

An Assessment of the KKK: Its Social Justice Implications and Administrative Capability

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The Kilusang Kabuhayan at Kaunlaran (KKK) can be evaluated in terms of its social justice content, that is, whether the benefits of the program accrue to the poorer sectors of society. Three factors were however identified which prevent the KKK from attaining this objective, namely: (1) selection standards, standards of service and financing scheme which are biased in favor of the better-off sectors of society; (2) the administrative incapability of the program's organizational mechanism; and (3) the tendency of the program's decision-makers to prefer politically popular demands which are inconsistent with the overall program strategy. Specific recommendations are then forwarded in answer to these problems.

Introduction

The Kilusang Kabuhayan at Kaunlaran or the KKK is one of the most heralded and ambitious programs that the national government has launched in recent years.

This paper will appraise the KKK from two perspectives. First, it will examine KKK program implementation procedures in terms of its social justice implications. Second, it will look into the administrative capacity of the program and relate this to the attainment of the objectives that its planners have set out to achieve given the organizational mechanisms mobilized to implement it, as well as the fiscal and human resources made available for the program.

Conceptual Framework

The traditional concept of development centers on economic terms — any increase in GNP or per capita is perceived as development. But as Belinda Aquino noted in her article entitled "Dimensions of Development in

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Philippine Provinces, 1970," "a preferred use of the concept envisions development as social responsiveness which seeks to distribute benefits and rewards in any given system towards the direction of greater equality."¹ But what is equality? According to Ocampo, equality does not mean making people uniform or identical in any respect. Nor does it assume equality of individual abilities or achievements, but of the social and economic environment. This definition of development and equality point to the promotion of social justice which is a distributive principle requiring "reverse discrimination or the just treatment of differences." It entails the presence of prima facie rights prior to any consideration of general utility."² The disadvantaged segments of society are therefore necessarily the target of policies which seek to promote social justice. As aptly observed by Ocampo, "the poor should be transformed to take their equal share of material and social dignity, even if apparently they make no contributions to social product. The poor may not have the abilities, work and possessions required to make a contribution. The egalitarian view of social justice rests simply on the assumption that the needy, being human, share a right to the fruits of social efforts and to be full-pledged members of society. It does not require a contribution from them as a condition for discharging its obligation to restore them to their just or equal place on society."³

This meaning of social justice may be used to appraise the KKK. But before doing this, it is necessary to describe the program.

Overview of the Program

Objectives

The KKK was launched on 6 August 1981 by virtue of Executive Order No. 715 with the ultimate objective of transforming the country's 48,000 barangays into self-reliant and productive communities. This is to spur economic and social development by promoting the virtues of self-reliance, self-help and self-determination at the grassroots level. It counts on bringing out the sense of entrepreneurship in every individual that he may contribute his share in the total development effort. More specifically, the objectives of the KKK are as follows:

- (1) to promote productive employment for the citizenry at the barangay level;
- (2) to spur the increase of income at the community level on a nationwide scale;

- (3) to transform the nation's 42,000 barangays into more productive communities that are able to properly utilize their human and natural resources;
- (4) to contribute to the overall national development effort.

Strategy

The government's role is simply as a catalyst. It provides the seed capital, initial spadework, technical expertise and the necessary extension work to launch individuals and associations into productive enterprises.

For this purpose, four levels of the country's land forms were identified for development (mountain side, upland, lowland, and coastal area/march-land) as well as corresponding livelihood enterprises. Linkages of livelihood projects at the barangay level with processing and marketing enterprises at the municipal, provincial and regional levels were also provided for.

Target Beneficiaries

- (1) The following are the priority beneficiaries of the KKK:
 - (a) Landless workers,
 - (b) Kaingeros,
 - (c) Subsistence fishermen,
 - (d) Urban slum dwellers,
 - (e) Cultural minorities,
 - (f) Out-of-school youths,
 - (g) Disabled persons,
 - (h) Out-of-school youth duly registered with the Kabataang Barangay or the NMYC,
 - (i) Rebel returnees,
 - (j) Private employees whose gross family monthly income does not exceed ₱3,000, and
 - (k) Government employees whose gross family monthly income does not exceed ₱3,000.

The first seven were those originally identified. The last four were included later. The above groups shall be given priority in the funding, management and technical assistance provided by the KKK and shall also have preference in the undertaking of agri-based projects.

The non-priority beneficiaries are project proponents who may not be classified under any one of the seven types of program and project proto-

types which employ or directly provide services to the priority beneficiaries.

Program and Project Prototypes

Seven initial types of enterprises or program prototypes have been identified by the Kilusan. These are:

- (1) Agro-Forestry — involves the primary production of energy and fruit trees for mountain sides and uplands;
- (2) Agro-Livestock — involves the primary production of crops and livestock for uplands and lowlands;
- (3) Aquamarine — involves the primary production of fish and other marine products for coastal areas and marshlands, as well as inland waters;
- (4) Waste Utilization — involves the secondary processing of wastes from the primary production areas;
- (5) Cottage and Light Industries -- involves the secondary processing of raw materials at mountainside, upland, lowland and coastal settlements;
- (6) Shelter and Shelter Components — involves the production of housing components for all settlement classifications; and
- (7) Services — involves tertiary projects in support of other program prototypes like the construction of standardized public markets, cold storage plants and warehouses and the provision of transport facilities to support other livelihood projects.

Annex A gives additional information on the KKK.

KKK Implementation Procedures

Three sets of procedures can be identified which could erode the social justice objectives of the Program. These are:

- (1) lending scheme,
- (2) selection standards,
- (3) standards of service.

Greater time is devoted to a discussion of the lending scheme being used

since the KKK strategy is basically to extend loans to intended beneficiaries.

Lending Scheme

Eligible borrowers are classified into three groups: a) priority borrowers, b) non-priority borrowers, and c) mixed priority and non-priority borrowers. The priority borrowers are entitled to avail of the "pahunan fund" up to a maximum of ₱3,000. Loans from the puhunan fund are non-interest bearing and collateral-free. Should the projects proposed by an individual borrower require more than ₱3,000, the balance can be financed from the 12% loan funds and shall be covered by the collateral requirements imposed by the 12% loan fund on the portion in excess of the "pahunan" fund component. Associations/cooperatives consisting of priority borrowers may avail of the interest-free "pahunan" fund to the extent of ₱3,000 per priority borrower-member or 30% of the project cost, whichever is higher. The balance of the project cost shall be covered by the 12% loan fund.

The non-priority borrowers applying for a loan are entitled to avail only of the 12% loan fund and such loan should be covered by collaterals in the form of unencumbered real and/or personal property. The KKK loan-to-equity ratio should not exceed 80:20 of the total project cost.

