



The Asia Foundation



**Regional Capacity-Building and Governance for the Expanded
Autonomous Region in Muslim Mindanao**

FINAL REPORT

Binder 1 of 2

**Asian Development Bank
The Asia Foundation**
*Project on Regional Capacity Building and Governance
for the Expanded Autonomous Region in Muslim Mindanao*

TA 3966-PHI

The Social Weather Stations undertook "Project ARMM Development" in February 2004. This survey was co-funded by the United States Agency for International Development (under cooperative agreement number 492-A-00-99-00020-00). The conclusions expressed herein are those of the Social Weather Stations and do not necessarily reflect those of The Asia Foundation, the United States Agency for International Development, or the Asian Development Bank. The survey of 600 household heads, chosen by probability methods from the provinces of the Autonomous Region in Muslim Mindanao, provides a statistically representative sample of ARMM household heads, with an error margin of 4%. The results were presented to officials and employees of the ARMM regional government, and the findings and discussions were utilized both by the policy review consultants (particularly with respect to revenue policy) and in the development of communications materials for the Autonomous Region in Muslim Mindanao.

August 22, 2005

Mr. Eiichi Sasaki
Financial Sector Specialist
Asian Development Bank

Dear Mr. Sasaki,

We are providing your good office with three copies of the Final Report on the Regional Capacity-Building and Governance for the Expanded Autonomous Region in Muslim Mindanao (TA 3966-PHI) being implemented by The Asia Foundation with funding from the Asian Development Bank.

We hope you find everything in order.

Sincerely yours,

STEVEN ROOD, Ph. D.
Representative

cc: Mr. Diamadel Dumagay, Executive Director
Regional Planning and Development Office - ARMM

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The Asia Foundation



Capacity-Building and Governance for the Expanded Autonomous Region in Muslim Mindanao

EXECUTIVE SUMMARY

The Asia Foundation was awarded a technical assistance contract from the Asian Development Bank (ADB) focused on regional capacity building and governance for the Expanded Autonomous Region in Muslim Mindanao (ARMM). The long-term goal of ADB's assistance is to enhance decentralization and good governance in the ARMM through institutional strengthening, capacity building, and increased public participation. The purpose of this technical assistance was to raise the capability of the ARMM in public administration, revenue generation, and good governance. This will ultimately contribute to the enhancement of service delivery in this impoverished region of the Philippines.

The project began in November 2003 and ended in May 2005. International and domestic consultants undertook analyses of the implementation of devolution in the ARMM, revenues and their management, and public administration. Assessments of human resource training and communication needs were undertaken, and training workshops were conducted to meet those needs. After consultation with stakeholders throughout the ARMM, a number of draft laws were produced for future consideration by the Regional Legislative Assembly. The report reflects the work of the project, including a considerable body of written material and some audio and visual productions. The report is presented in line with the four major components of the project: policy and legislative review; human resource development and training; revenue policy and administration; and public awareness, communication, and dissemination.

POLICY AND LEGISLATIVE REVIEW COMPONENT

The Expanded Autonomous Region in Muslim Mindanao (ARMM) is a response by the Government of the Republic of the Philippines (GRP) to the demands of Philippine Muslims (the *Bangsamoro*) for self-determination on one hand, and to the international commitment under the 1976 Tripoli Agreement and the 1996 Peace Agreement forged by the GRP with the Moro National Liberation Front (MNLF) on the other hand. The ARMM therefore is a critical part of the peace process pursued by the GRP to address the centuries-old quest for self-determination by the native inhabitants of Mindanao, namely the Sama, Tausog, Yakan, Maguindanao, Iranun, and Maranaws who have embraced Islam as their religion. The ARMM territory covers the provinces of Tawi Tawi, Sulu, Lanao del Sur, and Maguindanao, and (as of August 2001) the city of Marawi and the province of Basilan. The total population of the ARMM is 2.9 million people.

To accomplish its mission, the ARMM is empowered under Republic Act 9054 (RA 9054), passed in 2001, to exercise plenary legislative powers on the political, social, cultural and economic issues vital to the development, interests, and general welfare of the *Bangsamoro*

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people subject to the limitations imposed by the Constitution. RA 9054, however, has provisions inconsistent with the 1996 GRP-MNLF Peace Agreement as discussed in Annex "I" of the "Policy Review and Legislative Drafting" report. Despite these inconsistencies, RA 9054 is nonetheless consistent with the principle that devolution empowers the ARMM Regional Assembly to enact a regional local government code and regional administrative code as provided under RA 9054 Section 1 Article V.

