons for his creation. Man has the responsibility and priority to develop as a person as well as the environment. Hence, development is both an individual and a collective responsibility.
2. The BDA gives emphasis to the necessary moral, spiritual and attitudinal changes that must successfully transpire in the personality or character of the Bangsamoro. They must do this to change themselves, for if they do not, then nobody else would do it for them and they would have failed to become "Khalifa."

## 1.2 Programs and Projects<sup>2</sup>

For the past several years, the BDA has implemented programs and projects on its own and in partnership with international and domestic donors, such as the following:

1. Values Transformation Trainings (VTT)
2. Medical Mission to CAAs
3. Livelihood Trainings
4. Livelihood Programs
5. BDA-OPAPP-JICA Capability Building Program
6. Facilitation of MTCP (Malaysian Technical Cooperation Program)
7. Mindanao Trust Fund-Reconstruction and Development Program
8. Japan Grassroots Grants Project Facilitation
9. Comprehensive Bangsamoro Development Plan (CBDP)
10. World Food Program Implementation Assistance
11. Networking with different Government, Non-Government and Funding Agencies

In 2005, the BDA started to develop its own program based on the actual and felt needs of the Bangsamoro people and to help promote confidence building, peace and sustainable socio-economic growth, particularly in rural communities where social tensions that fuel belligerency emanates. Thus the *Program for Local Economic Development through Enlightened Governance and Grassroots Empowerment* or PLEDGE project was designed and implemented.

## 1.3 Capacity Building through PLEDGE

The fortune of the PLEDGE project is that one of its immediate objectives is the *Capacity Building of the BDA*. This provide BDA the opportunity to focus first on the development of its staff and institutional capacity in *Community-based Enterprise Development*, another project objective. Hence, the technical support strategy was on systems, tools and methodology development.

The capacity building program has also provided the BDA a chance to develop, implement and to introduce changes to the old, conventional and traditional economic-related interventions of skills training, enterprise development, organizing and other separate and divergent programs for disadvantaged target groups and marginalized communities. As a result, the BDA now has an area-based, people-centered, convergent and strategic approach anchored on local economic development.

<sup>2</sup> Taken from the BDA Strategic Plan

Figure 1. Change Framework

### STRATEGIC PRINCIPLES FOLLOWED IN THE CAPACITY BUILDING PROGRAM DESIGN



#### Participatory Action Research (PAR)

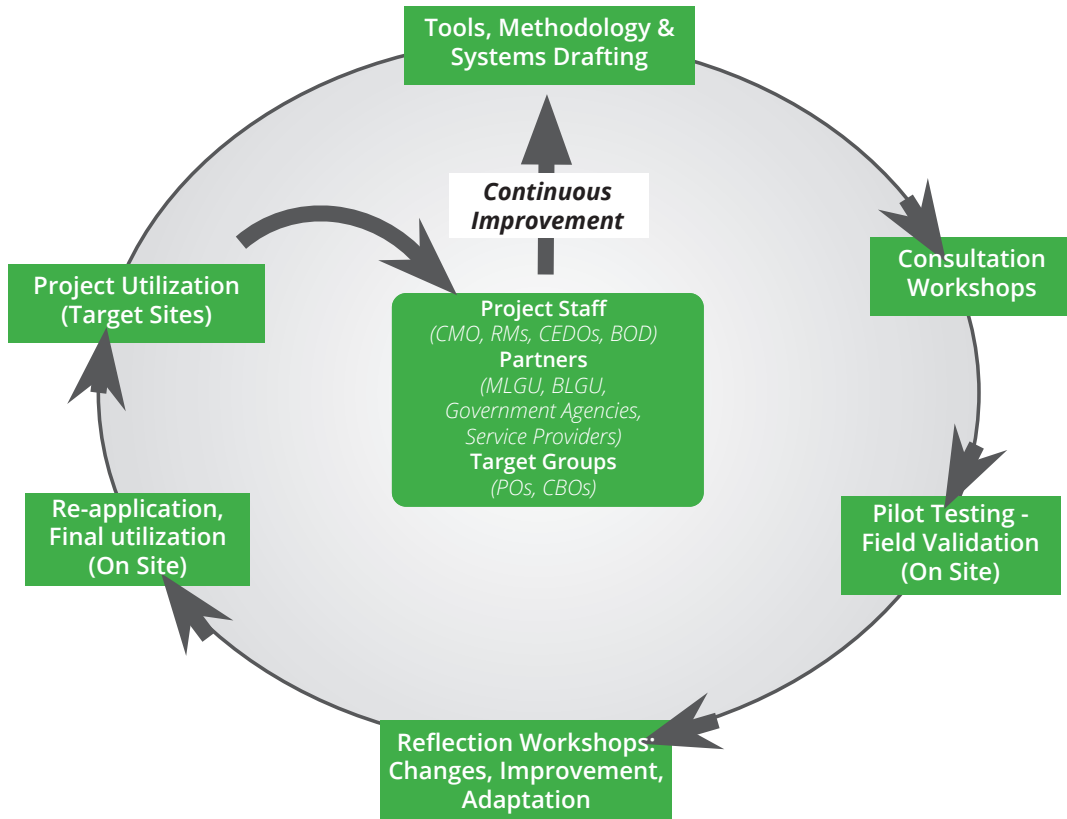
The development of the tools and strategies utilized a Participatory Action Research process involving the active participation of the project staff and other units and partners, e.g. Central Management Office (CMO), Regional Management Offices (RMOs), Community Economic Development Officers (CEDOs), Board of Directors (BOD), partners (Municipal Technical Teams (MTTs), barangay local government units (LGUs), service providers), and target groups (people's organizations (POs), and community-based organizations (CBOs) throughout the following stages:

1. Tools, Methodology & Systems Drafting (done by a consultant)
2. Consultation Workshops
3. Pilot Testing- Field Validation (on-site)
4. Reflection Workshops: Changes, Improvement, Adaptation
5. Re-application, Final utilization (on-site)
6. Project Utilization (in target sites)
7. Continuous Improvement



Figure 2. The PAR Process

**CAPACITY BUILDING METHODOLOGY UTILIZED:  
PARTICIPATORY ACTION RESEARCH**  
(All tools passed this process)



### Staff and Institutional Development

**On-the-job training** - The PAR approach involves on-the-job training of project staff and other project actors based on the project's conceptual framework, goals, objectives and management policies, tools and strategies

**Other training methods** - The PAR on-the-job training approach is/will be supported by other applicable programs such as the following:

1. Formal training - Skills and knowledge development that is related to the goals and objectives of the BDA through formal short-term educational and training programs conducted by colleges and universities.
2. Study tours - Program-oriented foreign training that will increase awareness and knowledge in production and service technologies; emerging markets, particularly for Halal products and industries; micro-financing; and other applied economic development issues.

## **Targets of Capacity Building**

**CMO PLEDGE Project Staff** - The present project staff is initially composed of six personnel at the BDA CMO:

1. Project Coordinator
2. Planning Officer
3. Monitoring and Evaluation Officer
4. Marketing Specialist
5. Administrative and Finance Assistant
6. Accounting Clerk

**Functions of Project Staff at CMO** - The project staff at the CMO are currently assigned the following tasks which will be further analyzed and rationalized to address the needs of project management:

1. Operations planning, budgeting, programming
2. Service delivery system management
3. Technical and financial assessment of project proposals
4. Preparation, implementation and supervision of service contracts
5. Management of financial assistance to approved contracts
6. Conduct of training workshops/seminars to community facilitators of local partners
7. Monitoring and evaluation of field projects
8. Procurement and logistics management
9. Preparation and submission of project reports
10. Office/project administration

**RMO Project Staff** – Field implementation activities is done by 6 Community Enterprise Development Officers (CEDOs), who are assigned in the field and stationed at the 6 Regional Management Offices (RMO) of the BDA.

**Functions of CEDOs** - The CEDOs are assigned the following general tasks:

1. Help the RMOs in social preparation, values training, and community mobilization
2. Prepare project site and target group profiles (together with POs and CBOs)
3. Facilitate community enterprise/economic development planning
4. Assist target groups in the accomplishment of project proposals
5. Assist Regional Managers in the pre-assessment of project proposals
6. Supervise and monitor training and enterprise projects
7. Gather and submit field reports

8. Provide small business management advisory (with assistance from CMO and RMs)
9. Provide other post-training assistance and linking with other service providers
10. Ensure continuous liaisons with the communities, target groups, local partners and stakeholders

### ***Refer to Appendix 10. The CEDO Handbook***

In the future, the CEDOs will be augmented by community facilitators of local partners or communities and the present BDA community development volunteers and catalysts. They will act as force multipliers and will be compensated through specific project proposals that they will be able to gather for approval.

### **Roles of non-pledge BDA Project Actors**

Aside from the project staff at the CMO and the CEDOs, PLEDGE activities also involve other actors in the BDA particularly the Regional Managers, finance officers and other regional personnel. Furthermore, the Project also involves the participation of local partners through ad-hoc coordinating bodies called the Municipal Technical Teams (MTTs). Under the PLEDGE project, they have also their roles and functions:

***Regional Managers*** - The Regional Managers shall have responsibilities related to PLEDGE. They shall have supervisory powers over the CEDOs and their activities will cover the following:

1. Recommend project sites
2. Supervise CEDOs in the organization or activation of Municipal Technical Teams
3. Pre-assess project proposals
4. Endorse project proposals to CMO
5. Perform technical and management audit of PLEDGE projects in their respective areas
6. Assist in providing post-training support to projects
7. Supervise CEDOs (and other community facilitators of local partners)

***The Executive Director (ED)*** - The ED exercises the following powers and responsibilities:

1. Act as the official representative of the PLEDGE project with the donor and partners
2. Review of all project documents, including work and financial plans

3. Endorse approval of work and financial plans to the BOD
4. Approve terms of references of project activities including financial matters
5. Approve project proposals, subject to the concurrence of the BOD Chair
6. Sign service contracts up to Php 500,000 (in excess of such amount, BOD authorization is needed)
7. Perform general management and supervision of the project

***The BDA Board of Directors (BOD)*** - In relation to PLEDGE, the BOD has the following powers and responsibilities:

1. Review and approval of project documents including work and financial plans
2. Promulgate project management and implementation policies
3. Provide oversight, management and technical audits of project activities
4. Approve appointment and dismissal of project staff
5. Facilitate hearing and promulgation of decisions on cases involving disciplinary actions against staff

***Municipal Technical Team (MTT)*** - The functions of the existing ad-hoc coordinating MTT at the municipal level includes the following:

1. Review and assessment of project proposals using project tools and guidelines
2. Recommend and assign community facilitators from their own organizations
3. Provide technical and/or financial support to project proposals when appropriate

### **Proposed Enterprise and Economic Development Unit (E/EDU)**

The capacity building program is designed not only for the present staff of the PLEDGE project but also in preparation for the creation of an Enterprise and Economic Development Unit (E/EDU) within the BDA to become the carrier unit of the PLEDGE concepts and methodology.

However, events have overtaken this original objective. The E/EDU was planned on the assumption that the Bangsamoro Basic Law (BBL) will be passed by Congress. Its approval would have paved the way for the BDA to become a regular agency within the new Bangsamoro government, and the proposed E/EDU can be created as part of the new BDA.

In view of the latest developments, the creation of the E/EDU is being tabled for discussion and the BOD is looking at other options, one of which is to lodge PLEDGE in the new Bangsamoro Development Center in Cotabato City Inc. (BDCCI), a SEC-registered agency of the BDA established to develop and implement development training programs.

## 1.4 Emerging Challenges

PLEDGE is currently being implemented under a “project” environment, funded by donor contributions. This gives the BDA the flexibility to innovate on tools and develop alternative systems that are needed in community-based enterprise development especially in the conflict-affected Bangsamoro areas.

At this juncture, the BDA has a few but critical challenges:

1. How to educate partners and the public on the nature and characteristics of community-based enterprises as an important and distinct component of the rural informal economy;
2. How BDA shall pursue the PLEDGE concept, tools and strategies for community-based enterprise and supply development given the strong influence of traditional actors and programs of government, non-government service organizations including international donor agencies;
3. How to keep the interest, commitment, and services of the BDA project staff who have been part of the participatory action research and on-the-job training process on the PLEDGE tools, methodologies, strategies and service delivery system;
4. How BDA can maintain the trained POs and the enterprise groups as its ground constituencies and partners in development, and in promoting confidence and peace building in Mindanao;
5. How BDA can promote, advocate, and advance the PLEDGE approach as a major policy for introducing change in poverty reduction programs of the government – especially in the envisioned Bangsamoro Juridical Entity; and
6. What specific unit within the BDA structure, or outside its present set-up, shall be assigned to act as the main carrier agent of PLEDGE and related community development programs for peace building in Mindanao.



## Section 2

# Conceptual Frameworks and Principles

### 2.1 What is PLEDGE?

PLEDGE is aimed at promoting local economic development or LED through employment creation by establishing community-based enterprises and supply chains, and by promoting the development of agro-aqua industries, economic support infrastructure and relevant micro financing schemes in strategic barangays and municipalities.

PLEDGE offers a menu of innovative, participatory and educational tools, guidelines, strategies and systems of service delivery developed through an extensive program of participatory action research to uphold community ownership of enterprise projects.

PLEDGE provides and makes use of technical and social capital through group enterprise organizing, organizational development, applied training, and tools and equipment needed to start a core enterprise of a local supply chain.

PLEDGE is a flagship program of the Bangsamoro Development Agency. It is the agency's contribution towards desired changes in the existing system of development interventions for marginalized target groups and communities. BDA believes in alternative means to reducing poverty, promoting real inclusive growth, achieving economic security, and building confidence and lasting peace for disadvantaged groups in marginalized rural communities.

PLEDGE is receiving financial support from the World Bank-Mindanao Trust Fund, and technical assistance from the International Labor Organization (ILO).

#### **LED Components**

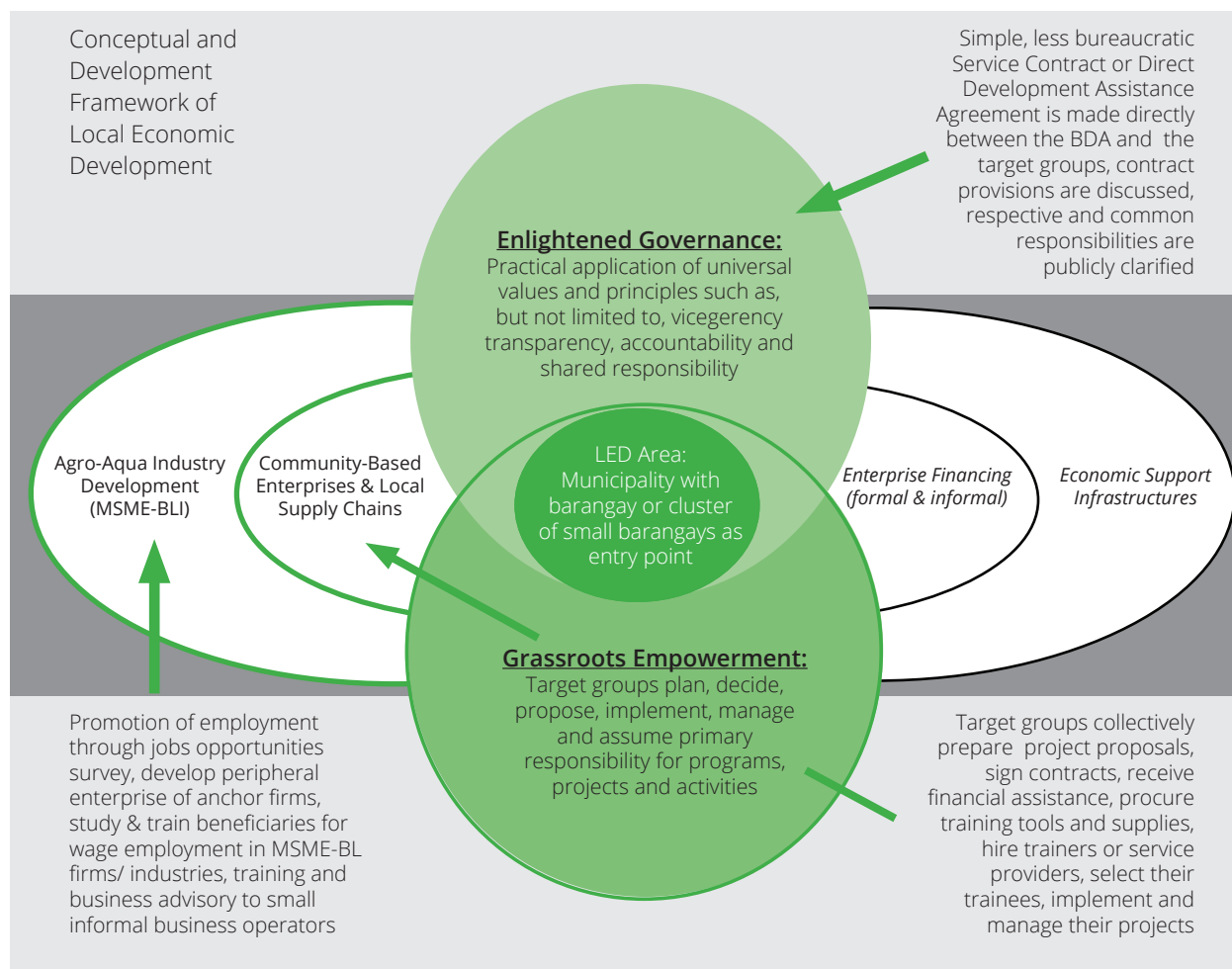
As the name of the project suggests, PLEDGE is about local economic development. In line with this, the project policy centers on the development of municipalities, but with the barangay or cluster of barangays as the entry point. PLEDGE does not only define the areas for intervention, but also the creation of local employment opportunities, while at the same time promotes the development of four strategic elements in local economic development:

- Component 1 - Micro, small, medium, big and large industries (MSME-BL)
- Component 2 - Community-based enterprises (focus of the PLEDGE project)
- Component 3 - Micro finance
- Component 4 - Support economic infrastructures



The PLEDGE project focused on Component 2 or community-based enterprise development through people's organizations. However, it also developed some tools and guidelines on employment creation (i.e., jobs opportunity survey), and on establishing peripheral enterprises of anchor firms or industries (Component 1).