For the mixed borrowers, the borrowers are considered as non-priority in nature and will be subject to conditions imposed on non-priority borrowers.

There are three basic steps or stages in the project approval system. These are:

Project Identification/Application. The proponent secures a Project Identification (PID) Form (KKK-D/0) from the Mayor, the Municipal Action Officer (MAO), or the Lead Support Agency (LSA) Representative. The latter assists him in accomplishing the form. He submits it, after endorsement by the LSA representative to the Mayor's Office. Prior to the Mayor's approval, the PID Form is initially evaluated by the MAO. Upon approval of the project, the Mayor signs the PID Form and sends it to the MAO who provides the proponent with the Project Application Kit.

Project Evaluation/Approval. The MAO evaluates the project documents submitted by the proponent with technical assistance from the LSA Representative and if it meets their approval, the MAO and the LSA Representative recommends it for endorsement by the Mayor. If the project recommended meets his approval, the Mayor forwards it to the

Regional Action Officer (RAO).

Loan Release/Project Implementation. If the project is approved by the MAO, the RAO identifies the training needs of the proponents and (if needed) sends a notice for training support to the proponent and a Learning Center. The Learning Center coordinates with the LSA concerned for the training of the proponent or if training has been accomplished, (and if the project is approved) the RAO sends a notice of Loan Approval (KKK-070) to the project proponent through the Mayor/Municipal Action Officer for the release of funds to the proponent and an Endorsement/Loan Action Sheet (KKK-045), together with the Project Loan Approval Docket, to the KKK-designated bank. The bank sends a Notice of Fund Release (KKK-080) to the proponent by registered mail within 5 banking days from the acceptance of the Docket.

The proponent goes to the bank, accompanied by the MAO, for the signing of the loans agreement and other documents. Receipt of the funds is attested to by the Municipal Treasurer and the LSA representative.

The above steps are however, followed only for loans coming from the KKK regular funds. Under the Local Government Special Fund (LGSF), a revolving fund declared in Section 3 of Executive Order 781, loan applications are approved by the governors and city/municipal mayors. To finance livelihood projects at the city/municipal level, ₱100,000 per municipality/city per year is allocated, ₱500,000 at the provincial level per province per year and ₱5,000 per barangay per year. Table 1 gives the status of fund releases as of September 1982.

In examining the lending scheme of the program, several points are identified which could erode the social justice objectives of the program.

For one, how the annual one billion peso allocation for the program from the KKK regular funds is divided between the Puhunan Loan Fund and the Kilusan Fund is one area where the social justice objectives of the Program could be questioned. Only 300 million pesos from this goes to the Puhunan Fund (available only to priority beneficiaries) while the remaining ₱700 million is allocated to the Kilusan fund which is open to both priority and non-priority beneficiaries. If the target clientele of the Program are the first priority borrowers, is it not more logical to allocate more to the Puhunan Fund than to the Kilusan Fund? As it is and referring to the previous discussion, those who have influence over the local chief executives could theoretically monopolize borrowings from the Kilusan fund. The actual number of priority and non-priority borrowers would reveal to what

Table 1. Projects Approved And with Loan Release by Region
As of 30 September 1982

<i>Region</i>	<i>Projects (NO)</i>	<i>Estimated Beneficiaries (NO)</i>	<i>Amount Approved for Funding (₱M)</i>	<i>Amount Released (₱M)</i>
NCR	79	6,981	13.749	4.165
I	38	8,763	111.634	29.299
II	1,172	6,452	46.631	15.183
III	284	5,917	32.866	15.859
IV	55	5,928	21.627	4.388
V	1,172	18,887	33.307	6.396
VI	156	8,982	51.161	25.998
VII	872	12,182	241.155	9.967
VIII	429	8,940	87.856	39.825
IX	655	32,474	121.519	33.509
X	191	29,612	60.819	31.701
XI	613	27,978	41.510	12.303
XII	1,529	18,678	56.395	17.587
TOTAL	7,245	191,744	920.229	246.180

extent KKK loans are availed of directly by priority borrowers, but the data on this are not available.

For another, the Kilusan Loan Fund which is 70% of the total KKK funds opens the door to the propertied class (with 12% interest and collateral requirement). As mentioned earlier, 20% equity in the form of either cash or property if the total capitalization of the project does not exceed ₱3 million, and 10% equity if beyond ₱3 million is required. This means that the proponent would have to put up ₱600,000 in the first case and ₱300,000 in the second. If a proponent could afford to part with this kind of money, he must belong to the millionaires' league. This militates against the concept of social justice, since the rich would directly benefit from the program and the intended beneficiaries only indirectly and only if they will be employed in enterprises funded from KKK funds. If the "poorest of the poor", to use a term so current today, will simply remain as employees or workers of firms funded by KKK capital and receiving minimum wage rate or even below, the program objective of launching the identified disadvantaged groups into productive enterprises and of promoting social justice will never be attained.

Another point is that the Local Government Special Fund assumes the nature of a discretionary fund in the hands of local chief executives. The abuse and misuse of this funds source has caused great concern even from the First Lady herself. The Far Eastern Economic Review in an article reported the first case of ₱10 million in KKK funds misspent by fifteen KKK groups supported by town mayors in Nampicuan, Bongabon, Gabaldon and Laur, Nueva Ecija.

Corollary to this problem is the access of the more influential groups in society to KKK funds. Inasmuch as the Governors and Mayors are authorized to disburse money from the LGSF, it is highly possible (as has been happening) that those who are close to them will have an easier time requesting approval of their loans and these people will be more or less in the same league as the governors and mayors. The intended beneficiaries may therefore not benefit from the program as its blueprints call for.

It should also be noted that the LGSF is a political concession. Initially, the role of the local chief executive was limited to endorsing project proposals to the Regional Action Officer who approves the project. Due to the clamor of the governors and mayors for a more direct participation in the Program, Executive Order 781 dated 9 March 1982 was issued to appease them.

Selection Standards

Selection standards are "the requirements and procedures of the administering agency of a program which explicitly eliminates a portion of the legally eligible population."⁴ It governs access to a program; if the intended beneficiaries are intimidated in one way or another by program procedures or requirements, they will not avail of the services it offers.

The KKK systems and procedures suffer from this. One of the complaints against the KKK in this regard is the voluminous paperwork required and highly technical papers that have to be submitted. For instance, an individual borrower is required to submit the following:

- (1) Bio-data;
- (2) Certificate of Good Moral Character;
- (3) Income Tax Return;
- (4) Certificate of Residence;
- (5) Certificate of Good Faith; and
- (6) Location Map.