In addition, in order to further respond to the desire of Muslims for cultural autonomy, the Regional Assembly may formulate a Shari'ah legal system, which shall be applicable in the region only to Muslims and those who profess the Islamic faith. Shari'ah courts shall have jurisdiction over cases involving personal, family and property relations, and commercial transactions, as provided in Section 5, Article III, RA 9054. Subject to the provisions of the Constitution, the Shari'ah Courts shall interpret Islamic law based on sources such as: (a) Al-Qur'an (the Koran); (b) Al Sunnah (Traditions introduced by Prophet Muhammad, may peace be with Him); (c) Al-iyas (Analogy); and (d) Al-ijma (Consensus). The powers and functions of the Shari'ah Courts shall be defined by the Regional Assembly subject to the provisions of the Constitution.

Thus, this technical assistance project produced a number of legislative drafts for consideration by the Regional Legislative Assembly. In cooperation with the Secretariat of the Regional Legislative Assembly, consultations were undertaken with stakeholders throughout the ARMM, and as a result the following legislative drafts were completed:

- Proposed Amendments to Muslim Mindanao Act No. 25, Otherwise Known as the Local Government Code of the ARMM (Annex II)
- Administrative Code of the ARMM (Annex III)
- Shari'ah Courts Act of the ARMM (Annex IV)

- Code of Muslim Personal Laws of the ARMM (Annex V)
- Code of Muslim Commercial Laws of the ARMM (Annex VI)

These five legislative drafts are integral parts of the Final Report on Policy Review and Legislative Drafting, and are attached as Annexes II, III, IV, V, and VI respectively as indicated above. The report provides explanatory notes on each legislative draft, which has 48 specific provisions of RA 9054 that need immediate corresponding legislative enactments to make operational vital regional powers that will enhance autonomy and effective self rule. As part of the analyses of possible legislative necessities, the technical assistance also focused on the issues of devolution of powers from national government to the ARMM, and then down to local government units. Several background reports were produced, including:

- *Basilan and Marawi City Case Studies*, which reviewed a particular legal issue on Isabela City (in Basilan), and included analyses of resources and issues affecting devolution and delivery of public service in these two new (2001) entrants to the ARMM.
- *The Implementation of Applicable Laws Regarding Devolution to Local Government Units in the ARMM and a Review of the Muslim Mindanao Act No. 25*, are comparative analyses of the ARMM Local Government Code (MMA 25), RA 9054, and the national Local Government Code (RA 7160).
- *The Implementation of Republic Act 9054 and the Status of Devolution in the Regional Government of ARMM*, is a review and assessment of the implementation of RA 9054.

HUMAN RESOURCE DEVELOPMENT AND TRAINING COMPONENT

The human resource development and training component of the project focused on four major areas: i) training stakeholders in participatory techniques, ii) conducting an organizational

assessment and human resources review, iii) developing a reorganization and human resource plan, and iv) developing and testing training designs and manuals. The offices involved were: Office of the Regional Governor (ORG), Office of the Regional Treasurer (ORT), Regional Planning and Development Office (RPDO), Department of Environment and Natural Resources (DENR), Department of Public Works and Highways (DPWH), and Commission on Higher Education (CHED). The ORG, ORT, and RPDO actively participated in all the Human Resource Development activities, while DENR, DPWH, and CHED were active only in certain activities. In the implementation of the project, the team focused on training the stakeholders in participatory techniques; developing and testing training designs and manuals; and conducting training courses to capacitate the focus agencies. Training materials were subsequently designed and tested to improve the capacity of the selected agencies.

The following are the specific activities undertaken by the project under this component. Specific dates and names of participants are included as attachment to the report.