**Figure 3. Conceptual Framework and Principles**

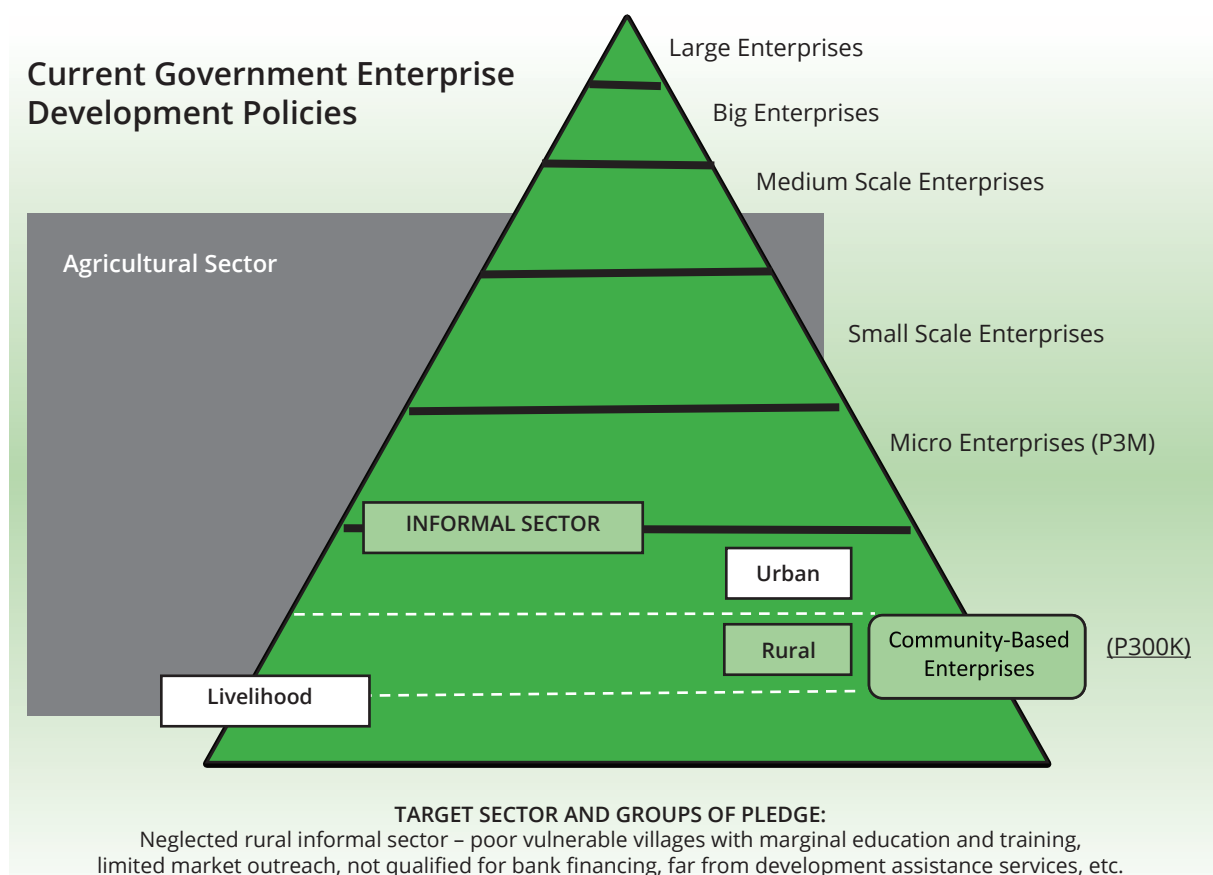


### Intervention Strategy

The project's intervention strategy is based on a community-driven development (CDD) approach, where target groups are trained in the identification and preparation of their enterprise plans and project proposals; on accessing project resources through direct service contracts with proponent people's organizations; and on how to participate in the delivery system managed by the BDA supported by LGUs and other partner organizations:

1. For creating income-generating opportunities through community-based enterprises:
  - Target groups collectively prepare/accomplish project proposal templates; sign contracts; receive financial assistance; procure tools, equipment, and supplies; hire trainers or service providers; select trainees; and implement and manage projects
  - Simple, less bureaucratic service contract is entered into directly by the BDA and the target groups (POs); contract provisions are discussed; roles and responsibilities are publicly clarified and agreed on
2. For promoting employment and supporting investments for bigger types of enterprises:
  - Conduct of jobs opportunities survey; develop peripheral enterprise of anchor firms; study and train beneficiaries for wage employment in MSME-BL firms/ industries; conduct training and provide business assistance and advisory services to informal, unregulated small business operators

**Figure 4. Target Economic Sector and Beneficiaries**



## **Bigger Issues**

Meanwhile, the BDA is tasked to attend to bigger and critical issues in Mindanao which are, in fact, part of the concerns of the GRP-MILF peace process:

1. Chronic rural poverty that leads to unstable peace and order, and rural to urban migration
2. Government's mantra of inclusive growth not backed up with guidelines, tools, and strategies
3. The government's program for confidence building in the areas of conflict in Mindanao
4. The target group's (Bangsamoro) long quest for self-determination
5. The donors' question on the profitability and sustainability of supported enterprise projects of the poor, marginalized groups and communities with very limited type of assistance and period of intervention

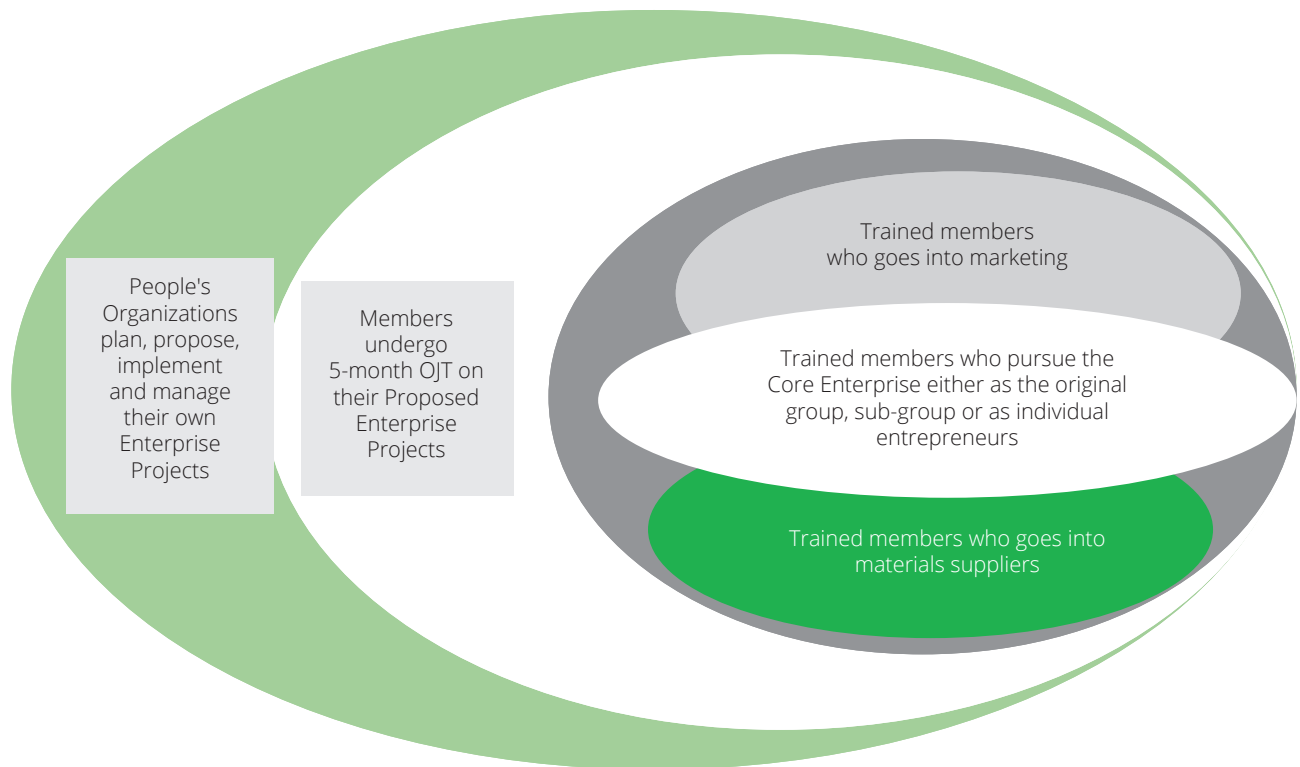
## **Present Assistance of PLEDGE**

PLEDGE is providing the following intervention assistance to the target groups and their communities:

1. Train and empower POs to identify, plan and design their own enterprise projects
2. Provide start-up tools, equipment, supplies as a form of enterprise capital
3. Provide training in production/service skills plus transition enterprise forecasting
4. Introduce the idea of internal market system through supply chain development
5. Provide enterprise project evaluation and follow-up advice and business management coaching to the POs in registering and managing their enterprises

Figure 5. Present Intervention Strategy

### The PLEDGE Strategy of Intervention in Developing Community-based Enterprises



## 2.2 Project Targets

Aside from the bigger goal, the Project has a list of mandated tangible outputs. These targets have been revised based on the number of remaining period and available budget for deliverables with the concurrence of the MTF, ILO and the BDA-BOD. The table below was submitted as a revision of the original targets. In the course of project implementation and depending on the risks, problems and issues on the ground the figures in the table might still be changed.

Table 1. Revised Targets (incorporating the proposed extension period)

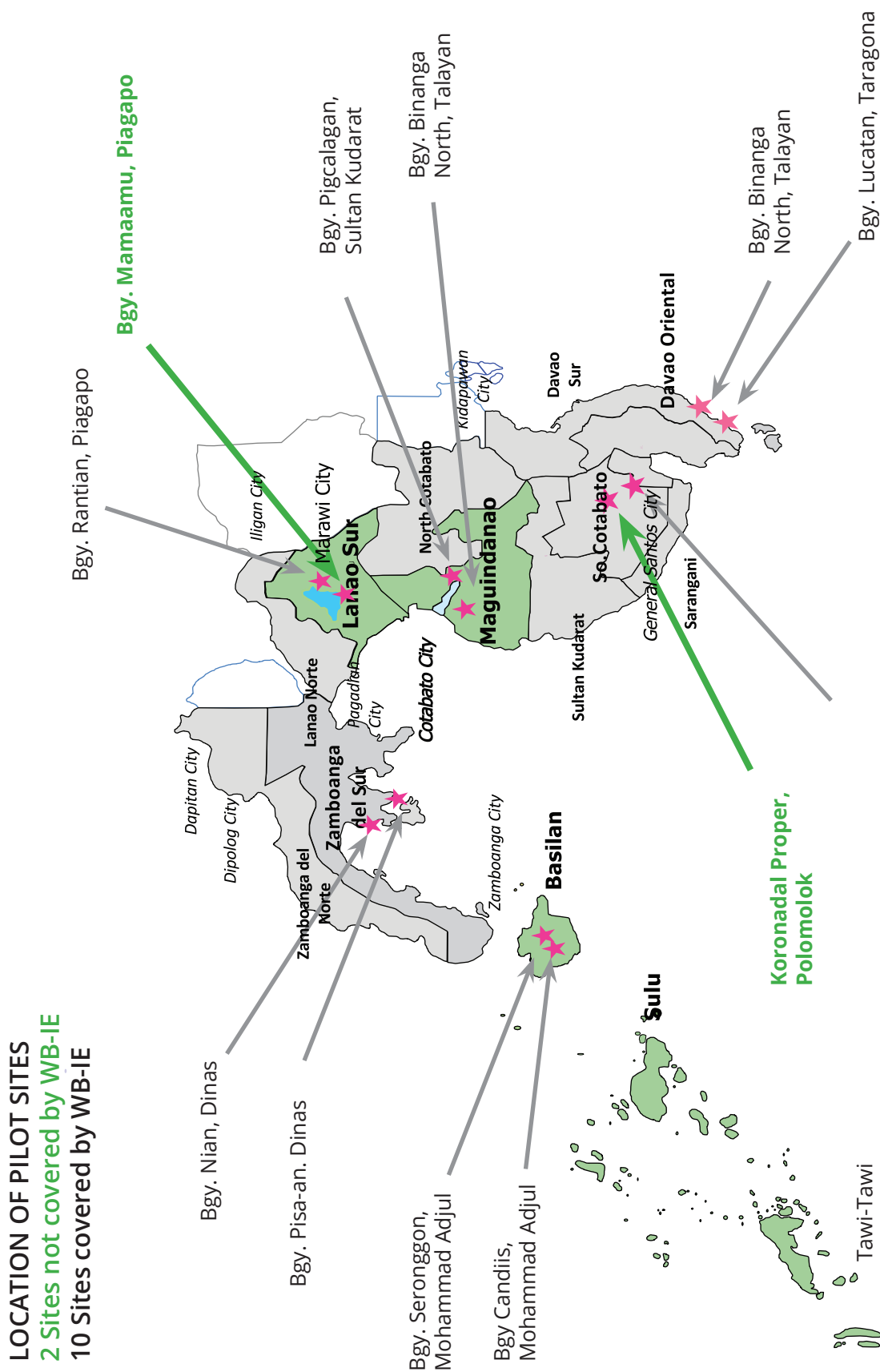
TARGET OUTPUTS AND OUTCOMES (INDICATORS)	IP/OP TARGETS	EXTENSION PERIOD TARGETS	REMARKS
<b>Immediate Objective 1</b>			
1.1 Institutions developed/ created (Enterprise/Economic Development Unit)	1	1	Original target
1.2 Staff (male/female) trained, capacitated in LED	35	35	Original target
1.3 Other partners (male/female) trained on LED approach	30	30	Original target
1.4 Tools and guidelines developed on LED	20	20	Original target
<b>Immediate Objective 2</b>			
2.1 Group enterprise projects created	36	34	Reduced due to removal of 1 pilot site (Brgy. Datal Bob)
2.2 Common enterprise facilities established	12	8	Reduced due to removal of 1 pilot site (Brgy. Datal Bob)
2.3 Beneficiaries (male/ female) trained in group enterprises and common enterprise facilities	600	680	Increased due to adoption of new enterprise training methodology

TARGET OUTPUTS AND OUTCOMES (INDICATORS)	IP/OP TARGETS	EXTENSION PERIOD TARGETS	REMARKS
2.3.1 New beneficiaries (male/female) engaged in new enterprises	60% of trained	60% (408)	Original target
2.3.2 Percentage rate of increase in monthly income of trained beneficiaries (over time)	50% average	50%	Original target
2.4 Existing informal business operators enhanced	120	120	Original target
2.4.1 60% of the target applied knowledge		72	Original target
2.5 Beneficiaries (male/female) trained for wage employment	60	60	Original target
2.5.1 60% placement of trained for wage employment		36	

## 2.3 Project Sites

Initially, the project was assigned to cover 12 project sites. However, in view of the requirement for accreditation of one LGU, the project decided to drop one of the sites: Barangay Datal Bob in the Municipality of Tiboli. The decision resulted in the rationalization of the target outputs.