The other requirements may be easy to produce. But for the intended beneficiaries, the income tax return may be a problem. The kaingeros, for instance, or the landless workers and the cultural minorities may not really be bothered about not filing their income tax returns every year but failure to do this renders them ineligible to avail of KKK loans. For group borrowers, the following have to be submitted: a) Charter/Articles of Inc.; b) By-laws; c) Board Resolution; d) Financial Statement; e) Bio-data of Officers; f) Location Map; g) Certificate of Residence; and h) Certificate of Good Faith. Likewise, the voluminous and highly technical forms required to be filled up (Project Application Form, Project Validation Form, Feasibility Study Format/Guidelines and other documents) is enough to intimidate the intended priority beneficiaries and effectively eliminate the functional illiterates, which, unfortunately would include most of the intended beneficiaries.

The cumbersome procedures involved from the Project Identification phase to the Project Approval and Loan Release phase is another form of selection standard which may, to use an "in" term, "turn off" potential proponents. The Loan Application and Approval system has only four basic steps but for each step, several activities and procedures are involved. Aside from the delays that such cumbersome procedures involve, additional delays occur due to the fact that projects have to go through the municipal/city level to the provincial level and on to the regional level for final evaluation and approval. If projects could be approved by the mayors and governors and even barangay captains at their respective geographical levels for loans

to be funded from the Local Government Special Fund, (assuming that they really know enough to be given such authority) why cannot loans to be funded from the regular KKK funds be similarly treated? If this is done, the delays and costs involved would be minimized thus improving service delivery.

The procedure flow charts and the KKK Project Document Listing are documented in Annexes B-F.

Cumbersome Standards of Service

Another important consideration which may spell the difference between achieving the goal of the program or not is what Reiner and Associates term as standards of service which governs acceptability of the Program and which "includes, in addition to the quantity and quality of supposed benefits, any consciously determined (or implicitly followed) features such as cost to the client, if any, location of facility, nature of the service staff and various convenience considerations."⁵ Applying this to the K.K.K., the number of training centers may be one standard of service which may effectively bar beneficiaries from participating in the program. There are to date only 21 Learning Centers all over the country which is less than 2 per region. If the intended beneficiary who has training needs has to go, say from Bulacan to Pampanga for the duration of the training period, he may just decide not to go through it because of the costs to him in terms of money and time.

Administrative Capability of the KKK

Organizational Setup and Interfaces

The importance of the type of organization setup to implement a program cannot be overemphasized for a lot would depend on it. As Iglesias states, "a weak organizational structure for program implementation would lead to a dissipation of resources and weakening of support from organization members as well as external elite-allies; conversely, a strong structure could enhance internal and external support."⁶

The KKK as one among many government programs is special in the sense that while most programs involve one to a few agencies tasked to implement it, the KKK involves a host of agencies from the national to the municipal level as follows:

National Level. Created at this level is the Pambansang Lupon or

National Council which is the national coordinating body. It formulates the policies, provides program direction and supervises the overall implementation of the movement. It is chaired by no less than the President himself with the Prime Minister as Vice Chairman. The members include the head of the ministries of Agriculture, Agrarian Reform, Human Settlements, Local Government, Trade and Industry, Natural Resources, Budget and Management, Economic Planning and Media Affairs. To take care of the financing aspect of the program, the Central Bank (CB), Philippine National Bank (PNB) and Development Bank of the Philippines (DBP) have been taken in as members. Providing administrative, financial and technical services to the National Council and program coordination is the National-Secretariat, headed by Human Settlements Minister Imelda Marcos.

The Lead Support Agencies for each of the program prototypes are as follows:

- (1) **Agro-Forestry:**
National Dendro Development Corporation
Bureau of Forest Development
- (2) **Agro-Livestock:**
Bureau of Plant Industry
Bureau of Animal Industry
- (3) **Aquamarine:**
Bureau of Fisheries and Aquatic Resources
- (4) **Waste Utilization:**
National Environmental Protection Council
- (5) **Cottage and Light Industries:**
National Cottage Industries Development Authority
Ministry of Trade and Industry
- (6) **Shelter:**
Ministry of Human Settlements
- (7) **Services:**
Ministry of Human Settlements

The Lead Support Agencies identified to provide the delivery systems and other support services are the following:

- (1) Technical Assistance ... National Science and Technology Authority
- (2) Marketing National Food Authority
- (3) Training University of Life
- (4) Finance Central Bank of the Philippines
Philippine National Bank
Development Bank of the Philippines
Land Bank of the Philippines
- (5) Communications Office of Media Affairs
- (6) Community Mobilization Ministry of Local Government

Regional Level. The Regional Development Council (RDC) in each region coordinates and links the activities of the national and local governments in the promotion of the Kilusan within the region. The Regional Secretariat, which is the MHS Regional Office, assists the RDC. Its other functions include the evaluation and approval of project proposals, oversee and monitor the implementation of projects in the area and coordinate with the lead support agency officers in their Kilusan activities in its jurisdiction.

Provincial Level. The Provincial Development Council provides coordination of Kilusan activities at this level specifically extension programs, priorities and field operations of the various government agencies through their senior representatives in the province. It also coordinates livelihood projects of individuals or groups of municipalities in the province as to their rationalization, consistency and complementarity.

The MHS Provincial staff acts as the Provincial Secretariat and is headed by the Provincial Action Officer. It reviews and recommends action on project proposals elevated to it from the city/municipal level, oversees and monitors the implementation of projects in the area, and coordinates with the provincial governor, mayors and level support agency officers regarding project requirements and other Kilusan activities.

City/Municipal Level. The City/Municipal Development Council coordinates Kilusan activities at this level and identifies and makes available for consideration potential livelihood projects and provides detailed guidelines for their establishment.

The Mayor as chairman of the City/Municipal Development Council structures the development thrust of the City/Town and guides the prioritization of projects. He endorses to the Regional Action Officer the projects identified for KKK financing, thereby attesting his support.

The Municipal Secretariat is the staff provided by the MHS to assist the City/Municipal Development Council and is headed by the Municipal Action

Officer who is the Mayor. The Secretariat determines and recommends priority projects based on local needs and resources, reviews and recommends action on project proposals and coordinates, oversees and monitors the implementation of project in the area.

Thus, from the national level to the municipal level, the council type of organization is being utilized.