- Convened a series of coordinating meetings with relevant agencies
- Delivered training on the Technology of Participation
- Conducted a Training Needs Assessment of participating agencies
- Created the ARMM Pool of Trainers/Facilitators
- Facilitated Strategic Planning Workshops for the participating agencies
- Conducted Work Program and Performance Planning Workshops
- Facilitated a Series of Writeshops on Module Design, Manual for Facilitators, and Manual for Participants for (a) Strategic Planning, and (b) Work Program and Performance Planning
- Delivered Training of Trainers on Strategic Planning; and Work Program and Performance Planning

- Conducted the Supervisory Development Course (SDC) and the Training of Trainers on SDC in cooperation with the Civil Service Commission
- Visited General Santos City to observe and learn about their Personnel and Payroll Systems

As a result of these activities, the following four Manuals were developed and published for this project. Copies of these manuals are included in the final report as attachments.

- Participatory Strategic Planning (Manual for Trainers)
- Participatory Strategic Planning (Manual for Participants)
- Work Program and Performance Planning (Manual for Trainers)
- Work Program and Performance Planning (Manual of Participants)

The report for this component includes specific recommendations to further develop the human resources of the regional government, while at the same time taking advantage of the skills of the people that have been trained under this technical assistance. Detailed discussions of these recommendations are provided in the reports.

REVENUE POLICY AND ADMINISTRATION COMPONENT

The Revenue Policy and Administration component of the project had three major activities and one minor activity. The major activities were: data gathering, revenue assessment, and public outreach. The Project conducted two revenue assessments leading to legislative and administrative reform recommendations. Prior to beginning the assessments, intensive data collection was conducted. After the assessments were completed, information, education, and communication materials were prepared in coordination with the Public Awareness, Communication, and Dissemination Component of the project. Aside

from the three aforementioned major activities, a minor activity, an exposure program for the Regional Economic Zone Authority (REZA), was sponsored by the project in partnership with the Autonomous Region in Muslim Mindanao (ARMM)-Department of Trade and Industry.

To assess the efficiency and cost effectiveness of current revenue sources in the ARMM, financial data was gathered during the first three months of the project. This data gathering took place prior to the meetings and discussions with key officials and government agencies. The data include: national and local budgets of the regional government for the years 2002, 2003, and 2004; statement of taxes collected from the Office of the Regional Treasurer; statement of internal revenue taxes from the Bureau of Internal Revenue in Cotabato City; statement of tax collections from the Bureau of Local Government Finance; and other pertinent information materials on the Autonomous Region in Muslim Mindanao. For the same period, a series of meetings and consultations were conducted with relevant ARMM regional agencies, national government agencies, government owned and controlled corporations, select local government treasurers, and private consulting and research institutions involved in fiscal management and development financing. The list of these organizations is included as an attachment to the main report.

Two assessments were prepared for this project. The first is a *Revenue and Public Expenditure Management Assessment Report*, and the second is the *ARMM Local Government Taxation Assessment Report*. The main conclusion of the two assessments is that administrative weaknesses at the regional and local government levels are the primary constraints to any success in implementing new or additional regional ARMM and local government revenue instruments. The reformulation and simplification of the existing revenue instruments, and the implementation of basic administrative reforms to maximize the collection of the existing instruments, should

therefore be prioritized well below the introduction of new (or additional) revenue instruments.

This report includes ten specific recommendations that can be adopted by the regional government to improve its revenue raising capacity without necessarily changing the current institutional and legal framework. Detailed discussions of these recommendations are provided in the reports.

A Public Finance-Revenue Workshop was held on April 13, 2004 in Cotabato City to present the initial results of the assessment and generate further recommendations from the participants. Participants to this activity included the representatives from ARMM revenue-generating agencies, Office of the Regional Governor, Regional Planning and Development Office, and representatives from selected local government units in the region. The workshop provided a venue for participants to comment on the findings of the assessment report and to discuss and agree on how to address the issues identified both in terms of revenue generation and public expenditure management.

Public Outreach

Two broadcast tapes and one print material document were developed in coordination with the Bureau of Public Information and the Office of the Regional Treasurer. The broadcast tapes are mini dramas about the benefit of paying taxes and will be available for broadcast after the ARMM regional elections to avoid their exploitation during the election campaign. The print material is a fact sheet which contains the basic information about revenues in ARMM: what taxes to pay, when to pay, and where to pay. It is translated into four dialects: Maranao, Maguindanao, Tausug and Tagalog, and could be distributed to the general public. These materials are appended to the report in digital format.