### Figure 6. Pilot Sites





## 2.4 PLEDGE Methodology

Community-based enterprise development in PLEDGE has a nine-month cycle of intervention. The cycle includes both the technical methodology and the administrative, logistical and financial support.

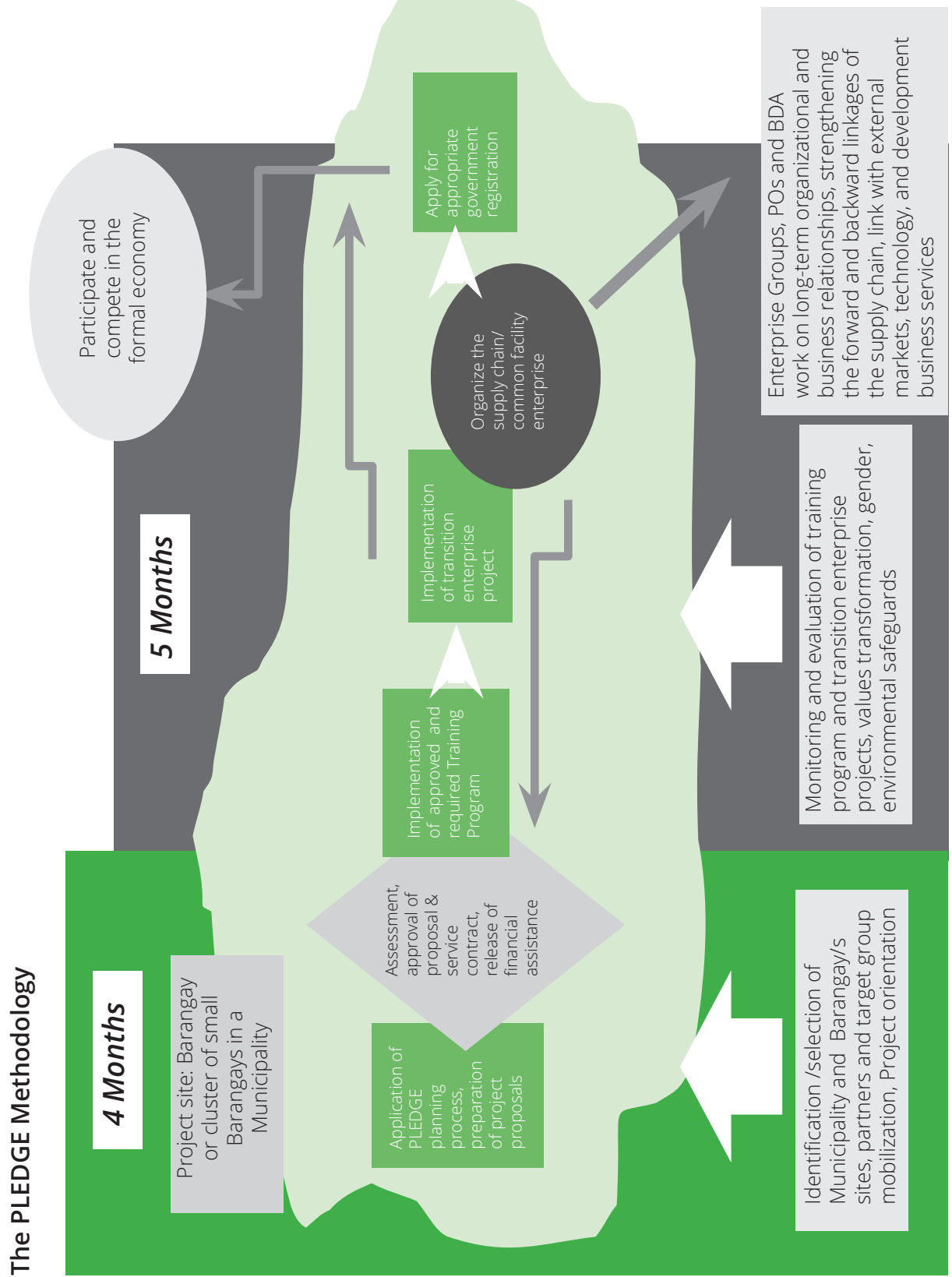
*Planning period* – The planning period is approximately four months. The planning process results into three project documents:

- 1. Type A project proposal** - for the creation of a core enterprise that can be an element of a local supply chain with forward and backward linkages participated in by the beneficiaries
- 2. Type B project proposal** - for the creation of common facility enterprise that can provide services to existing livelihood or other economic activities in the project site
- 3. Service contract** - for existing POs that submit proposals for assistance to establish a core enterprise of the supply chain, or a common facility enterprise

*Implementation period* – The implementation period is about five months. It covers the skills training, group enterprise development, supply chain development, business management, gender considerations, values transformation, environmental safeguards, organizational development of the POs and their enterprises, and distribution and marketing. The period also includes monitoring and internal evaluation.

<b>PLANNING PERIOD (4 MONTHS)</b>	<b>IMPLEMENTATION PERIOD (5 MONTHS)</b>
<ol style="list-style-type: none"> <li>1. Identification and selection of the barangay or cluster of small barangays in the municipality as the entry point. This is followed by preparation of site profile and gathering of PO profiles that will be presented at the barangay-wide project orientation</li> <li>2. Community enterprise planning. This involves brainstorming, validation and prioritization of enterprise ideas, project designing, and project proposal preparation</li> <li>3. Assessment of project proposal through a municipal-level coordinating body, the Regional Managers, the project staff at the BDA Central Management Office, and the Executive Director</li> <li>4. Signing of the service contract between the BDA and the POs, release of financial assistance, and procurement of tools and equipment</li> </ol>	<ol style="list-style-type: none"> <li>5. Implementation of the approved project proposal and contract; values transformation training, PLEDGE project induction, training in production, processing or service skills</li> <li>6. Implementation of project through a transition period; group enterprise development training, training the marketing group, gender considerations, environmental safeguards, grievance mechanisms</li> <li>7. Organizational development; business relationships between the enterprise groups and their POs, including profit and loss sharing, savings, investments, expansions, and other related subjects to contribute to local economic development and peace building</li> <li>8. Monitoring and process evaluation of enterprise projects; making adjustments in operations, pricing, products, processing procedures</li> <li>9. Registration of business and products with appropriate government agencies; linking with agencies for upgraded business development assistance and services</li> <li>10. End of nine-month intervention; providing choices to the beneficiaries whether to go big time and compete with the formal sector, or to remain as small community-based enterprises operating within the supply chain but increasing its market penetration outside of the community</li> </ol>

Figure 7. PLEDGE Methodology





## Section 3

# Field Implementation Policies

### 3.1 Enterprise Projects

Enterprise project proposals should be prepared using planning tools and methodology and official templates of the BDA. Proposals that comply with this policy necessarily comply with the agency's principles, policies and implementing rules and guidelines.

- 1. Qualified projects for assistance** – BDA supports the development of enterprise projects that will benefit more people and communities (inclusive) and will promote the organization of supply chains connected with markets, technologies, capital, etc.
- 2. Nature of assistance** – Assistance is in the form of training and post-training support, start-up tools and equipment, training supplies and materials, enterprise organizing, business management advisory, monitoring and evaluation, and referrals to other projects or services of government agencies and other private partners
- 3. Instrument for assistance**  
– Assistance is provided through official documents such as project proposals and service contracts prepared and entered into with target groups (POs) who will implement their chosen enterprise projects
- 4. Priority target groups**  
– The project prioritizes marginalized, underprivileged, and disadvantaged populations, especially conflicted-affected families that need and are willing to avail of assistance by following the project's policies and procedures

#### 15 Data Variables Assessed in Target Areas

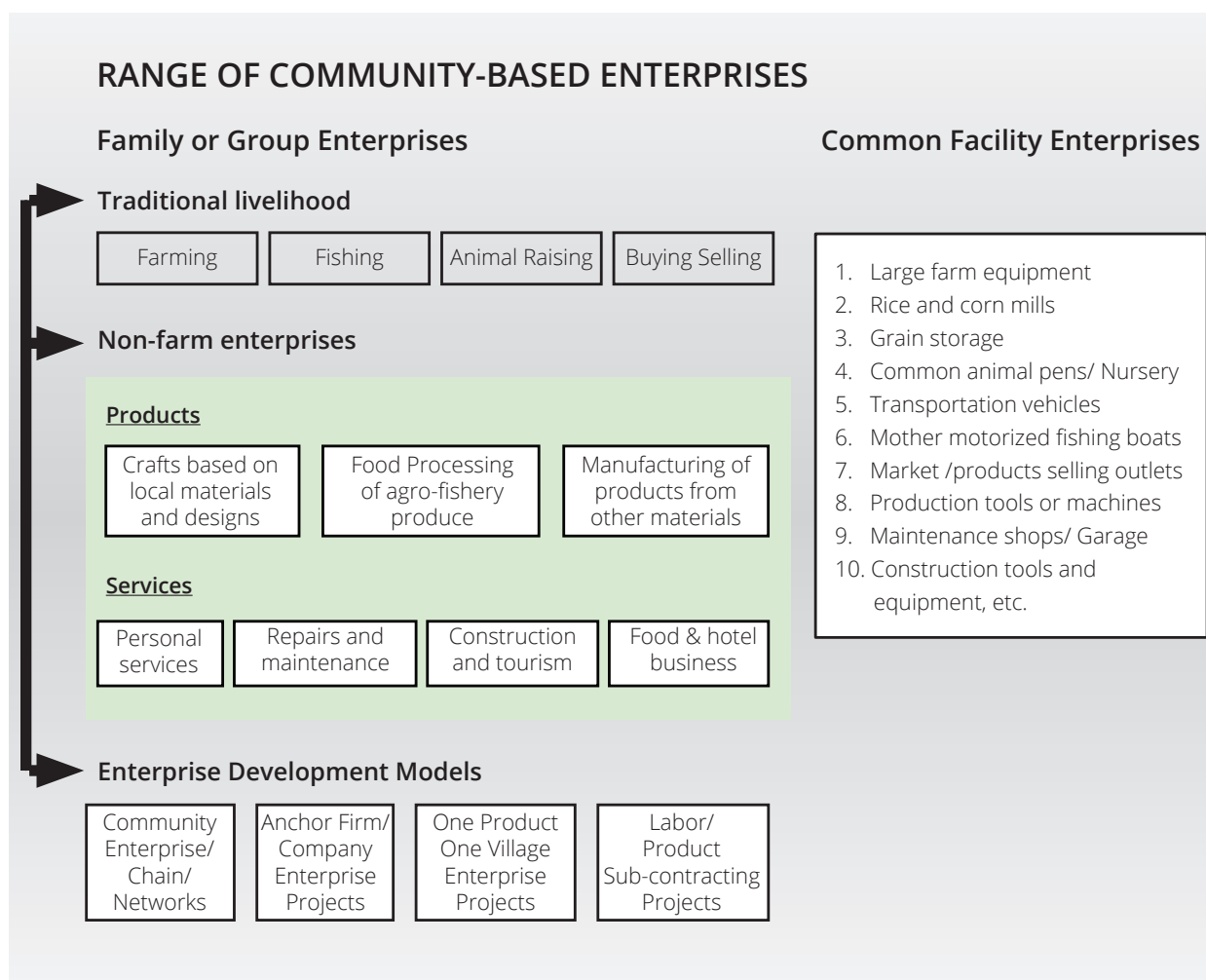
1. Natural resources
2. Raw materials
3. Employment generators
4. Distinctive skills/crafts
5. Service providers
6. Finance institutions
7. Market centers
8. Stakeholders
9. Target groups
10. Basic infrastructures
11. Development projects
12. Laws, regulations, policies involving the area
13. Geo-physical environment, characteristics
14. Socio-cultural structures, systems
15. Population socio, economic and political profile

- 5. Priority target areas** – BDA prioritizes underserved and vulnerable areas. Target sites are a barangay or a cluster of barangays within a municipality, or areas identified as having economic potential, i.e., presence of economic resources, markets, technology, or covered by existing development programs or policies.

Possible and viable community-based enterprises include:

- Traditional livelihood or income-generating activities
- Non-farm enterprises covering product-based or services
- Common facility enterprises

**Figure 8. Enterprise Coverage**



### 3.2 Target Group Requirements

Project proponents must be organized and registered People's Organizations (PO) or small cooperatives that comply with the following criteria:

**Registration** – In order to qualify for assistance, target groups should be registered with government agencies such the Cooperative Development Authority (CDA), Department of Labor and Employment (DOLE), Department of Social Welfare and Development (DSWD), etc. as a rural workers association, farmers/fisher-folk association, women’s organization, youth group, parent teachers association, 4-H club, production groups, etc.

**Group Membership** – A target group must have 15 to 50 members. It must have open, or encourage membership for women, youth, persons with disabilities/ differently-abled persons (PWD/DAP), and other marginalized groups

**Organization** – The target group or PO must have a basic set of officers. It must appoint focal persons or small working committees for gender and PWD/DAP considerations, environmental safeguards, grievance redress mechanisms, and local economic and enterprise development

**Preparedness** – The target group must be willing to undergo seminars on values transformation, gender, social risk mitigation, environmental safeguards, how to address social tensions, etc. and an orientation on the BDA/PLEDGE concept, systems, and procedures

### 3.3 Target Beneficiaries

Trainees for an approved Project Proposal shall be selected by the proponent POs.

The selection will place importance to the equal participation of women, still productive senior citizens, former combatants, and persons with disabilities (PWDs). The inclusion of these groups should be emphasized during community organizing and consultation meetings.

Men and women beneficiaries for training for employment or self-employment (through the jobs opportunities survey) should be within the working age category as defined by Philippine law.

### 3.4 Training or Service Providers

The training provider or trainer should be selected by the proponent PO, and endorsed through a written communication to the BDA

The training provider must be registered with a government agency (e.g. TESDA, DTI, and DSWD). However, if the need is only for an individual trainer, he or she must be trained and accredited by TESDA or a private accrediting agency

All trainers should undergo an orientation on the BDA-PLEDGE concept, tools, and methodologies and on values transformation

### 3.5 Service Delivery System

The project follows a service delivery system managed by the BDA through their organizational structure. It is supported by a project staff at the BDA central management office (CMO) and by Community Enterprise Development Officers (CEDO) on the ground. At the regional level the Project is supported by the BDA Regional Management Office (RMO) headed by the BDA Regional Manager. At the municipal levels, the Project is assisted by an ad-hoc coordinating committee called the Municipal Technical Team (MTT) and composed of the LGU Executive and such agencies as Department of Agriculture (DA), Department of Trade and Industry (DTI), Department of Social Welfare and Development (DSWD), Department of Labor and Employment (DOLE), local employers group and NGOs.