The council form of organization theoretically possesses some virtues the most important of which is that of "insuring vertical and horizontal coordination of various specialized and interrelated activities of government."⁷ But in practice, the setup presents some problems; as aptly stated by Dr. Iglesias, "its effectiveness as an institutional mechanism for coordinating, planning and implementation . . . is often dissipated by internal wrangling, lack of cooperation, and inability of the coordinating body to impose collective decisions on members."⁸

If the coordinative capacity of the council form of organizational setup is hampered or diminished by such problems, an assessment of the effectiveness of this particular setup as a mechanism for implementing the KKK program would require that the indicators of coordinative capacity be identified first.

Alex Brilliantes, in his thesis, *Development Councils as Coordinating Mechanisms for the Planning and Implementing of Development Programs and Projects: Focus on Region II*, listed four major indicators of coordinative capacity: (1) the members' perception of commonality of goals; (2) the leadership; (3) the authority of the development council; and (4) the presence or absence of a supporting technical staff. He hypothesized that the stronger the council's capacity to coordinate the more effective it becomes.¹¹

With neither the time nor the money to conduct an empirical study regarding the effectiveness of the development councils for coordinating KKK-related activities, the work of others in this area will have to be heavily relied on.

The National Council, owing to the fact that this is chaired by no less than the President of the country, may have little difficulty in carrying out its coordinative responsibility. As Dr. Iglesias states, "the effectiveness of the committee/council form depends on the cooperation of the sectoral ministries and on who occupies the leadership position."⁹

It is at the levels below the National Council that problems of coordination occur. Since the regional, provincial and city/municipal development councils have more or less similar responsibilities ("synchronize and unify

all development efforts being rendered in a specific geographical area") membership (local leaders and representatives of national line agencies operating in the area), secretariat (the Human Settlements Office in the particular geographical area) and authority over funds and personnel, they can be treated as one.

Oamar and Rivera, in their study of Regional Development Councils placed "the average number of council members at the regional level at 23, ranging from 34 for Region IV to a low of 18 for regions II and III"¹⁰ based on an early 70's data. The average may have increased for Region II alone has increased its RDC membership from 18 to 73 (number of members indicated in Brilliantes' thesis). Exact figures are not, however, necessary. Suffice it to say that it is difficult to reconcile the diverse perceptions of the members of development councils who will always try to push their respective priorities and parochial interests. The coordinative capacity of these councils will therefore be greatly diminished due to the lack of "commonality of purpose." There is the "tendency to be more province-oriented (among local government members) and sector-oriented (among line agency, representatives)," as revealed in the Brilliantes study. It can thus be said that on this score, the local governments' coordinative capacity is adversely affected.

The leadership indicator is concerned with the style of leadership of the heads of the different development councils. Brilliantes relates it to coordinative capacity in this manner:

"The stronger the leadership of the council, the greater would be its coordinative capacity . . . the stronger the members perceive the leadership, the greater would be its coordinative capacity."¹²

Since the leadership style of the present RDC chairmen, 73 governors and 1,500 municipal mayors would vary so would the coordinative capacity of the development councils that they head. Researchers in the field have generated enough evidence from empirical studies to arrive at the generalization that these development councils have not really been effective. It is listed as one of the problems confronting local governments and regional administration. Thus, de Guzman and Legada found the following problems in the field . . . "lack of coordination and horizontal integration, duplication, overlapping of functions and the absence of a strong and unified leadership and implementing machinery."¹³

The third indicator is authority of the development council which "includes authority over the allocation of funds (i.e., the classic power of

the purse, a power which can elicit some form of desired behavior from the members and hence allow themselves to be coordinated by the development council) . . . Such authority likewise includes authority over the personnel movement of the development council members."¹⁴ Brilliantes hypothesized that the more authority the council has over funds and personnel movement, the greater would be its coordinative capacity.

De Guzman and Legada, with particular reference to the RDC, contends that the weakness of said body is due to its "lack of substantive and meaningful authority." "For one thing," they further elaborate, "it has no power to allocate funds and determine the priorities for the region. It even has no formal authority over its own members. The RDC, thus, is practically a paper tiger in the regional level as far as collective action is concerned."¹⁵ Such is also the predicament of both the provincial and municipal development councils. Aside from not having formal authority over its local government members and line agency representatives, they also have no control over the secretariat at their respective levels, which is the staff provided by the Ministry of Human Settlements to assist the council at each level in KKK activities.

In the KKK program, the "power of the purse" is held by the Regional Action Officer who is also the head of the Secretariat. The Secretariat, as mentioned before, is the MHS Regional Office. The RAO is the sole approving authority for all projects submitted by eligible beneficiaries for KKK funding. In effect, therefore, the authority to allocate funds in the region is vested not on the RDC but on the RAO. The governor who chairs the RDC merely structures the development thrust of the region and guides the prioritization of livelihood projects in the region. The role of the governors (as heads of the Provincial Development Councils) and mayors (as heads of the Municipal Development Councils) is limited to endorsing projects to the RAO for approval. Therefore, unless a project secures the go-signal of the RAO (projects with ₱1 million and below; projects above ₱1 million are referred to the National Council), it will be "killed" at this stage and no funds released for it.

The last indicator selected by Brilliantes is the presence or absence of a supporting technical staff. From the national to the municipal level, the Secretariat to the Councils at each level is the MHS office or staff at that particular level. Brilliantes postulated that "the development council's capacity to coordinate is strengthened if there is available technical support provided by qualified and adequately equipped (i.e., skilled personnel)."¹⁶

Data are not available regarding the qualifications or competencies of the MHS staff at each level nor the number of staff assigned to the Secre-

tariat for each development council. It can be said, however, that since the MHS Offices at each level also undertake programs projects related to the other ten basic needs, the staff may not be able to devote as much time to the KKK.

Human Resources

The human resources of the organization includes all those involved in the program. Aside from the leaders, of crucial importance are the MHS staff of the development councils which act as the Secretariat and the extension workers of the lead support agencies who directly work with individuals or groups engaged in KKK enterprises.

The extension workers, while in the field, work closely with the Municipal Coordinator who is the Mayor. The Mayors are supposed to exercise supervision over the extension workers and may recommend the recognition, discipline or reassignment of extension workers to the Ministry concerned. However, if the Ministry refuses to act on the recommendation, the extension worker remains no matter how ineffective or incompetent he is.

The problem of staff supervision from the regional to the provincial level runs much along the same vein. At the regional level, for instance, the Secretariat of the RDC is the MHS Regional Office headed by the RAO. Likewise, at the Provincial level, the Secretariat of the PDC is the MHS Provincial staff headed by the PAO. At the municipal/city level, the municipal coordinator is usually the Mayor. Inasmuch as the Secretariat for the first two levels are MHS staff, the local chief executives may not really have the authority or control over them.