ARMM - REZA Exposure Program

The Regional Economic Zone Authority (REZA), which provides for the legal and regulatory framework conducive for business investment and growth in the region, is seen as the most viable economic tool and alternative source of revenues for the regional government to promote and use. REZA is designed to be independent and self-sustaining, with substantial powers to promote and regulate investments and grant incentives to potential investors to stimulate economic activities in the region. On May 25-29, 2005, an exposure program was conducted under this project at the Philippine Economic Zone Authority Office in Manila (PEZA) and at the Baguio Economic Zone Authority (BEZA) for the DTI-ARMM personnel who are assigned to work at ARMM-REZA. Participants in the program were the Assistant Regional Secretary, five Provincial Directors, and seven REZA focal persons from the provincial and regional levels in DTI-ARMM. The exposure workshop afforded the participants the opportunity to observe actual operation, administration, and management of an *ecozone* at the Baguio Economic Zone, which helped in their efforts to formulate a manual of operations for an Economic Zone in ARMM.

PUBLIC AWARENESS, COMMUNICATION, AND DISSEMINATION COMPONENT

This fourth component of the technical assistance project aimed to educate citizens on the provisions of the laws and regulations governing the ARMM, the key aspects of the ARMM government's development agenda, and payment of taxes. This component widened public awareness and support for reform through social marketing activities, surveys, and the development of accessible information materials. Equally important was the transfer of these social marketing skills to the key counterparts identified in the project – specifically, the Bureau of Public Information (BPI)-ARMM and the Guild of Information Officers.

Assessments conducted in first three components of the project and the results of the citizen survey were critical inputs to inform the development of the communications strategy and materials under this component. In fact, the survey served as the basis for the development of the communications strategy and dissemination materials for the broader public awareness campaign, as well as the taxpayer education campaign.

Activities undertaken under this component included: i) citizen survey, ii) communications planning workshop, iii) workshops on Information Education Communication (IEC) materials development, iv) development and production of IEC materials.

Citizen Survey

A citizen survey was undertaken between January and March 2005 to capture benchmark data on the public's knowledge of and attitudes towards governance in the ARMM. The results of the survey were used to identify critical information and formulate appropriate media for information and education materials that were designed during the later phase of the project. The survey had a sample size of 600 heads of households, with 100 respondents per province and 100 respondents from the city of Marawi. The results of the survey were presented to the ARMM Regional Government on August 11, 2005 in Cotabato City. The presentation was attended by Cabinet Secretaries of the Regional Government, members of the Regional Legislative Assembly, and the representatives from donor agencies and civil society organizations. A copy of the survey results is included as an attachment in the final report.

Workshops on IEC

On August 9-11, 2004, a Communications Planning Workshop was held in Davao City and was attended by 24 Information Officers of the different agencies of the regional government, provincial governments within ARMM, and the

city of Marawi. These participants comprised the Guild of Information Officers (GIO). Through the workshop, the Guild was able to develop a simple, short-term communication plan outlining key issues and concerns to be addressed, the plan's objectives, the target audience, the message, and the strategy for dissemination.

A second workshop on the development of materials was conducted from October 4-7, 2004. The workshop was designed to provide participants with the basic know-how on message development and development of materials for print, broadcast, and audio-visual. Twenty-eight Information Officers attended, mostly representing 20 agencies in the ARMM, two provinces, and once city. Workshop outputs included sample scripts for broadcast "spots", content for print material, and a draft audio-visual script.

Development of IEC materials

From the draft material developed during the second workshop, eight mini-drama scripts were written. Of these, six were produced - four dealing with revenue collection and two focusing on general information about the ARMM, designed to instill a sense of belonging and pride to be in the ARMM. The scripts are included in the main report as attachments.

For print materials, a Fact Sheet on taxes and another on the RA 9054 were printed in four dialects: Maguindanaon, Maranao, Tausug, and Tagalog. In addition, a 15-minute video of activities, projects, and sites in the provinces of the ARMM was produced. The report on this component includes two specific recommendations that can be adopted by the Bureau of Public Information in the ARMM to improve information dissemination in the region. Detailed discussions of these recommendations are provided in the main report.