#### Steps in Service Delivery

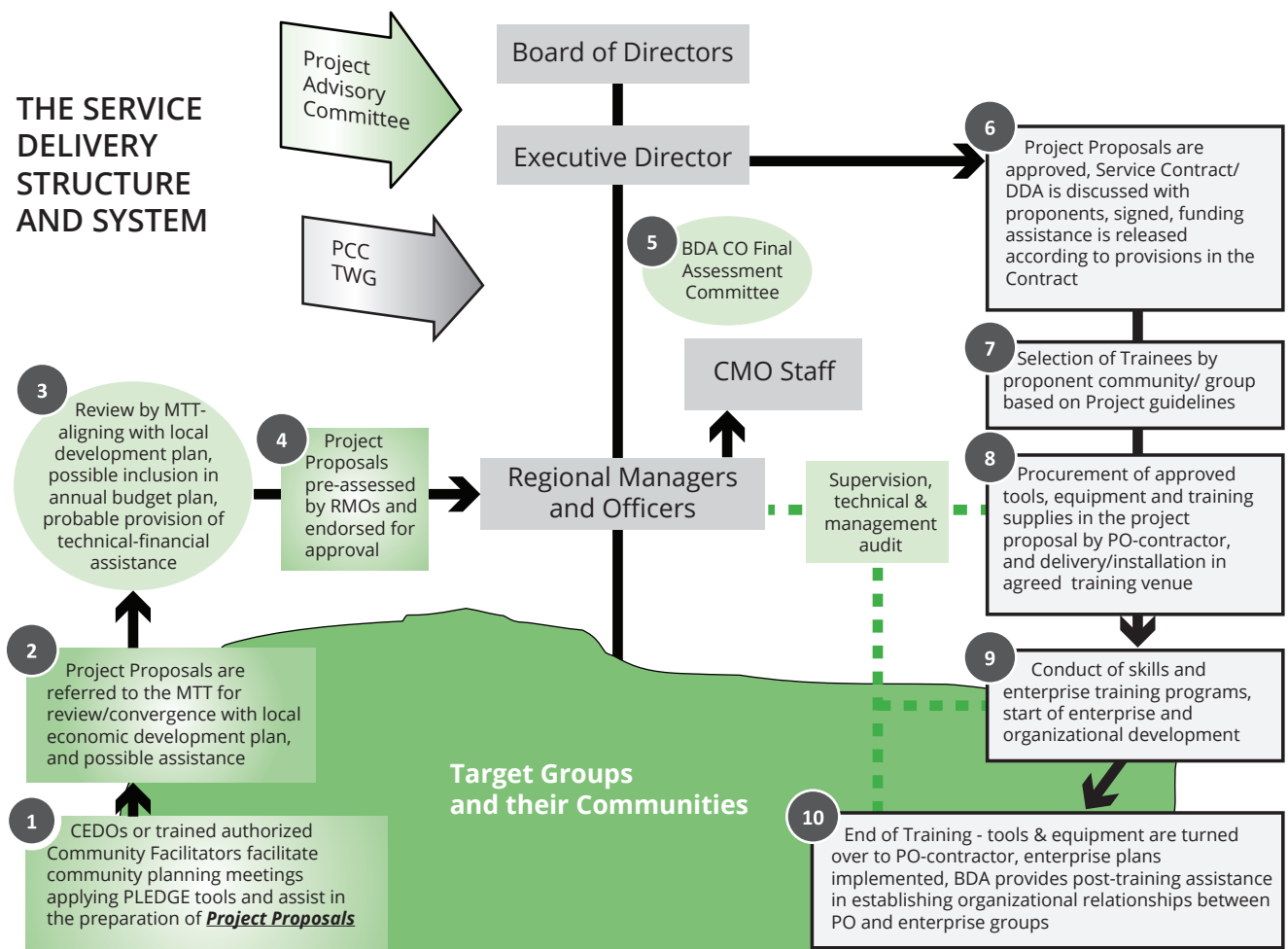
- Step 1. CEDOs facilitate community planning meetings (applying PLEDGE tools) and assist in the preparation of project proposals
- Step 2. Project proposals are referred to the MTT for review/convergence with the local economic development plan, and for possible assistance
- Step 3. The MTT reviews the proposals, checking for alignment with local development plans, possible inclusion in annual budget plans, probable provision of technical and financial assistance
- Step 4. Project proposals are pre-assessed by BDA Regional Management Office and endorsed to the CMO
- Step 5. Project proposals are assessed by the CMO, with help from BDA officers
- Step 6. Project proposals are approved, a service contract is drafted, discussed with and signed by the proponents, and funding assistance is released according to the provisions of the contract
- Step 7. Selection of trainees by the proponent community/group is done based on project guidelines. Consideration is given to the equal participation of women, still productive senior citizens, former combatants, and PWDs.



- Step 8. Approved tools, equipment and training supplies in the project proposal is procured, delivered and installed in the agreed training or enterprise project venue
- Step 9. Skill and enterprise development training; implementation of the transition enterprise project period (5 months); setting-up of the planned common facility enterprises; creating the local supply chain; and training of marketing, business management, gender, environmental safeguards, grievance redress mechanisms and other related post-training support is conducted/provided
- Step 10. End of Training – TEP evaluation is conducted, tools and equipment are turned over to the PO; enterprises and their products are formally registered; business management coaching and establishment of linkages with service providers is facilitated

The two most important documents in the delivery system are the Project Proposals and the Service Contracts. They are prepared as tandem documents covering community-based enterprises or common facility enterprises, as discussed in Section 2.4.

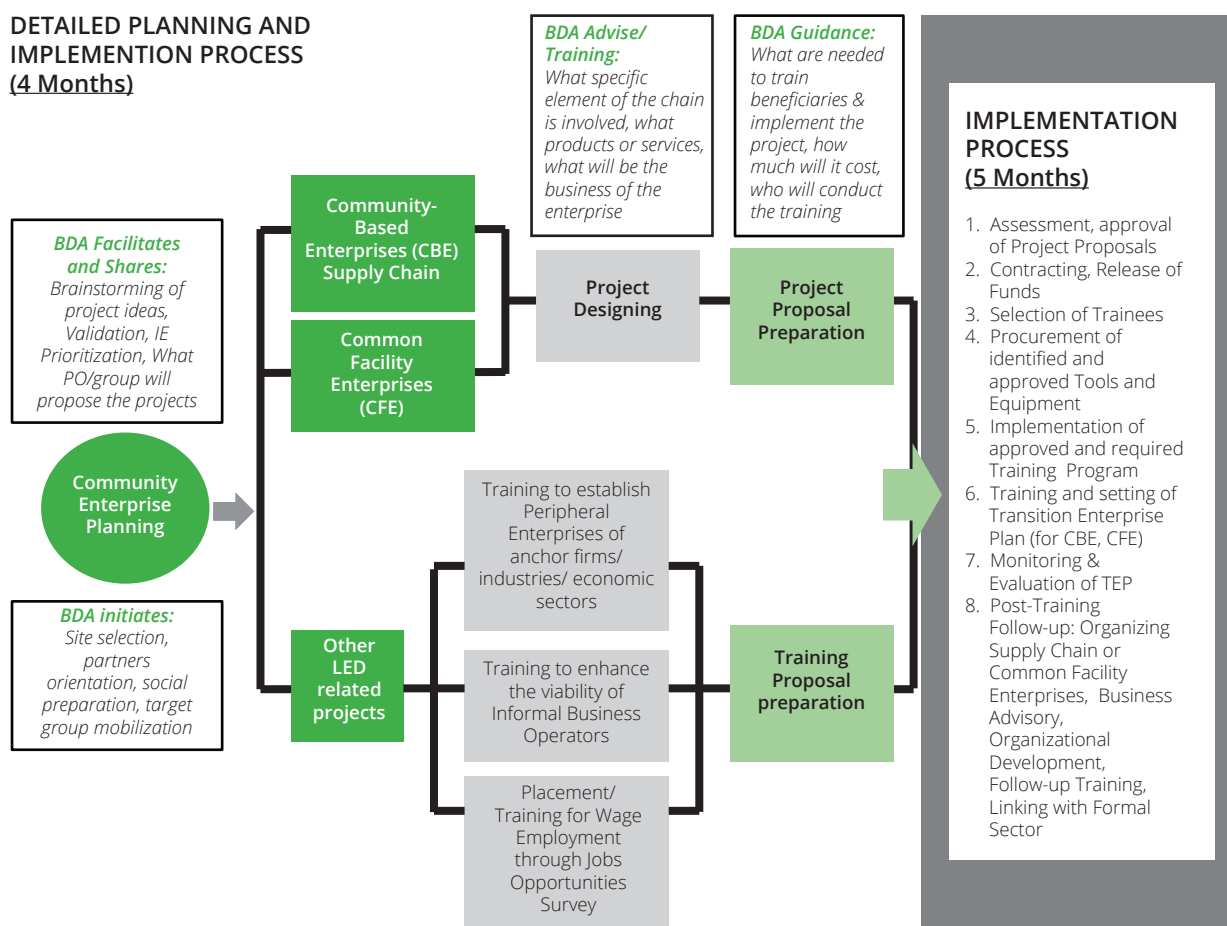
**Figure 9. Service Delivery Structure and System**



### 3.6 Project and Training Proposal Preparation

Project proposals, particularly for community-based enterprise projects, are prepared by target groups through the facilitation of CEDOs and by the application of participatory planning tools and guidelines developed by PLEDGE.<sup>3</sup> Other relevant methods and tools are also allowed to be used as necessary.

**Figure 10. Planning and Implementation Process**



**See the following appendices:**

- *Appendix 1 – Type A: Project Proposal for Community-Based Enterprises*
- *Appendix 2 – Type B: Project Proposal for Common Facility Enterprise*

<sup>3</sup> For the creation of peripheral enterprises of anchor firms, enhancing the productivity and viability of informal business operators, and for demand-driven employment training, PLEDGE has prepared Training Proposal Templates with their respective Training Implementation Contracts, but has been differed during this phase.

## Costing

For the cost component of project proposals, PLEDGE is guided by its financial support policies. The cost parameters are one of the bases for assessment and approval of proposals. The table below describes the technical and financial assistance policies of PLEDGE.

**Table 2. Technical and Allowable Financial Assistance**

Nature of Cost	Allowable Cost Items
Variable Costs	<u>Professional and management fees</u> 1. Honoraria of Skill Trainer/s (existing government rate) 2. Honoraria of Support Staff (40% of honoraria of Skill Trainer/s) 3. Travel allowance of Trainer/s or Support Staff (if they are not from the community)  <u>Training venue and facilities</u> 1. Rentals of training venue (if applicable) 2. Power, water, gas, communication (if applicable)  <u>Direct training cost</u>
	<b>Cost Items</b>
	1. Training tools and equipment (to be turned over to beneficiaries)
	2. Training supplies and materials
	3. Office supplies or stationeries
	4. Delivery and installation cost of tool & equipment to/in the training venue
	5. Safety materials/ equipment
	6. Trainee allowances (need justification)
Overhead Costs	Allowance for unforeseen training expenses - 5% of the direct training costs in the project proposal
	Allowable overhead cost of training contractor - 10% of the total training costs in the project proposal

Nature of Cost	Allowable Cost Items
Fixed Costs	Honoraria and travel cost for Enterprise Development Trainer (Non-BDA Staff) – P50,000/ training project (for teaching Transition Enterprise Project (TEP), setting-up the enterprise, and provision of advisory service until the TEP is completed)
	Honoraria and travel cost for Community Facilitator (Non-BDA Staff) – P25,000/ training project (for monitoring the training and post-training activities, soliciting the reports from the trainers and/or training provider and forwarding them to the PLEDGE project)
Maximum direct financial assistance for training in soft skills (e.g. food processing, bag making, garments, etc.)	P5,000 – 10,000 per trainee
Maximum direct financial assistance for training in hard skills (e.g. metal fabrication, furniture making, etc.)	P10,000 – 15,000 per trainee
Maximum amount of financial assistance per project site/area	P1 million per project site

#### Other basic training administration policies:

- Maximum hours for training in skills is 240 hours (justify if more is needed)
- Maximum hours for classroom training in TEP is 50 hours (excluding setting up of enterprise)
- Maximum number of trainees/training programs is 30 registered members of the PO proponent
- Trainee allowance for food and transport is allowed if there is a need (provide justification). Travel allowance is computed based on actual costs and number of days in attendance
- Skill Trainers, TEP Trainers, Support Staff and Community Facilitators that are assigned/hired for a particular training program are not qualified as trainees of such program

### 3.7 Community Contracting

A community-driven development or CDD approach is followed, which means that project ideas and proposals are prepared and submitted by the target groups (registered POs), and service contracts are entered into directly by the BDA and

proponent POs - ***without the use of intermediaries***. This is based on the project principles of grassroots empowerment and enlightened governance. This principle and approach are imbedded in all of the implementation tools and guidelines and are an important focus in staff capacity building. The legal document that binds project partners is the service contract, which basically gathers together as its annexes the project proposals and all other support documents for project management, control, monitoring and evaluation.

### Service Contracts

As discussed above, there are two types of service contracts: Type A; covering group processing or small enterprise projects that can be organized into supply chains; and Type B; covering common facility enterprises that are usually service or merchandizing-oriented. Both, however, have similar provisions covering roles, rules and responsibilities and conditions of payments:

#### ***See the following Appendices:***

- *Appendix 3 - Service Contract for Community-Based Enterprise (Type A)*
- *Appendix 4 - Service Contract for Common Facility Enterprise (Type B)*

#### 1. Responsibilities of the beneficiary target group or PO:

- Implement all the activities described in the project proposal, in accordance with the BDA-PLEDGE project management policies;
- Assign or hire experienced skills trainers and support staff; such trainers and staff shall be oriented on the BDA PLEDGE concept, methodology and strategies;
- With the assistance of the trainee-beneficiaries, procure training inputs, particularly tools and equipment specified in the project proposal;
- Lend the tools and equipment, free of charge, to the trainee-beneficiaries to be utilized in the implementation of the training program;
- Allow BDA, ILO and WB, together with its partner LGU, to monitor the training and the use of such tools and/or equipment and to place project markings or stickers on them;
- Assist the PLEDGE staff in the conduct of the other training components, in post-training assistance and in providing support to the trainee-beneficiaries, including organizing the enterprise into supply chains, common facility enterprises, and other relevant concepts;
- Submit required project reports to BDA;

- Retain ownership of BDA-provided tools and equipment and other assets acquired from PLEDGE to be used for their separately registered enterprise projects
- Take charge of the overall supervision and management audit of their enterprise projects
- Continue working on enterprise expansion and sustainability and linking with formal markets, technologies and appropriate financing programs; and
- Develop profit and loss sharing policies (per enterprise project), including mechanisms for grievance redress, environmental safeguards, gender considerations and values transformation.

## 2. Responsibilities of the BDA

Release project fund amount stipulated in the service contract with the target group or PO, according to the following schedules:

**1st Release** – Php \_\_\_\_\_ or \_\_\_\_\_ (amount in words) equivalent to 100% of the direct training cost [Training tools and equipment (Annex 2; Office supplies; (Annex 4) PLUS 10% unforeseen] in the approved Project Proposal upon submission of a Photocopy of the signed Service Contract with its Annexes, Photocopy of Bank Account Number, Certificate of Inspection of Training Venue, and List of Recommended Trainees

Note: The procurement of the training inputs mentioned above is limited to what is listed in the approved training proposal.

**2nd Release** – Php \_\_\_\_\_ or \_\_\_\_\_ (amount in words) for the cost of training supplies (Annex 3) professional fee and training venue (Annex 5&5a) after submission of copies of sales invoice or official receipts of purchase, and report of physical inspection of purchased goods by BDA regional office and Letter of Appointment of Trainer/s

**3rd Release** – Php \_\_\_\_\_ or \_\_\_\_\_ (amount in words) the remaining balance of the contract price after submission of a Budget Balance Utilization Plan and Program Reports (Graduation Report, End of Training Report, Transition Enterprise Plans or its equivalent, Certificate of Acceptance of Tools and Equipment to be used in the normal operation of the enterprise project)

### **Tranche payment management, audit and control**

In cases when the project proposal involves the procurement of perishable supplies (e.g., agricultural inputs such as livestock and feeds), tranche payments 1 and 2 can be combined under one request so that training can proceed immediately. Training should be provided prior to the procurement of such inputs.

The BDA manages, controls and monitors the tranche payments in the service contracts through standard templates.