The problem, however, is not merely the lack of administrative control over the MHS staff. Questions have also been raised on the competencies of the MHS staff. To quote the Far Eastern Economic Review, "The expansion of the KKK . . . into areas such as loan evaluation, for example, ignores the talent already in place within the banking system and puts much decision in the hands of inexperienced KKK officers . . . The banks are simply conduits for disbursement. Project approval, evaluation and monitoring are all done by the KKK staff which is inexperienced in such fields."¹⁷

Another problem related to the human resources complement of the Program is the inadequacy of MHS staff at the different geographical levels (regional, provincial, municipal levels). This inadequacy seriously hampers the speedy evaluation of loan applications and delays the release of loans to

project proponents.

Fiscal Resources and Management

In order to carry out its objectives, the initial sum of ₱1 billion was earmarked for its operations. This was taken from the budgetary reserves of the national government. Likewise, ₱1 billion will be allocated for the program annually until 1987. In addition to this, Executive Order No. 781 dated March 9, 1982 was issued to mobilize local government funds amounting to ₱200 million as additional fund source. These are the "official" funds of the program. Aside from these, there are associated costs outside the KKK budget. For example, "cottage industries sell their goods through government export services. Transport, shipping and marketing costs go to the account of the National Cottage Industries Development Authority (NACIDA). Farm produce is bought and marketed by the National Food Authority (NFA). The construction of warehouses is financed out of Ministry of Public Works and Highways funds. It would be difficult to determine the real cost of the KKK program, given these numerous and interweaving associated costs."¹⁸ But even in the absence of precise figures, the ₱1 billion annual allocation makes it the most expensive single program that the government has launched in recent years. The question is, need we incur such tremendous expenses at this time when the government is trying hard to reduce the country's massive deficits which was placed at ₱2 billion¹⁹ last year?

The question posed above relates to the efficient utilization of KKK funds and indeed one could make a case out of this. First, the program duplicates or overlaps with existing attempts to help the needy. As observed in the Review, "there are already a number of small credit programs for agriculture, marine livestock and handicraft projects and the program will succeed in creating new jobs only if the money it spends or lends ends up in the hands of those not covered by other programs"²⁰ Second, there is the question of the desirability of launching the Kilusan on a nationwide scale. The KKK Program would have more lasting effects on the rural poor if the funds for it were allocated to a smaller target population like, for instance, to the identified depressed areas or communities. This strategy would penetrate deeper into the problem of underdevelopment of certain areas although of course, the clientele would be smaller. But as Warren Ilchmann stated, "To give equal amounts to each unit may well result in too little to make a difference where a difference could be made."²¹ The question how about the poor in the relatively developed and progressive areas is another matter that should also be given serious consideration.

Conclusions

The preceding analysis of the program blueprints of the KKK indicates that social justice objective of the program could not become a tangible reality.

The eleven identified priority beneficiaries do need as much government support as can be extended to them to raise them above the levels of subsistence and poverty. But do program benefits really accrue to them the way it is laid out in the program's blueprints? Another way of putting the question is: Is the social justice objective of the program displaced, in one way or another, in implementation such that the intended beneficiaries are pushed in the background?

As mentioned earlier, this paper suffers from a dearth of available, quotable data which is necessary for a more in-depth and exhaustive treatment of the subject. The previous discussions however offers some insights as to the direction the program will take in the promotion of social justice.

The selection standards, standards of service and financing scheme are factors which erode the social justice objectives of the program. Added to these are the problems arising from the administrative "incapability" of the organizational mechanism tasked to implement the program. Finally, there seems to be a tendency, discussed in passing in previous sections, to subvert, perhaps not deliberately the set objectives by giving in to politically popular demands without regard to the consequences such moves would do to the overall program strategy and objectives.

Recommendations

A review of existing procedures and paper requirements in the availing of loans should be undertaken to eliminate those which could be done away without necessarily sacrificing the necessary bureaucratic requirements for the granting of loans. For instance, the income tax return requirement serves no purpose at all since there is nothing in the KKK guidelines which set a minimum or maximum income²¹ for borrowers. The income tax requirement, therefore, only serves to render ineligible those who cannot produce it. Moreover, many of the first priority beneficiaries may not be able to produce this.

Related to the above is the need to define an income ceiling for borrowers if the social justice objectives of the program is to be realized. As it is now, everybody and anybody who has the right connections and could

present a project proposal could avail of KKK loans and this situation places the priority beneficiaries in a very disadvantaged position since the well-off also usually have political connections and the poor do not. Setting a ceiling on the income²³ of borrowers would guarantee, to a great extent, that only the targetted clientele would benefit from the program. It is only when this ceiling has been set that the income tax return becomes a necessary requirement. It must also be said that adequate measures must be adopted to enforce such ceiling levels.

Adequate safeguard mechanisms should be instituted to check on disbursement from the Local Government Special Fund for which governors and mayors have full responsibility. This could be done by carrying out a regular audit of this fund source to determine if it is being channelled to KKK projects.

The development councils given the responsibility for coordinating KKK-related activities in the different geographical levels should be strengthened by giving them adequate authority over the allocation of the regular KKK funds and over MHS personnel and extension workers of the Lead Support Agencies. This is a must for procedural reforms alone without the necessary structural changes would be useless. For instance, the authority to approve proposed projects to be funded from the regular KKK should be vested, not in the Regional Action Officer of the MHS but on the RDC itself if its role in the program is to have any concrete meaning. The RAO, who is supposed to be an expert in project evaluation should, by virtue of this expertise, merely recommend approval or disapproval of projects.

There is a need to train or to educate all those directly involved in the processing of project proposals in order to upgrade their competencies in the finer points of project identification, evaluation and implementation. The authority given to the local chief executives in approving loans funded from the LGSF should be accompanied by a certain amount of knowledge, if not expertise, if they are to be credible to their clients. This also holds true for the MHS staff who are reportedly incompetent in the area of project evaluation.

Endnotes

¹Belinda A. Aquino, "Dimensions of Development in Philippine Provinces, 1970," *Philippine Journal of Public Administration*, Vol. 19, Nos. 1 & 2, January-April 1975, p. 15.

²Romeo B. Ocampo, "Social Justice: An Essay on Philippine Social Ideology," *Philippine Journal of Public Administration*, Vol. 15, Nos. 3 & 4, July-October 1971, p. 275.

³*Ibid.*, p. 276.

⁴Janet S. Reiner, Everett Reiner and Thomas A. Reiner, "Client Analysis and the Planning of Public Programs," in J. Frieden and Robert Morris, eds., *Urban Planning and Social Policy* (New York: Basic Books, Inc. 1968), p. 378.

⁵*Ibid.*, p. 380.