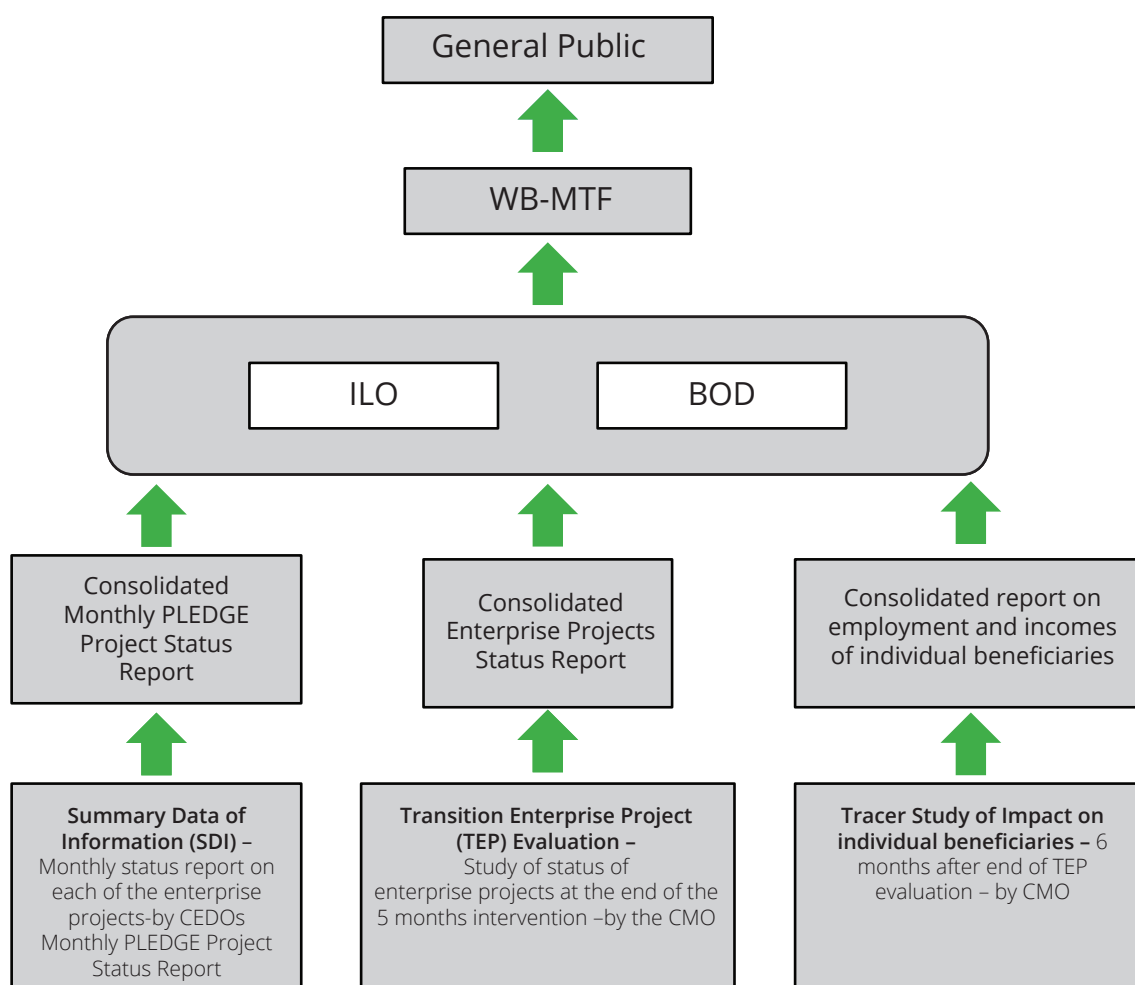
***See Appendix 5 - Tranche Payment Request Templates***

## **3.8 Monitoring and Evaluation**

Monitoring and internal evaluation is incorporated in a Management Information System or MIS. Basically, the MIS is focused on the documentation of activities and outputs of the CEDOs, and are required on a daily and/or monthly basis. The system utilizes standard data and information gathering tools from the CEDOs for consolidation by the project staff in the CMO. Data monitored are analyzed and transformed into narrative reports and submitted to the BOD for information, analysis and proper actions on a quarterly period.

Monitoring is supported by site visits, related field activities and helpful mechanisms to mitigate risks and promote PO ownership of their projects, enterprise sustainability, and possible project replication in other areas in the future.

Figure 11. Project MIS



They draft consolidate reports are submitted to the ILO Office in Cotabato City who work together with the CMO in preparing the final project report before it is submitted to the ILO Office in Manila and to the BOD for discussion. ILO Manila submits required reports to the WB-MTF and the general public as needed.

### 3.9 Reporting and Study Tools

The MIS is also designed to measure the performance of the project in terms of achieving its targets, while utilizing and applying the various technical tools of the methodology.



MIS tools are as follows:

Tool	Description/Purpose	Frequency of use	In charge
Monitoring and internal evaluation gathering forms	Covers the detailed and cumulative activities and outputs of CEDOs	Monthly	CEDOs
Summary Data Information (SDI) form	Covers the basic data of projects and issues and problems in the field	Monthly until all activities in the enterprise project is completed	CEDOs
How to conduct an evaluation of Transition Enterprise Projects	Status of each enterprise project after the 5-month training or transition enterprise period	Before the end of the 5-month intervention period	CMO and ILO Cotabato
How to conduct a Tracer Study	Study on individual income deviations after the 5-month training and transition enterprise implementation	6 months after the end of TEP evaluation	CMO and ILO Cotabato

**See the following Appendices:**

- *Appendix 6 – Monitoring and Evaluation Forms*
- *Appendix 7 – Summary Data Information (SDI) Template*
- *Appendix 8 – Transition Enterprise Project (TEP) Evaluation Tool*
- *Appendix 9 – Tracer Study Template*



## Section 4

# Environment and Social Safeguards

### 4.1 Safeguard Policies

Enterprise projects shall be governed by environmental and social safeguards, as well as mechanisms that will help prevent and manage inter-personal grievances of beneficiaries within their organizations and, by extension, in their communities. These safeguards have been integrated and embedded in the tools and implementing guidelines of this manual.

The safeguards policies that apply to the MTF will also apply to PLEDGE. These are the following:

- OP/BP 4.01 Environmental Assessment;
- OP/BP 4.10 Indigenous People; and
- OP 4.12 Involuntary Resettlement

**Environmental Assessment** - Environmental issues relate primarily to possible negative impacts caused by small-scale enterprise project infrastructures. PLEDGE will use an environmental screening mechanism that identifies a negative list or a list of prohibited projects that have adverse and irreversible impact to human health and environment. This negative list is presented in Section 4.2 below. Eligible enterprise project or activities, which are anticipated to have environmental and social impacts during construction and implementation, will need to develop an Environmental and Social Management Plan (ESMP).

**Involuntary Resettlement** - Land acquisition based on eminent domain will not be undertaken to obtain land for community enterprise projects. Thus, projects involving involuntary land acquisition and resettlement (displacement) are on the negative list and are not eligible for funding. Land required for enterprise projects may be acquired through voluntary private land donations, voluntary private long-term leases at a nominal cost, transactions between willing-seller-willing-buyer, and access to use vacant community or government land. Private, community or government donations, long-term leases, and community purchases must be properly documented and will form part of the enterprise project appraisal.

**Indigenous Peoples** - In 1997, the Philippine Congress passed Republic Act 8371 entitled Indigenous People's Rights Act, which uses the term indigenous peoples (IPs) as the collective label for non-Christian and non-Muslim ethnic groups in the Philippines. This does not apply to non-indigenous ethnic minorities such as Chinese, Indian, and American. In Mindanao, indigenous groups are collectively

referred to as lumads. In the context of the MTF, PLEDGE shall continue to ensure (a) the informed participation of IPs in the activities, so that they are in a position to receive culturally compatible social and economic benefits, and (b) that IPs are not adversely affected during the development process.

## 4.2 Screening of Enterprise Projects for Safeguards Requirement

CEDOs will be trained on the application of environmental and social safeguards. They will incorporate this knowledge in their facilitation of community enterprise planning meetings especially during the brainstorming process when they are required to provide inputs, in the needs assessment stage, in the designing of enterprise projects, and during the preparation of the projects.

Communities will be made aware of these policies at the early stages of the process when they identify and prioritize their enterprise projects. They will refer to a **negative list** that prohibits projects that damage the environment (e.g., chainsaws, pesticides); support illegal activity (e.g., weapons, illegal drugs, child labor, exploitation of women, destructive fishing, deforestation, slash and burn farming, etc.); or involuntarily resettle people. Project proposals will be assessed for specific safeguards documents required (i.e., ESMP, land acquisition documents, etc.)

To ensure compliance with safeguards requirements, enterprise project proposal identified with potential environmental and social impacts is required to have an assessment of impacts, using an Environmental and Social Screening Checklist (ESSC) that describes potential negative impacts. The ESSC contains specific instructions to the PO on what steps are required to mitigate the predicted impacts, including the formulation of an ESMP.

Construction-related environmental impacts of anticipated enterprise projects, such as an increase in dust and noise or vegetation loss, are minimal, temporary and easily mitigated. The target group and/or its endorsed and authorized training/service contractor shall manage these impacts by implementing the ESMP.

### **List of Prohibited Projects** (as of June 2016)

- *Those involving the exploitation of women and children*
- *Those involving the manufacture or selling of prohibited drugs and spirits*
- *Those involving gambling or games of chance*
- *Those that are against, or will destroy culture and traditions*
- *Those that will cause the destruction or degradation of the environment*
- *Those that are prohibited by national policies and legislations and international conventions (ex. child labor, etc.)*

***Examples of enterprise project activities  
not allowed by the WB-MTF Policies  
(List as of June 2016)***

1. Purchase of weapons
2. Purchase of chainsaws and explosives
3. Financing of sawmills
4. Purchase of pesticides, insecticides, herbicides, asbestos and other potentially and dangerous materials and equipment
5. Purchase of motorized fishing boats and equipment/materials related to dynamite fishing
6. Road rehabilitation or construction into protected areas
7. Use of funds to purchase or compensation of land
8. Use of mangrove or coral reefs as building materials
9. Projects requiring resettlement (displacement of people)
10. Consumption items or events
11. Financing activities that have an alternative prior source of committed funding
12. Purchase or repair of vehicles
13. Financing of recurrent government expenditures (e.g. salaries for government and LGU staff)
14. Construction or repair and buying of equipment for government offices and places of worship
15. Financing of political activities
16. Salaried activities that employ children under 16 years
17. Financing activities that unfairly exploit women or men at any age
18. Financing international travel

### 4.3 Safeguard Responsibility

Safeguards shall be integrated in the enterprise project cycle and shall be constantly and consciously monitored as part of issues and problems in regular CEDO reports. Specific responsibilities are identified in the table below. Where applicable, the appropriate mitigation measures will be undertaken and proper documentation obtained. The documentation will form part of the enterprise project proposal package submitted to the RMO/CMO for review and subsequent approval.

ROLES	RESPONSIBILITIES
POs/Service Contractors	Fill up ESMP template
CEDOs	Assist in filling up ESMP Fill up Checklist/ESSF
RMOs	Quality review/Appraisal of ESMP
CMO	Recommending approval of ESMP Monitor RMO safeguard compliance Supervision and coaching of RMO safeguard focal persons

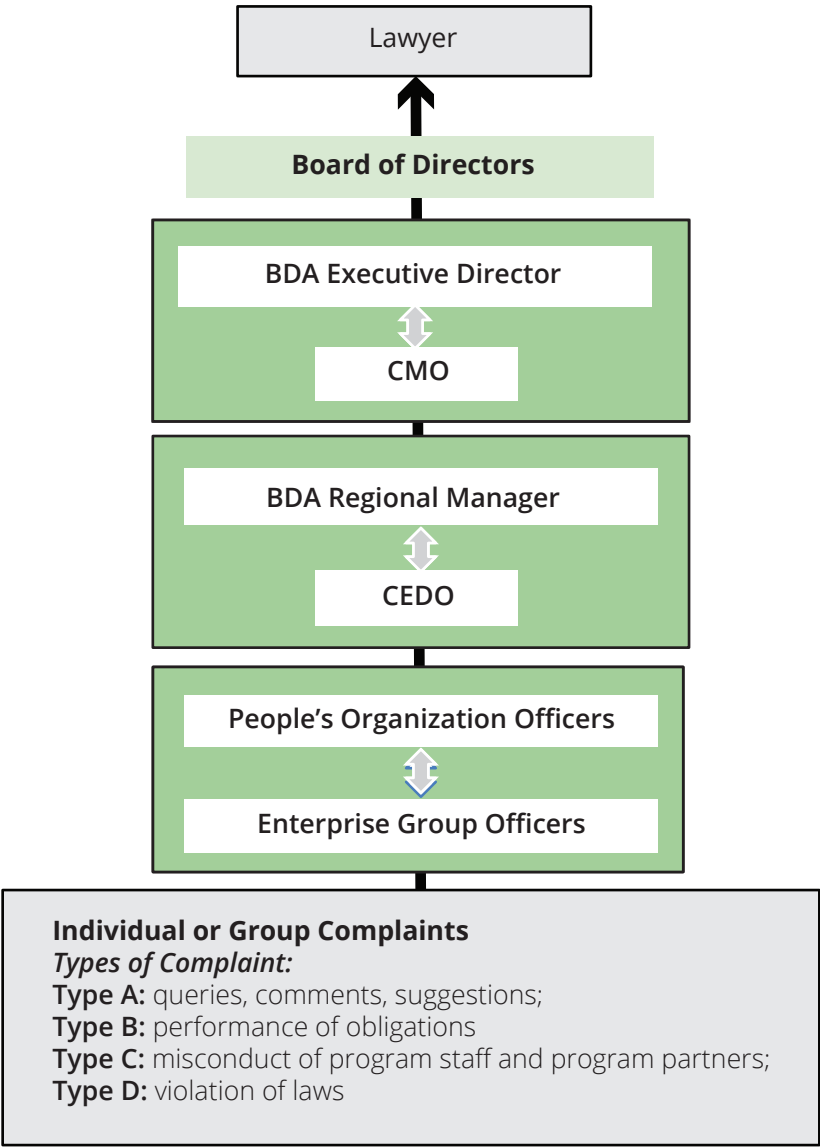
#### 4.4 Grievance Redress System

In view of the nature of its community-based enterprise projects, PLEDGE has adapted a modified WB-MTF system of redressing grievances from its target groups and beneficiaries. The system has two levels: issues and complaints.

Issues refer to the usual occurrence of differences in the interpretation of project guidelines and policies. These are normally attended to on a daily basis by the CEDOs in their interaction with the target groups and beneficiaries. The issues and actions taken are reported in the Summary Data and Information monthly monitoring form.

Complaints refer to issues that are not resolved by the CEDOs and the target groups or beneficiaries. These issues are treated as complaints and are addressed through the Grievance Redress System.

Figure 12. Grievance Redress System



See Appendix 11 - Grievance Redress System Tool





## Section 5

# Financial Management

The financial management system is governed by an Implementing Agreement between the ILO and the BDA. The financial management policies adopted by the BDA are consistent with WB-MTF and ILO existing policies.

### 1. Basic Principles

The PLEDGE project's operating and management principles are based on "enlightened governance" and "grassroots empowerment". These twin principles are embedded in all project policies, systems, tools and strategies to ensure transparency, accountability, simplicity and practicality of project approaches. As a result, target groups become empowered on deciding on their projects, have strong project ownership, and work together to make their projects sustainable, thereby contributing to the development of their communities.

### 2. Funds Flow

The implementation of the PLEDGE project is covered by an Implementing Agreement (IA) between the ILO as the Trust Fund Recipient (TFR) and BDA as the implementing agency. Sound project financial management is coursed through and shall be consistently practiced in the following organizations:

- The World Bank (WB) - Mindanao Trust Fund – Trust Fund Administrator
  - The International Labour Organization (ILO) – Trust Fund Recipient
  - The Bangsamoro Development Agency (BDA) – Project Implementer
  - Community Groups – Fund Beneficiaries
- 2.1. Implementation Agreement (IA) - The World Bank will release funds to the Trust Fund Recipient after the Trust Fund Agreement signing. The funds will cover TFR expenditures, PMO expenditures, and the direct cost of community enterprise projects.
- 2.2. The ILO's obligations under the IA will be contingent upon receipt of the necessary funds from WB. If funds are not received, the activities to be carried out for the project/programme may be reduced, suspended or terminated by the ILO with immediate effect.
- 2.3. An advance payment will be made as soon as reasonably practicable, upon receipt by the ILO of the original counter-signed Agreement and proof of the establishment of the bank account, or, where applicable, written notification of BDA's bank account.

- 2.4. The reporting period will be every four (4) months starting from the commencement date of the work which will be submitted to ILO within two (2) weeks from the end of the reporting period. Should BDA require a progress payment before the end of a particular reporting period, the ILO may agree that the reports prepared by BDA cover a period of less than the four (4) months originally required.
- 2.5. The duly authorized representative(s) of BDA will certify on the financial reports that the goods and services for which the expenditure has been incurred or will be incurred are not being financed from any other sources and are for the direct use and sole benefit of the work to be performed under the IA.
- 2.6. Subsequent payments to BDA will be made in accordance with the approved amounts contained in the expenditure forecast and upon receipt and acceptance of the technical and financial progress reports, including original bank statements, cash book, bank reconciliation statement, summary of transaction, and expenditure forecast -- all of which should be submitted at the end of the reporting period as appropriate.
- 2.7. In no event will the total of the advance and progress payments to BDA exceed ninety-five per cent (95%) of the total value of the IA.
- 2.8. The final payment representing any difference between the approved total expenditure incurred by BDA, which cannot exceed the total value of the IA and the sums already paid by the ILO to BDA as advance and progress payments, will only be made to BDA by the ILO upon receipt and acceptance of the final technical and financial reports and subject to the ILO's satisfaction.
- 2.9. Report discrepancies - Discrepancies will be identified through cross checking of the technical and financial documents.
- 2.10. To provide ease in the review of the documents submitted to ILO, BDA will provide proper disclosure and notation on the financial reports.
- 2.11. BDA will obtain the prior written approval of the ILO should it become necessary to deviate from the authorized budget indicated from the approved work and financial plan (WFP). BDA will reimburse with immediate effect any amount spent contrary to the authorized expenditures.

- 2.12. Upon completion of the work, BDA will immediately return any unspent balance to the ILO.
- 2.13. BDA shall grant to any official designated by the ILO free access at any time to all workplaces and shall make available to them all documents, including supporting documents for expenditures that have been incurred for the execution of the IA.
- 2.14. Copies of bank statement and originals of payment vouchers and other supporting documents shall be kept by BDA for a period of no less than five (5) years and shall be made available on request to ILO or any other person authorized by the ILO.

Note: Release and flow of funds to community beneficiaries is discussed in Section 3.7 Community Contracting

### **3. Internal Financial Management of BDA**

The BDA will spend transferred fund based on the project's WFP. It will generally cover the operating expenses of three components:

- Personnel and Maintenance and Operating Expenses
- Capacity Building Workshops and Related Activities
- Financial Support to Enterprise Projects of Beneficiaries

This involvement of project staff forms the basis for participative management and on-the-job capacity building. Participative management broadens the perspective of project management staff from a narrow concern on day-to-day implementation issues, to a consideration of overall project goals, objectives, plans and target outputs and outcomes. Project staff can see how their particular responsibilities fit into the overall operation of the project and consequently, of the necessity for BDA inter-departmental cooperation.

- 3.1. Budgeting - An important aspect of financial management that will be followed by the PLEDGE project is the operating and activity budget. This is the 'master budget' and should include all funds approved in donor proposals and all activities planned for a given period of time (in this case from May 2014 to August 2016). The line items in the budget should coincide with general activities outlined in the WFP so that expenses can easily be tagged to budget. The budget can be set up in Excel but ideally will be inputted into the organisation's accounting software (e.g., QuickBooks/Ledger) so that performance reports can easily be generated.

- 3.2. A master budget is a transparent method of communicating the project plan to all levels of the project organisation; it helps guide and coordinate activities and is an important cash flow planning tool.
- 3.3. The Administrative and Finance Clerk, under the supervision of the Project Coordinator, together with all project staff are responsible for the budgeting process. These responsibilities include pre-planning, budget layout, education of fellow staff and the coordination, compilation and interpretation of budget information.
- 3.4. Careful planning and preparation of a formal budget benefits the project in many ways:
  - 3.4.1. *Enhances managerial perspective* - On a day-to-day basis, most managers focus their attention on the routine problems of running the operations of the organization. In preparing a budget, however, managers are forced to consider all aspects of BDA's internal activities and also to make estimates of future economic conditions.
  - 3.4.2. *Gives advance warning of problems* - A budget can forecast financial results so that management can be forewarned of financial problems.
  - 3.4.3. *Helps coordinates activities* - Preparation of a budget provides management with an opportunity to coordinate the activities of the various departments and RMOs within the organization
  - 3.4.4. *Serves as a tool for performance evaluation* - A budget shows the expected costs and expenses for each department and RMO, as well as the expected outputs, such as sub-projects to be done. Thus, efficient budget expenditure (or lack of it) can be used to measure the actual performance of departments and RMOs.

#### 4. Recording and Financial Reporting

The Administrative and Finance Clerk, under the supervision of the Project Coordinator, is tasked to prepare and submit financial reports for various interested parties, including but not limited to the Board of Directors, the management, and the BDA's appointed auditor and donors. The reports shall be summarized, or translated into the financial requirement requirements of the TFR (ILO). These reports include, but are not limited to the following:

- Statement of Financial Position (Balance Sheet);
- Statement of Financial Activities (Income Statement);
- Statement of Cash Receipts & Disbursements (Fund Accountability);
- Statement of Funds Equity (Changes in Equity);
- Notes to Financial Statements and Schedules;
- Donor-required Financial Reports (Expenditure forecast, Cash Book, Summary of transactions, Bank reconciliation, etc.)

## 5. Performance Reports

Without performance reports, the meaning and purpose of the budget would be lost. Performance reports allow activity managers to remain accountable to the budget and can be designed specifically to facilitate internal management control. Different reports can be designed for the various levels of management. The Board of Directors of the organization may only need a summary report while division heads and/or Program Coordinators and support staff will require more detailed information.

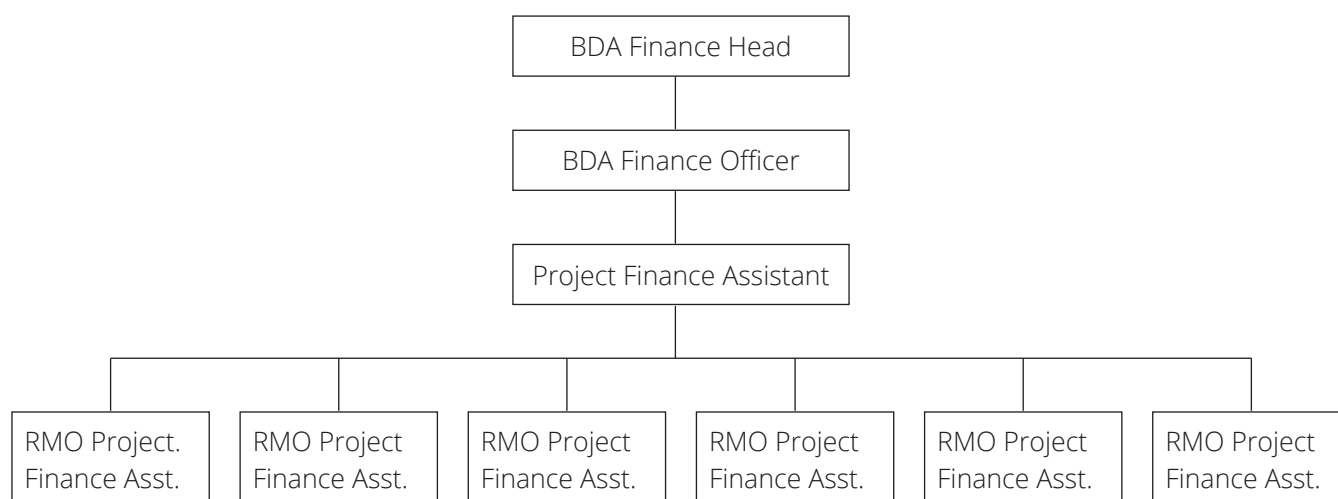
### Basic Guidelines for Performance Reports

- 5.1. Design reports to fit organisational structure;
- 5.2. Report periodically in a standard format;
- 5.3. The report(s) can be designed to implement the exception principle (e.g., report highlights areas in need of most attention);
- 5.4. Tailor reports to meet the needs of the users (management, Board of Directors, or donors);
- 5.5. Keep reports simple and understandable report only essential information;
- 5.6. Report actual to budget; and
- 5.7. Measure performance in achieving goals and objectives with a focus on what the organization can control.

## 6. Reporting to the Board of Directors (BOD)

Financial reporting to the Board should be done every quarter (or as required). This reporting should include the financial reports indicated in Article 4 above. This will entail accounting for all funds.

## PROJECT FINANCIAL MANAGEMENT STRUCTURE



### 7. Reporting for Funders

Funders have their own reporting requirements and specifications and the BDA will meet these as much as possible. Conversely, if funders are amenable, the BDA report format may be used. All funder files should be kept in the finance unit and contain funder reporting specifications and the person to whom reports should be directed. Funder reports, where possible, should be submitted no more than four months after the close of the accounting period being reported upon. This will ensure the timely receipt of funds. A funder tracking schedule can be set up to monitor due dates and for work planning purposes.

### 8. Disbursement by Check

Cash payments for official transactions will be made only after a Payment Voucher (PV) has been prepared and substantiated with the required documentation, and attachments are duly reviewed, recommended, and approved by the Finance Officer, Finance Head and the Executive Director, respectively.

- 8.1. All vouchers should be pre-printed with machine-made serial numbers.
- 8.2. Disbursements amounting to P1,000 and above shall be made through check.
- 8.3. Checks must be issued in their proper numerical sequence on the basis of the approved PV and supporting documents.
- 8.4. Checks must be made payable to a specific payee.

- 8.5. There are usually at least two signatories. This is to ensure that more than one person controls the bank transactions. Any two of the following persons are authorized to sign checks:
  - Executive Director, and
  - BOD member or
  - Administrative Officer
- 8.6. Voided checks must be marked "CANCELLED'.
- 8.7. The signing and countersigning of checks shall not be made without supporting documents. Blank checks should never be signed.
- 8.8. All PVs, together with the supporting documents, shall be stamped 'PAID'. This practice precludes the reuse of the supporting documents and avoids double payment.
- 8.9. Payees or persons receiving the check should acknowledge receipt of payment by signing on the space provided in the PV and/or issue an Official Receipt.
- 8.10. All checks issued must be recorded in chronological order in the Cashbook and summarized in the Report of Checks Issued.
- 8.11. Cashbook shall be maintained and updated daily.
- 8.12. Bank reconciliation must be prepared on a monthly basis.

## **9. Petty Cash Fund**

- 9.1. Depending on the type of activity, cash payments sometimes cannot be avoided. For such cases, a petty cash structure must be put in place. One person only (supervised by the finance head) should have control over petty cash funds, have sole access to the petty cash, and assume responsibility for the reconciliation of the petty cash vouchers and remaining petty cash funds. The handler of the petty cash, usually the Cashier, is responsible for the reconciliation of the petty cash funds and is liable for any shortages of petty cash. The key of the cash box remains with the person handling petty cash at all times.
- 9.2. The authorized amount for the petty cash fund shall be Php10,000 for CMO and Php5,000.00 for RMOs for project transactions covering at least one (1) month.
- 9.3. Cash should be kept in a cash box in a secure, lockable cupboard or a safe.

- 9.4. Expenditures amounting to less than P1,000 shall be paid from the petty cash fund.
- 9.5. A petty cash custodian, usually the Cashier, shall be designated to handle the fund.
- 9.6. Petty cash disbursements shall be based on approved Petty Cash Vouchers (PCV) and supporting documents.
- 9.7. In no circumstances should the petty cash fund be used to encash personal or private checks.
- 9.8. Surprise cash count must be conducted.
- 9.9. Replenishment shall be made when petty cash fund disbursements reach 70%.
- 9.10. Petty cash vouchers and supporting documents shall be stamped "PAID".
- 9.11. Petty Cashbook shall be maintained and updated daily.

## **10. Advances**

- 10.1. Amounts paid to any officer/staff and/or RMO for meeting official expenses should be treated as advances subject for liquidation.
- 10.2. Officer/Staff or/and RMOs can obtain advances mainly for the following expenses:
  - Travel for site visits;
  - Conferences, workshops, and trainings;
  - Special missions, etc.
- 10.3. All such requests should be made in the prescribed format as per required Accounting Form and duly approved by the competent authority as per the delegated authority limits, after the finance department has duly noted any previous outstanding in the person's or/and RMO's name.

## **11. Travel Cash Advances**

- 11.1. Travel is allowable only when it is necessary to accomplish the purpose of the work effectively and economically. Authorization to travel must be obtained three days (3) prior to the travel.
- 11.2. Travels shall be properly planned to avoid successive travels and/or travels of too short intervals.




- 11.3. Travel authorization shall be approved by the Executive Director or RMO Manager in the case of CEDOs. In the case of Executive Director, it shall be approved by the BOD-chairperson or authorized representative, while attested by the next ranking official in the case of RMO Manager. In the case of project staff, travel authorization shall be approved by the Executive Director and recommended for approval by the BDA Administrative Head.
- 11.4. Transportation expenses amounting to Php60.00 or more without official receipt shall be covered by a Reimbursement Expense Receipt (RER).
- 11.5. Hiring of vehicles shall be discouraged. It can only be allowed upon prior approval from authorized officials.
- 11.6. All cash advances shall be liquidated within five (5) working days from completion of travel to avoid accumulation of unliquidated cash advances which might cause the delay or disapproval of succeeding travel advances.
- 11.7. Certification or affidavit of loss shall not be considered as appropriate replacement for the required lodging/hotel bills and receipts.
- 11.8. All liquidation reports processed shall be communicated by the Finance Assistant to the staff concerned to inform of any disallowance and/or excess cash advance.
- 11.9. Any disallowance and/or excess cash advance shall be refunded or deducted outright from the immediate succeeding payroll and/or payment voucher. Request for installment payment shall not be entertained. This is because excess cash advance used by the traveler can be interpreted as allowances taken in advance.
- 11.10. Cash advances not liquidated within 15 working days shall be deducted from payroll/ payment voucher, as applicable, without prior notice to personnel concerned.
- 11.11. In cases where the liquidation report is submitted after the outstanding cash advance has been deducted from payroll/ payment voucher, the staff concerned shall be reimbursed of the amount of his or liquidation within the period of 3 working days.
- 11.12. No additional cash advance will be granted unless the previous one has been liquidated.

11.13. Transfer of cash advances from one accountable officer to another is strictly prohibited.

11.14. Computation of Daily Subsistence Allowance (DSA):

Hotel/Lodging	50%
Breakfast	10%
Lunch	10%
Dinner	10%
Incidentals (to cover miscellaneous expenses)	20%
<b>Total</b>	100%



In the light of the above percentages, the following MUST be considered in the calculation of DSA:

Travel with overnight stay:

- (1) First day's DSA is paid at the rate of the place where the traveler spends the night (Php3,000.00-Manila; Php2,000.00-chartered cities and Php1,000.00-elsewhere).
- (2) If the traveler will be provided with hotel accommodation (without breakfast), the reduced rate of 50% must be applied; this is to cover 30% meals (breakfast, lunch and dinner) and 20% incidental.
- (3) If the traveler will be provided with hotel accommodation (with breakfast) and lunch, the reduced rate of 30% must be applied; this is to cover 10% meals (dinner) and 20% incidental.
- (4) If the traveler will be provided with hotel accommodation (with breakfast) and meals (lunch and dinner), the reduced rate of 20% must be applied, this is to cover 20% incidental.
- (5) Under any of the above-enumerated circumstances, special request or arrangements made by traveler must be on personal account (mini bar, room services, laundry, etc.)

Travel without overnight stay:

- (1) The traveler may be accorded a maximum of 50% DSA depending on the time of departure from and arrival back to duty station (travel of more than 10 hours).
- (2) The DSA rate applicable to the mission destination must be applied.
- (3) For travel starting 6am and ending before midnight, reduced rate of 40% must be applied; this is to cover lunch and dinner (20%) and incidental (20%).
- (4) For travel starting 6am and ending before 12nn or travel starting 1pm and ending before midnight, reduced rate of 30% must be applied; this is to cover lunch or dinner (10%) and incidental (20%).
- (5) Under any of the above-enumerated circumstances, traveler may not claim for reimbursement cost of snacks while travelling; this is already covered in the incidental of 20%.