⁶Gabriel U. Iglesias, "Implementation and the Planning of Development: Notes on Trends and Issues, Focusing on the Concept of Administrative Capability," *Implementation, The Problem of Achieving Results* (Manila: EROPA, 1976), p. 10.

⁷Iglesias, "Key Issues and Problems of Managing Integrated Rural Development: An Overview," paper presented at the EROPA Ninth General Assembly and Conference on Management of Integrated Rural Development, June 12-19, 1981, Indonesia, p. 15.

⁸Iglesias, "An Approach in Appraising Administrative Capability of the Regional Framework for Coordinating the Implementation of Regional Development," paper prepared for the Senior Level Seminar on Institutional Capability for Regional Development: Focus on Coordination," 16-21 August 1980, p. 6.

⁹*Ibid.*, p. 6.

¹⁰Felipe V. Oamar and Patria Rivera, "Local Government Development," *Philippine Journal of Public Administration*, Vol. 19 Nos. 1 & 2, January-April, 1975, p. 9.

¹¹See Alex Brillantes, "Development Councils as Coordinating Mechanisms for the Planning and Implementing of Development Programs and Projects: Focus on Region II," MPA thesis, University of the Philippines, 1979.

¹²*Ibid.*

¹³Raul P. de Guzman and Ric Tan Legada, "Regional Governments," *Local Government Bulletin*, Vol. 16, Nos. 1 & 2, January-December 1981, p. 17.

¹⁴Brillantes, p. 26.

¹⁵de Guzman and Legada, p. 18.

¹⁶Brillantes, *op. cit.*

¹⁷Guy Sacerdote, "A Political Factor in the KKK Equation," *Far Eastern Economic Review*, October 29-November 4, 1982, p. 35.

¹⁸*Ibid.*, p. 36.

¹⁹*Ibid.*, p. 36.

²⁰*Ibid.*, p. 36.

²¹ Warren Ilchman, "Measure for Measure: Productivity on Development Decade," *Philippine Journal of Public Administration*, Vol. 17, No. 3, July 1973, p. 282.

²² Except for the last two groups of priority beneficiaries which were added to the seven (7) initially identified which are the government and private employees earning ₱3,000 and below a month.

²³ See note 21.

Annex A**The Kilusang Kabuhayan at Kaunlaran Program***

Key Concept. The key concept of the KKK is to spur the economic and social development of the entire country by transforming every barangay, municipality and city into self-reliant, productive communities through the establishment of various livelihood projects to be owned and managed by the residents themselves. It places primary importance on private enterprise and initiatives.

Main goal: promote self-reliance, self-help and self-determination among communities

Specific goals:

- (1) promote productive employment at barangay level;
- (2) increase community level income on nationwide scale;
- (3) transform country's 42,000 barangays into more productive communities capable of properly utilizing their human/natural resources;
- (4) contribute to overall national development effort.

Strategy:

- (1) Motivate, encourage and develop private *entrepreneurship* in the barangay;
- (2) KILUSAN to be based on private and community initiative;
- (3) Organization of individuals into local associations;
- (4) Government primarily as catalyst — provide seed capital, the priming activities and the extension service;

* Prepared by Command and General Staff College Extension Class No. 1, Group IV, May 1983.

- (5) Livelihood projects to be identified in terms of land forms: mountainside, upland, lowland and coastal area/marshland;
- (6) Provide linkages of barangay livelihood projects with municipal/provincial and regional processing/marketing projects;
- (7) Spur development of small and medium-scale industries while ensuring, at the same time, adequate markets for their products;
- (8) Promote integrated schemes where practicable.

Organization

- (1) Maximize use of existing ministries as lead support agencies for specific programs;
- (2) Regional, provincial and municipal development councils are responsible for coordinating and linking the activities of KKK at their respective levels:

Pambansang Lupon or National Council -- national coordinating body (PFM)

National Secretariat -- provide administrative, financial and technical services to the PL and program coordination at national level. SECRETARY-GENERAL (FL)

Regional Development Council -- coordinates and links activities of national and local governments in the promotion of KKK movement within the region. A GOVERNOR (from the region)

Regional Secretariat -- evaluates and approves project proposals, oversees and monitors project implementation, and coordinates with lead support agencies. REGIONAL ACTION OFFICER

Provincial Development Council -- coordinates at provincial level the extension programs, priorities and field operations of various government agencies; coordinates livelihood projects of individuals/groups as to their rationalization, consistency and complementarity. GOVERNOR

Provincial Secretariat -- reviews/recommends action on project proposals, oversees and monitors project implementation and coordinates with local officials and lead support agency officers as to project requirements. PROVINCIAL ACTION OFFICER.

City/Municipal Development Council -- coordinates activities within city/municipality, identifies and makes available for consideration potential livelihood projects and provides detailed guidelines for their establishment. MUNICIPAL COORDINATOR (usually the Mayor).

Municipal Secretariat -- determines and recommends priority enterprises and livelihood activities based on local needs and resources, reviews and recommends action on project proposals, oversees and monitors project implementation, coordinates with Mayor and lead support agencies. MUNICIPAL ACTION OFFICER.

Priority Beneficiaries -- in funding, management and technical assistance

1. Landless workers
2. Kaingineros
3. Subsistence fishermen
4. Urban slum dwellers
5. Cultural minorities
6. Out-of-school youths
7. Disabled persons

Program Prototypes

(1) Agro-industry -- integrated mountainside development: primary production of energy and fruit trees including water-impounding schemes to promote ecological balance.

(2) Agro livestock -- primary production of crops and livestock for uplands and lowlands; establishment of backward (livestock feedmills, hatcheries and breeding sites) and forward (crop, meat and dairying processing plants) linkages.

- (3) Aquamarine — primary-production of fish and other marine products for coastal areas and marshlands; development of mangroves/swamps as coastal marine estates, production/culture of non-traditional products, backward (communal hatcheries) and forward (processing and canning) linkages.
- (4) Waste utilization — secondary processing of wastes from the primary production areas, e.g., wood chips, organic fertilizer, animal feeds and cottage/light industry crafts.
- (5) Cottage and light industries — secondary processing of raw materials at mountainside, upland, lowland and coastal settlements; small-scale, labor-intensive, export-oriented enterprises developed along sub-contracting system.
- (6) Shelter and shelter components — production of housing components for all settlement classifications such as hollow blocks, clay brick tiles, and woodworking products (e.g., sashes, jambs, etc.)
- (7) Services — tertiary projects in support of the other program prototypes, e.g., construction of standard public markets, cold storage plants and warehouses, provision of transport facilities.