The schedule of DSA rates are as follows:

TRAVEL DESTINATION	AMOUNT
a. Metro Manila	PhP 3,000.00
b. First Class and Chartered Cities	PhP 2,000.00
c. Other Areas	PhP 1,000.00

- 11.15. Claims for reimbursement of actual travel expenses (printing/ photocopying charges, courier services, internet café, etc.) in excess of the travel expenses authorized herein may be allowed upon certification/ approval by the Executive Director as absolutely necessary in the performance of an assignment and presentation of bills and receipts. Provided, that, certification or affidavit of loss shall not be considered as appropriate replacement for the required lodging/hotel bills and receipts.
- 11.16. Claims for DSA shall be for travel/assignment to places fifty (50) kilometer and beyond radius from the city or municipality wherein the traveler's permanent official station is located, whether or not the travel will require an overnight stay.

11.17. DSA may be paid for travel outside of duty station requiring overnight stay and accommodation at destination even if the place is within the (50) kilometer radius from the city or municipality wherein the traveler's permanent official station is located (exception to the rule of "50 kilometer and beyond").

11.18. DSA is divided into the following components:

- *Lodging/Hotel Accommodation (50%)*

The provision for hotel accommodation can only be rightfully claimed if the official travel requires an overnight stay. However, if the traveler is actually residing at the place of his official travel, he is not entitled to claim the same (exception to the rule) as he is expected to stay in his residence and not in a hotel.

Lodging does not include accommodation on airplanes, trains, or buses as the transportation expenses cover these.

Certification or affidavit of loss shall not be considered as appropriate replacement for the required lodging/hotel bills and receipts.

- *Meals (30% - 10% each for breakfast, lunch and dinner)*

The provision for food expenses is divided into three units. The claim thereof largely depends on the time of travel.

- *Incidentals (20%)*

Incidental expenses include any type of expense that is related, necessary, and attributable to the travel.

NOTE: If there are any deviations between the approved travel order and the actual travel due to unforeseen circumstances, the deviations thereto should be explicitly and properly reflected in the travel order to be duly approved and countersigned by the approving officer. If such was not accomplished, any claims beyond the approved travel order will be disallowed accordingly.

## 12. Guidelines on Transportation

12.1. Transport fare represents the actual cost of transportation between duty station and destination based on the most direct and economical route.

12.2. Reimbursement of plane, boat and bus fares must be supported by boarding passes and official receipts.

- 12.3. Un-authorized deviations from regular route will be on the account of the traveler.
- 12.4. Reimbursement of gasoline, if personal vehicle is used, is limited to the prevailing round trip cost of an air-conditioned bus fare from duty station to mission destination.
- 12.5. Use of taxi must be maximized. When two or more persons are traveling together, only one person can claim for the group.

Taxi fare/shuttle services (one-way):

- This may also be the transportation cost from the airport to the venue (arrival) and venue to airport (departure).
- This does not include transportation cost from the venue to other location/ purpose; this is already covered by the 20% incidental of the applicable DSA.
- Rates are as follows (one-way):

Manila	Php500.00 (without Official Receipt)
Chartered cities	Php300.00 (without Official Receipt)
Elsewhere	Php100.00 (without Official Receipt)

Any excess amount from the aforementioned rates must be supported by an Official Receipt or acknowledgement receipt.

- 12.6. There is no need to provide an Official Receipt or acknowledgement receipt for motorcycle, jeepney, tricycle, etc.
- 12.7. A hired vehicle is allowed only if authorized for a group of 3 or more travelers and if this is more cost-efficient.

### 13. Payroll System

- 13.1. Disbursement of allowances will be made through bank or ATM. Officers and employees are required to maintain an account with the specific bank chosen by the CMO.
- 13.2. In cases where it is not possible for personnel to transact through a bank, transactions must be made through the Cashier/RMO Administrative Assistant for the payroll system and or individual Payment Voucher as applicable.
- 13.3. Cash advances on allowances/salary shall not be allowed.

- 13.4. Loan obligations of officers and employees with financial institutions shall not be allowed as deduction from their allowances.
- 13.5. Personnel shall be required to log in/out in the bundy clock or its equivalent when reporting to office.
- 13.6. Absence of entry in the bundy clock or its equivalent by any staff shall be supported by a Travel Order or Locator Slip.
- 13.7. Report of Attendance shall be prepared at regular intervals (15 or 30 days) to summarize the absence and tardiness of all staff. This will be the basis in preparing the payroll.
- 13.8. For both CMO and RMO staff, including CEDOs, release of allowances shall be made on the 15th and 30th day of the month.
- 13.9. Staff Activity Reports shall likewise be prepared on a monthly basis by the staff to support the payroll for the 2nd half of the month.
- 13.10. The BDA will be responsible for ensuring that all personnel assigned to the PLEDGE project are provided with social protection benefits, i.e., health insurance, SSS, accident insurance, etc.

#### **14. Other Expenses/Accounts**

- 14.1. Trainings/workshops to be conducted by the CMO shall be funded by a designated financing institution based on an approved Training Proposal or Term of Reference.
- 14.2. Training funds shall be liquidated within five (5) days after completion of the training. Any excess funds shall be returned and deposited to the designated bank account of the BDA and/or the financing institution.
- 14.3. Cost sharing shall be applied to the payment of telephone and utilities (light and water) expenses. This means that all programs operating under the BDA will provide its share to the expenses based on the availability of funds.

#### **15. Property and Supply Management**

- 15.1. Every staff responsible for a particular activity needing supplies shall determine the size, number, description of the supplies, materials and other related inventories.
- 15.2. A Supply Custodian shall be designated/appointed to handle the inventories and equipment.

- 15.3. The Supply Custodian shall not be involved in the procurement as well as in the recording of transactions in the books of accounts.
- 15.4. All supplies and equipment delivered shall be kept in safe custody.
- 15.5. Issuances of office supplies shall be covered by a Requisition and Issue Slip (RIS).
- 15.6. Trip Ticket for travel within Cotabato City shall be supported by a Locator Slip, while for travel outside Cotabato City, it shall be supported by Travel Authorization. This must be filed with the Administrative Officer.
- 15.7. Gasoline and fuel issuance and consumption shall be properly accounted in the Trip Ticket. Unaccounted gasoline and fuel consumption shall be an accountability of the driver.
- 15.8. Gasoline and fuel consumption per kilometer per vehicle shall be determined and agreed upon.
- 15.9. The Project Coordinator/Regional Manager shall investigate extravagant or excessive fuel/gasoline consumption. In the absence of a written valid justification, the cost of fuel/gasoline shall be charged to the officials and staff for the unofficial use of the vehicles.
- 15.10. The Admin-Finance Assistant shall maintain complete files of gas slips and trip tickets.
- 15.11. Memorandum Receipt (MR) must be issued to all project staff who take custody of furniture and equipment.
- 15.12. Supply and Equipment Ledger Cards shall be maintained and updated from time to time.
- 15.13. The Admin-Finance Assistant shall prepare a Monthly Report of Supplies Issued, summarizing all supplies issued during the month.

## **16. Board of Directors**

Because of the transitory stage of the BDA as the social development arm of MILF (BDA is not an official government office), the members of its Board are volunteers and do not receive any salary. Thus, the following policy applies to BDA Board members for travel and board meetings:

- 16.1. Honorarium - Honorarium will be given to all board members in recognition of their service towards the achievement of project

results. Honorarium will be Php 2,000.00 per day for meeting days, including travel time.

- 16.2. Daily Stipend Allowance – The BOD are entitled to applicable DSA during travel time, as specified in Article 12.14 (Calculation of DSA) above
- 16.3. Transportation – The BOD are entitled to reimbursement of transportation cost, as specified in Article 13 (Guidelines on transportation) above.
- 16.4. Any special requests or arrangements made affecting the DSA and transportation cost must be on personal account.

## 17. Financial Assistance to Enterprise Projects of Beneficiaries

The system of financial assistance to beneficiaries is generally governed by the technical methodology and service delivery system of the project.

- 17.1. There are two project documents that describe the policies of preparation and submission of project proposals by target groups, assessment and approval of such proposals, preparation of service contract to implement approved project proposals, and releases and liquidation of financial assistance (See Section 2.4):
  - **Project Proposal** – This prescribes the technical components of the enterprise projects proposed by the target groups (Note: There are 4 types of project proposals depending on the kind of project)
  - **Service Contract** – This prescribes the required activities and outputs to be delivered by the contractor, as well as the manner of releases of financial assistance to the enterprise projects

## 18. Release of Financial Assistance to Beneficiary Groups (See Section 3.7 Community Contracting)

## 19. Procurement of Goods, Works and Services

- 19.1. Procurement of goods, services or works must be done through local shopping. All procurement activities must be made in reference to the approved WFP.
- 19.2. Shopping is a procurement method based on comparing price quotations obtained from several suppliers (in the case of goods), from several contractors, or service providers with a minimum of three (3), to assure competitive prices and is an appropriate method for procuring limited quantities of readily available off-the-shelf goods or standard



specification commodities of small value, or simple civil works of small value when more competitive methods are not justified on the basis of cost and efficiency.

- 19.3. Requests for quotations shall indicate the description and quantity of the goods or specifications of works, as well as desired delivery (or completion) time and place. Quotations may be submitted by letter, facsimile or by electronic means. The evaluation of quotations shall follow the same principles as of open bidding. The terms of the accepted offer shall be incorporated in a purchase order or brief contract.
- 19.4. If BDA has been unable to obtain at least three quotations, it shall provide the ILO with the reasons and justification why no other competitive method could be considered and obtain.
- 19.5. Alternatively, entering in to a long-term agreement (LTA) with suppliers, contractors and service providers may be considered if the procurement are generally based on prices that are either pre-agreed/negotiated, or determined at the call-off stage through competition or process allowing revision without further competitions. These are procurement of (a) goods that can be procured off-the-shelf, or are common use with standard specifications; (b) services that are of a simple and non-complex nature and may be required from time to time by BDA; and (c) small value contracts for works under emergency operations.
- 19.6. The procurement of a small value (no more than Php10,000.00) goods and services may be done through direct procurement. These are normally related to the day-to-day business operations and are charged to the Petty Cash Fund.
- 19.7. All procurement of goods and services, regardless of the approach adopted must be documented and described in the financial reports submitted to the ILO.
  - a. Identification of the need
  - b. Determining the specifications
  - c. Request for quotations
  - d. Comparative assessment of the quotations received
  - e. Awarding of the contract (Purchase Order)
  - f. Delivery of goods or services
  - g. Payment

- 19.8. The procurement of goods, works and services shall be monitored by the CEDO and supervised by the Regional Managers.
- 19.9. BDA shall have the authority to monitor the utilization, maintenance and up keeping of tools and equipment procured for the community, as well as to withhold transfer of such to the target groups and when the BDA finds violation of the provisions of this assistance policy.

***See Appendix 12 – Procurement Templates***



# PART 2

TOOLS AND IMPLEMENTING GUIDELINES  
ON COMMUNITY-BASED ENTERPRISE  
AND SUPPLY CHAIN DEVELOPMENT



## Section 6

# Enterprise Groups and the Supply Chain

As an entry point for local economic development, BDA-PLEDGE starts from the promotion of (informal) group employment through the establishment of community-based enterprises in strategic barangays or cluster of small barangays in a target municipality. Through the use of its planning and development tools, BDA's field officers conduct orientation meetings with local partners and target groups on the PLEDGE project, its goal and objectives, and on the concept of LED. Under the BDA's simplified concept, the supply chain is reduced from the theoretical six detailed elements, to three major forward and backward enterprise elements; raw materials supply, processing/making/small manufacturing, and distribution and marketing.

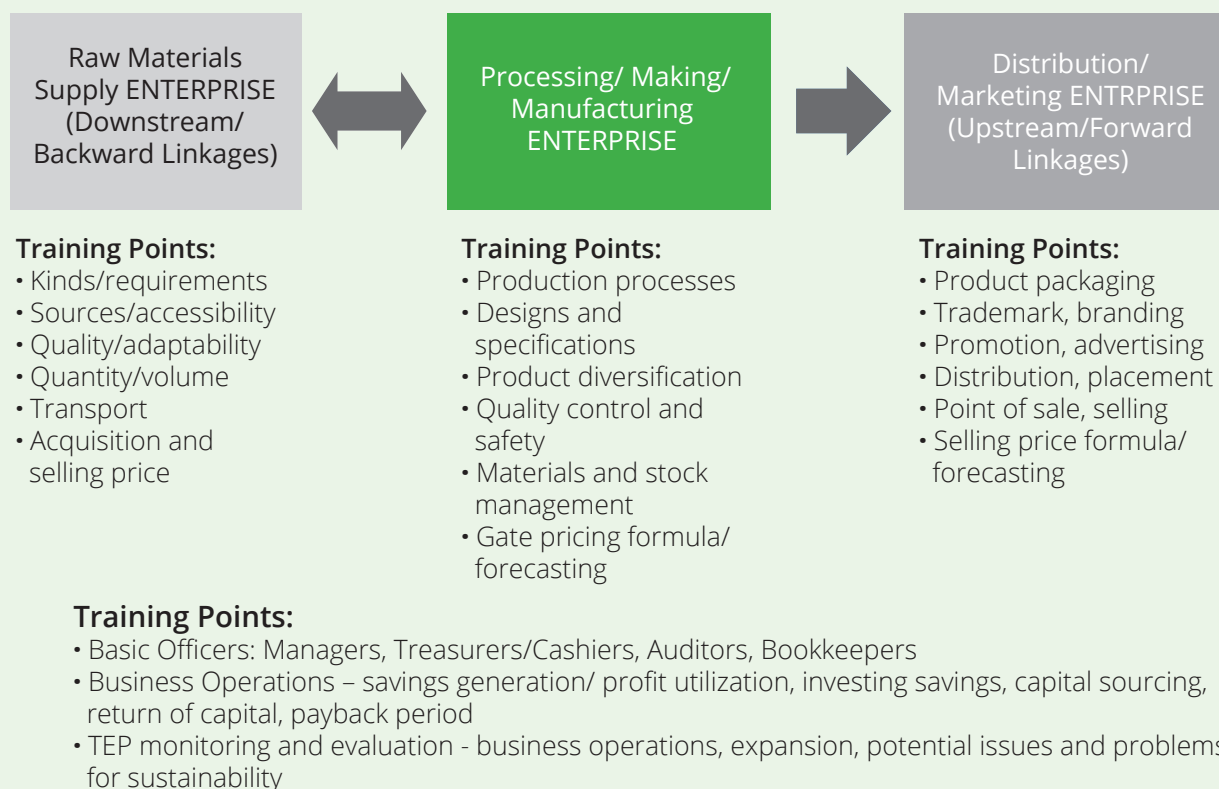
The target groups are educated on the forward and backward linkages or market interconnections among the three enterprise elements so that each element/group engages into buying and selling among each other. This is the traditional role of external traders and middlemen/women who usually add value to raw products from local producers, and reduce income and employment opportunities in rural communities. The project staff explain the importance of dividing, assigning, and developing the capacity of the villagers into the three major enterprise elements so that, aside from ensuring added value and creating employment, processing skills are improved, products reach external markets, and raw material production expands, leading to the development of the local economy.



Figure 13. Developing Enterprises and Organizing Supply Chains

### How ENTERPRISE and SUPPLY CHAIN is Developed and Organized

Ex. Pilot projects: Banana products processing,  
Garments and home decor, Food processing and catering



## 6.1 Training of Enterprise Groups

For each enterprise element of the supply chain, BDA-PEDGE has developed, pilot tested and utilized specific subjects or topics for the training, development, and capacity building of target groups in operating, sustaining and expanding their operations. Some of the training modules are found in the Transition Enterprise Project training tool, but more theoretical components will depend on the initiatives and innovativeness of the BDA staff, partners, and other business management.