Project Prototypes

- (1) Agro-forestry: Ipil-ipil tree farm, fruit tree orchards
- (2) Agro-livestock: Cassava/sweet potato and mango/peanut production; swine dispersal, cattle fattening/breeding, goat raising
- (3) Aquamarine: fish culture (tilapia, bangus, prawns, etc.), sea farming (shellfish (mussels & oysters), seaweeds) and fish capture (establishment/maintenance of fishing units and equipment)
- (4) Cottage and light industries: rattan/bamboo craft, garment manufacture, food preservation and processing, leathercraft, shellcraft, toy-making.

Project Classification for Financing

- (1) Primary projects — those concerned with growing/cultivation of raw materials in the priority investment areas of raw materials in the priority investment areas of agro-forestry, agro-livestock and aquamarine.

- (2) Secondary projects — those involving final/intermediate processing of raw materials particularly in the priority areas of shelter and shelter components, cottage and light industries, and waste utilization.
- (3) Tertiary projects — those which support or integrate primary and/or secondary projects, including those that provide essential facilities or services to either primary or secondary projects like warehousing, transport facilities and trading services.
- (4) Anchor projects — those implemented by private sector corporations that provide the needed forward and backward linkages to further enhance viability of the projects. Functions are the center projects from which radiation projects of primary beneficiaries are generated.

KKK Funding

- (1) Puhunan Fund (Seed Capital Fund)

Collateral-free and non-interest bearing credit ₱300M out of the initial ₱1B fund for KKK (1981)

Available for

- a. Special project prototype approved under the 7 program prototypes
- b. Projects whose target beneficiaries are those identified as priority
- c. Projects within the 7 program prototypes with validated viable sites
- d. Projects within the 7 program prototypes which need project development/front-end support
- e. Non-traditional projects not covered by any CB specialized financing schemes.

- (2) Kilusan Loan Fund

12% interest per annum with collateral

₱700M out of the initial ₱1B fund for KKK (1981)

Available for

- a. **Projects eligible for the Puhunan Fund requiring additional funds in excess of the ₱3,000 per beneficiary ceiling under the Puhunan Fund**
- b. **Secondary and tertiary projects within the 7 program prototypes provided the primary project component is KKK-financed or provide benefits to targetted beneficiaries.**

Considerations in Project Selection (to quality for Puhunan financing)

- (1) **Definite marketing outlets/linkages should first be identified and established for the project product.**
- (2) **Priority beneficiaries have preference in undertaking of primary projects and in receiving funding, management and technical assistance.**
- (3) **For primary projects, technology employed must be readily available and easily transferable in the area.**
- (4) **Proponent must have the skills necessary to manage and implement the project or must be willing to undergo training to acquire such skills.**
- (5) **Primary production projects should have an investment-to-beneficiary ratio of ₱10,000 to 1. Projects that involve a greater number of beneficiaries per unit of investment is preferred.**

Non-Priority Beneficiaries

Project proponents who are not classifiable under any of the 7 priority beneficiaries but who employ or directly provide services to the priority beneficiaries.

Additional requirements for non-priority beneficairees to qualify for Kilusan Loan financing:

- (1) **Projects must relate to KKK primary projects.**

- (2) Projects should serve as catalyzing enterprises for the economic development of the area.
- (3) Proponents should possess the technical, managerial or marketing expertise needed by the enterprise.
- (4) Proponent's cash flow statements should show adequate debt-servicing capacity.
- (5) Proponents should have at least 20% equity if total capitalization of project does not exceed ₱3M and 10% equity if beyond ₱3M.

Lending Schemes

(1) Fund Ceiling

a. Puhunan Fund

- For individual project proponents — ₱3,000
- For associations/cooperatives (priority beneficiaries) — not more than 30% of total project costs

b. Kilusan Loan Fund

- For associations/cooperatives (priority beneficiaries) — balance of project costs*
- For non-priority beneficiaries — No limit*

*Covered by collateral requirements

(2) Security Requirements (collateral to interest-bearing loan components)

- a. For priority beneficiaries — project assets from loan proceeds as collateral; members of associations/cooperatives are jointly and severally liable for loan.
- b. For non-priority beneficiaries — project assets from loan proceeds + unencumbered real and personal property (private lands with Torrens Title up to 80% of appraised value, private lands without TT up to 60% of market value with proof of more than 5 years peaceful and uninterrupted pos-

session of said properties, government bonds and securities, machinery/equipment with economic lives of at least 5 years at 70% of appraised value; livestock, poultry and fish at 70% of appraised value).

- c. Crops, livestock, movable property, buildings and land improvement used as collaterals shall be fully insured to cover loans granted.

Fund Releases/Repayments

(1) How loans are released

- a. Bank releases funds directly to suppliers upon presentation of delivery receipt duly acknowledged by borrower.
- b. Working capital is released to borrowers in the form of credits to a savings account opened in his favor upon approval by RAO.

(2) How loans are repaid

- a. For individual borrowers, amortizations are paid by proponents directly to designated bank.
- b. For associations and cooperatives, group president and treasurer are held responsible for collecting from individual borrowers and remitting payments to KKK-designated banks.

(3) Loan Terms

- a. Maturity — not more than 15 years (based on type and nature of project to be financed)
- b. Grace Period — not more than four years
- c. Loan Interest Calculation

If term is equal to or more than one year, interest is based on 365 days.

If term is equal to or more than one year, interest is based on 360 days.

General Formula:

$$\text{Interest Amount} = \text{Loan Fund Balance} \times \text{Interest Rate} \times \frac{N}{360}$$

or 365

where N = repayment period

d. Penalties

Delayed payment of loan amortization -- 1% surcharge per month on outstanding balance

Failure to pay amortization for 3 consecutive amortization periods -- unpaid balance automatically becomes due and demandable.

Arrears may justify foreclosure proceedings and denial of the grant of additional future loans.

e. Incentives -- For payment of loan amortizations on time

Grant of additional loans for project expansion and for new projects

Rebate of 1% on loan principal portion of amortization

Annex B

KKK PROJECT DOCUMENT LISTING

ACTIVITY	DOCUMENTS	DOCUMENT RECIPIENT	REMARKS
RESPONSIBLE PARTY: PROPONENT			
1. Identification of viable project	1.1 Project Identification and Application Form	1.1 Municipal Action Officer	1.1 The forms necessary for the proponent's application may be acquired at the Mayor's or MAO's office.
	1.2 Project Application Kit For Individual and Group Borrowers – Feasibility Study – Study Validation Form For individual borrower: – Bio-data – Income Tax Return For Association or Group Borrowers: – Charters/Articles of Incorporation – Financial Statements – Bio-data of Officers – Board Resolution – To borrow from KKK – To designate authorized signatories	1.2 Municipal Action Officer	1.2 The proponent shall be assisted by the MAO and Implementing Agency-Representative in accomplishing the application kit.