## Raw Materials Supply Enterprise

### *Subjects/Training Points:*

1. **Kinds/requirements** – what are the raw or production materials or inputs that are needed by the processing or small manufacturing enterprises
2. **Sources/accessibility** – where to source out such materials or production inputs, are they available locally, are they accessible, can they be acquired
3. **Quality/adaptability** – are the available and accessible materials of high quality, can they be adapted to the needs of the processing enterprise
4. **Quantity/volume** – is the volume or quantity of the materials enough to satisfy the need by the processing enterprise
5. **Transport** – what kind of transport is needed for the materials to be delivered on time to the processing enterprise
6. **Acquisition and selling price** – how to determine the price that the processing enterprise is willing to buy, how much profit can the materials supplier make after considering the cost of the materials, labor, transport and other operating expenses

## Processing/Making/Small Manufacturing Enterprise

### *Subjects/Training Points:*

1. **Production processes** – skills training needed to process, make or manufacture the products or to provide the business services of the enterprise
2. **Designs and specifications** – skills in making product designs and to make the right specifications of the products for quality and for marketing purposes
3. **Products diversification** – skills in identifying other products that can be processed, manufactured or made out of the same materials/inputs, tools, machines or equipment
4. **Quality control, safety, environmental safeguards** – skills in determining the quality, safety and environmental safeguards of products based on market demands
5. **Materials and stock management** – skills in taking records or inventory of production materials and finished products for making management analysis, decisions and strategies

6. **Gate pricing mechanism/formula/forecasting** – skills in determining the gate price of products, considering the direct and indirect cost of production and desired and competitive profit margins

### Distribution/Marketing Enterprise

#### *Subjects/Training Points:*

1. **Distribution** – skill and knowledge in pro-active marketing, what are the market outlets, where the products will be sold, how the products will reach buyers, etc.
1. **Product packaging** – skill and innovative ideas in putting products in safe, attractive but sustainable packaging that can add value to their selling prices
2. **Trademark, branding** – innovativeness in identifying and generating ideas in making brand names of products for marketing purposes
3. **Promotion, advertising** – skills and strategies in promoting the products and creating market niches and consumer awareness and acceptability
4. **Product placement** – skills and innovativeness in displaying the products in market outlets for buyers to be convinced to see and buy
5. **Point of sale selling** – skills in direct or face-to-face selling of the products with buyers, gathering important feedback that can be considered to improve the product designs, distribution and access (i.e., more market outlets)
6. **Selling price mechanism/formula/forecasting** – skill and ability to determine the selling price of each product line considering the acquisition costs, operation cost, marketing expenses and competitive profit margins

These three types of enterprises are part of a supply chain network. Often, each enterprise focuses only on what they produce or provide and not what the end-customer receives. Understanding the supply chain enables them to look at the overall movement of materials from start to end, allowing them to see the value in creating partnerships and working together. In order for the network to be successful, they will have to communicate and share information needed for planning and decision-making.



## 6.2 Enterprise Group Management

For every enterprise group, BDA-PLEDGE requires a minimum number of management positions to be created and trained. There is a minimum of four management personnel for every enterprise group: Manager, Treasurer/Cashier, Internal Auditor, and Bookkeeper.

*Subjects/Training Points:*

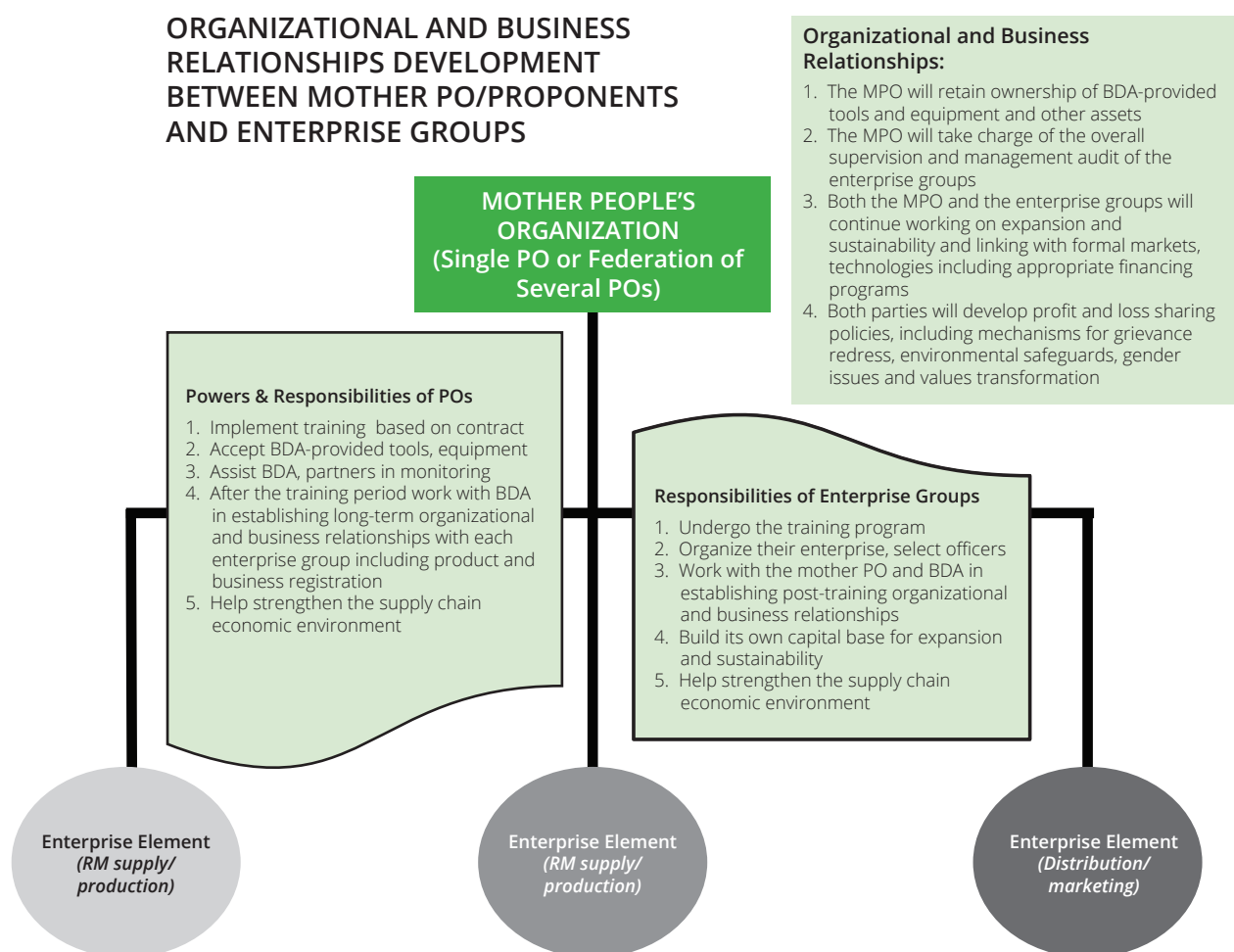
1. **Operation management** – skill in the day-to-day operation of the enterprise, taking job orders, making work assignments, supervising work processes, safety and environmental safeguards, government policies and regulations, public relations, maintaining business records, etc.
2. **Profit making and savings utilization, investments** – skills and attention to savings from operation, generating profits and its utilization, investments of savings and profits
3. **Capital sourcing** – skills and strategies in sourcing operating capital, advance payments, partnering, grants seeking, etc.
4. **Return of capital, payback period** – ability in determining rate of return to business capital, depreciation costs to savings, paying loans or financial obligations, period of payments of financial and other obligations, etc.
5. **PLEDGE requirements** on Transition Enterprise Project implementation, monitoring and evaluation

## 6.3 Enterprise-PO Business and Organizational Development

Organizational and business relationships are part and parcel of the PLEDGE training and development approach – particularly for the POs and their enterprise projects.

When an existing PO applies and submits a project proposal, the PO is considered as a service contractor and assumes a separate personality from the enterprise project that PLEDGE is assisting. This separation of personalities is important because of proprietary rights over the assets provided by PLEDGE after the intervention (e.g., tools and equipment), and the BDA's interest that the enterprise projects and the people who are directly involved and have been trained will continue to grow as a full-pledge enterprise – whether under, or independently from their mother POs.

Figure 14. Organizational and Business Relationships (POs an Enterprise Groups)



In view of these requirements, the BDA has defined the respective roles, duties and responsibilities of the enterprise groups and their mother POs. This delineation is an important aspect of the organizational development process being conducted by the PLEDGE team within the five-month transition enterprise implementation period.

### **Powers and responsibilities of POs and/or mother POs**

1. Implement training based on the contract
2. Accept BDA-provided tools, equipment
3. Assist BDA and its partners in monitoring the enterprise projects
4. After the transition period, work with BDA in establishing long-term organizational and business relationships with each enterprise group, including product and business registration
5. Help strengthen the supply chain economic environment

**Responsibilities of enterprise groups/member entrepreneurs**

1. Undergo the approved training and development program
2. Organize their enterprise, select officers, and manage their business
3. Work with the PO/Mother PO and BDA in establishing post-training organizational and business relationships
4. Build its capital base for expansion and sustainability
5. Help strengthen the supply chain economic environment

**BDA policy on organizational and business relationships**

1. The PO/Mother PO will retain ownership of BDA-provided tools and equipment and other assets acquired
2. The PO/Mother PO will take charge of the overall supervision and management audit of the enterprise groups
3. Both the PO/Mother PO and the enterprise groups will continue working on enterprise expansion and sustainability, and linking with formal markets, technologies, and appropriate financing programs
4. Both parties will develop their own specific profit and loss sharing policies, including mechanisms for grievance redress, environmental safeguards, gender considerations and values transformation
5. The PO/Mother PO and the enterprise groups shall decide and work together on government registrations of the business and its products or services. Options on whether the enterprise groups will be registered in the name of the PO/Mother PO or as a separate entity shall be decided upon by both parties

These activities should be implemented through pep-talks, meetings, and seminars during the five-month transition enterprise period.

**BDA role on the development process**

The BDA will pursue their role on the critical and strategic elements of the local economic development process such as in marketing, micro finance and capacity building. The BDA may also decide to put up its own marketing firm, micro financing program and training and organizing programs. One of the potential units of the BDA that can undertake or continue the PLEDGE project is the SEC-registered Bangsamoro Development Center in Cotabato City, Inc. (BDCCI).



## Section 7

# Planning and Implementation Tools and Guidelines

The implementing tools and guidelines appended in this manual (Appendices 13 and 14) have been developed and pilot tested through a Participatory Action Research (PAR) methodology in the first two pilot sites: Barangay Koronadal Proper, Municipality of Polomolok, South Cotabato and Barangay Mamaanun, Municipality of Piagapo Municipality, Lanao del Sur. The tools are designed as “how to” instruments initially for use of the PLEDGE project. However, they can also be used by other agencies or private organizations involved in community projects, especially community-based enterprise and supply chain development. The BDA’s policy is to share this manual to those who wish to introduce changes either in planning or implementation – more so in reforming their service delivery system for disadvantaged groups in marginalized rural communities in Mindanao.

The tools and guidelines are prepared to be used for each specific step of the PLEDGE Methodology. The planning tools are generic in character; they can be adjusted or adapted depending on actual ground situations, or on the social, economic and political dynamics in the LED area. The tools are technical in content and have minimal theoretical elements; users are advised to do some additional research and training in order to use them effectively.



**Table of Activities, Tools and Intervention Period**  
**Stage 1 – Community-Based Enterprise Planning**

STEPS		PLANNING TOOLS (SEE APPENDIX 13)	NO. OF DAYS
1	Secondary data gathering and analysis of the target site, local partners mobilization (LGU, BGU, POLCOM, PO) courtesy calls, orientation and MTT re-activation, target group mobilization	1. How to prepare project site profile 2. How to prepare PO profile	14
2	Community enterprise ideas identification, validation, prioritization, PO taker identification	3. How to facilitate CDD community-based enterprise planning 4. How to facilitate enterprise planning for WB-IE 5. How to conduct training and development analysis for community-based enterprise	4
3	PO organization and government registration/ renewal	6. Memorandum of Agreement between and among POs	18

STEPS		PLANNING TOOLS (SEE APPENDIX 13)	NO. OF DAYS
4	Project proposal preparation, service provider/trainers selection, preparation, canvassing of training inputs	7. Type A - Project Proposal to establish community-based enterprise or CBE 8. Type B - Project Proposal to establish common facility enterprise or CFE	45
5	Project Proposal Presentation to BDA-RMO, MTT, partners	9. Assessment guide for project proposals	7
6	Assessment, approval of project proposal and signing of service contract	10. Service Contract for Type A projects (CBE) 11. Service Contract for Type B projects (CFE)	31
		11 Planning Tools developed	122 (4 mos.)

*Other Non-CBED Planning Tools Developed:*

1. How to conduct a jobs opportunities survey (instrument has been pilot tested)
2. How to conduct study of peripheral enterprises of anchor firms and industries (instrument developed but not yet pilot tested)
3. How to conduct study to enhance viability of informal business operators (instrument pilot tested and training need conducted)

**Table of Activities, Tools and Intervention Period**  
**Stage 2 – Implementation of Approved Project Proposals**

STEPS	GROUP OF ACTIVITIES	IMPLEMENTATION TOOLS (SEE APPENDIX 14)	NO. OF DAYS
1	Submission/processing and release of request for the 1 <sup>st</sup> Tranche of financial assistance/contract price, cheque clearing	1. Certificate of inspection of training/ enterprise venue 2. List of recommended trainees 3. Request for 1 <sup>st</sup> tranche payment	30
2	Appointment of Skills Trainer, preparation of training materials, procurement of training inputs delivery, preparation of training venue, inspection of procured items	4. Letter of Appointment of Trainers 5. How to prepare skills training outline and syllabus	21
3	Liquidation of 1 <sup>st</sup> tranche of payment, request for 2 <sup>nd</sup> tranche, processing and approval, release of check, clearing	6. Certificate of Inspection of purchased tools, equipment and training supplies (With other required procurement documents for liquidation)	21
4	Project Induction Program, values transformation training, Implementation of approved skills training program	7. BDA VTT Manual (existing) 8. How to apply basic training techniques	21



STEPS	GROUP OF ACTIVITIES	IMPLEMENTATION TOOLS (SEE APPENDIX 14)	NO. OF DAYS
5	Enterprise development training, supply chain development, implementation of transition enterprise project, environmental safeguards, grievance management gender issues, PO-enterprise organizational development	9. A-TEP for manufacturing/ processing enterprise B-TEP for Marketing enterprise C-TEP for Service enterprise 10. Basic business records	45
6	Liquidation of 2 <sup>nd</sup> tranche, submission of final reports; processing and release of 3 <sup>rd</sup> Tranche of financial assistance/ contract price; graduation and turnover of tools and equipment to the PO	11. Training Application forms 12. Enrolment report 13. Graduation report 14. End of Training Report 15. Certificate of transfer of equipment 16. Budget balance utilization plan	14
7	Monitoring and Evaluation (Management Information System)	17. Summary Data Information (SDI) 18. TEP Evaluation 19. Tracer Study (5-6 months after end of TEP implementation)	
		18 Implementing Tools developed (excluding BDA VTT Manual)	152 (5 mos.)

It is also recommended that other tried and tested enterprise development tools such as the ILO's Start and Improve Your Business (SIYB) Programme. The SIYB Family of Small Enterprise Management Training Tools can be downloaded from [http://www.ilo.org/empent/Projects/WCMS\\_143382/lang--en/index.htm](http://www.ilo.org/empent/Projects/WCMS_143382/lang--en/index.htm)

### **Generate Your Business Idea (GYB)**

GYB is a material-based training programme for potential entrepreneurs who want to develop a feasible business idea. The training takes approximately 2.5 days.

### **Start Your Business (SYB)**

SYB is a material-based training programme for potential entrepreneurs with a business idea who wants to proceed and start their own business. This very interactive training can be organized flexibly according to client's needs. This programme takes approximately 5 days.

### **Improve Your Business (IYB)**

IYB is a material-based training programme for entrepreneurs who want to improve the management process of their business. The training is modular in order to meet the specific needs of the target group.

### **Expand Your Business (EYB)**

EYB is an integrated business training and support package for small to medium sized enterprises that have growth objectives in mind.