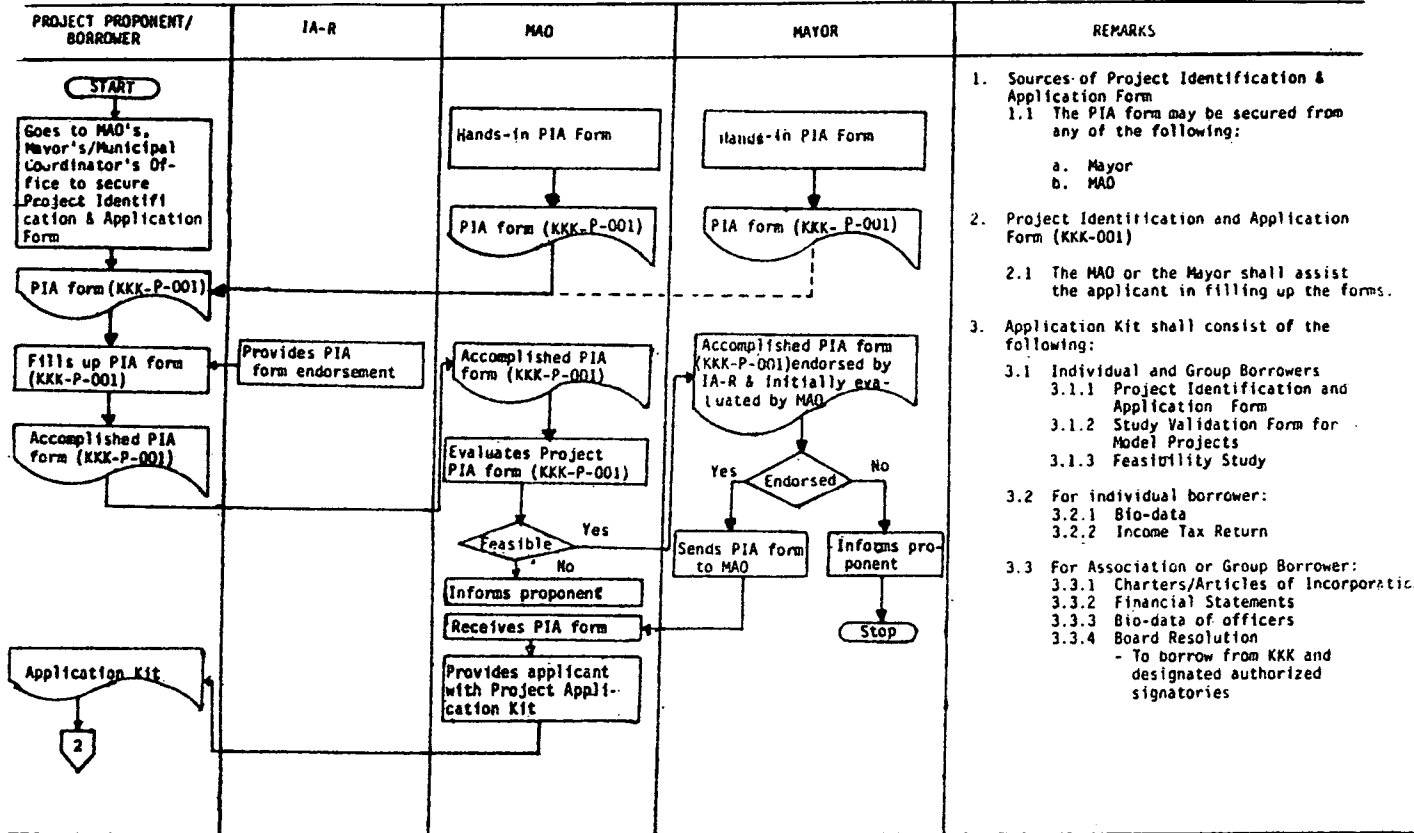
ACTIVITY	DOCUMENTS	DOCUMENT RECIPIENT	REMARKS
RESPONSIBLE PARTY: MUNICIPAL ACTION OFFICER			
1. Evaluation and endorsement of project application documents	1.1 Project Application Kit accompanied by the Project Identification and Application Form	1.1 Regional Action Officer	1.1 The Application Kit shall be submitted to the RAO for final evaluation and approval of the project.
	1.2 Endorsement Sheet	1.2 Regional Action Officer	1.2 This form shall be prepared by the MAO and co-signed by the IA-Representative and the Mayor
2. Certification of the completion of work program requirements prior to subsequent fund releases	2. Loan Release Certification Sheet	2. KKK Designated Bank Branch	2. This form shall also be signed by the RAO and IA-Representative.
RESPONSIBLE PARTY: MUNICIPAL MAYOR			
1. Submission of the Municipal Socio-Economic Profile of the endorsed projects	1. Municipal Socio-Economic Profile Sheet	1. Regional Action Officer	1. The Municipal Mayor shall certify to the correctness of the information contained in the said profile sheet.
RESPONSIBLE PARTY: REGIONAL ACTION OFFICER			
1. Transmittal of approved project documents to the KKK designated bank branch	1. Project Loan Approval Docket and supporting documents	1. KKK-designated bank	1. The Project Loan Approval Docket covers all the project approval documents for the bank's verification and acceptance.
2. Approval of project loan	2. Endorsement/Loan Action Sheet	2. KKK-designated bank	2. This form shows the schedule of releases and repayment of the loan.

ACTIVITY	DOCUMENTS	DOCUMENT RECIPIENT	REMARKS
3. Notification of proponent re: loan approval	3. Notice of Loan Approval	3. Project Proponent	
RESPONSIBLE PARTY: DESIGNATED BANK BRANCH			
1. Acceptance or return of project loan approval documents submitted by the RAO after verification of the documents	1. Loan Approval Acceptance/ Return Sheet	1. Regional Action Officer	1. The Bank Officer may refuse to accept the project documents for the ff. reasons: <ol style="list-style-type: none"> a. incompleteness b. improper filling of forms c. non-matching of RAO's signature with specimen on file d. change of RAO or his representative without prior notice 1.1 Acceptance/ Return shall be made within one (1) banking day. 1.2 Initial fund release is made by the bank within 5 banking days from the date of acceptance of loan approval docket.
2. Request for Funding requirements	2. Application for funding (DBP branches include their funding requirements in their regular telegraphic cash position reports)	2.a. DBP Head Office or LBP Head Office, or PNB Regional Office	2. Request for funding must be sent within 8 banking hours from the acceptance of the loan approval docket.

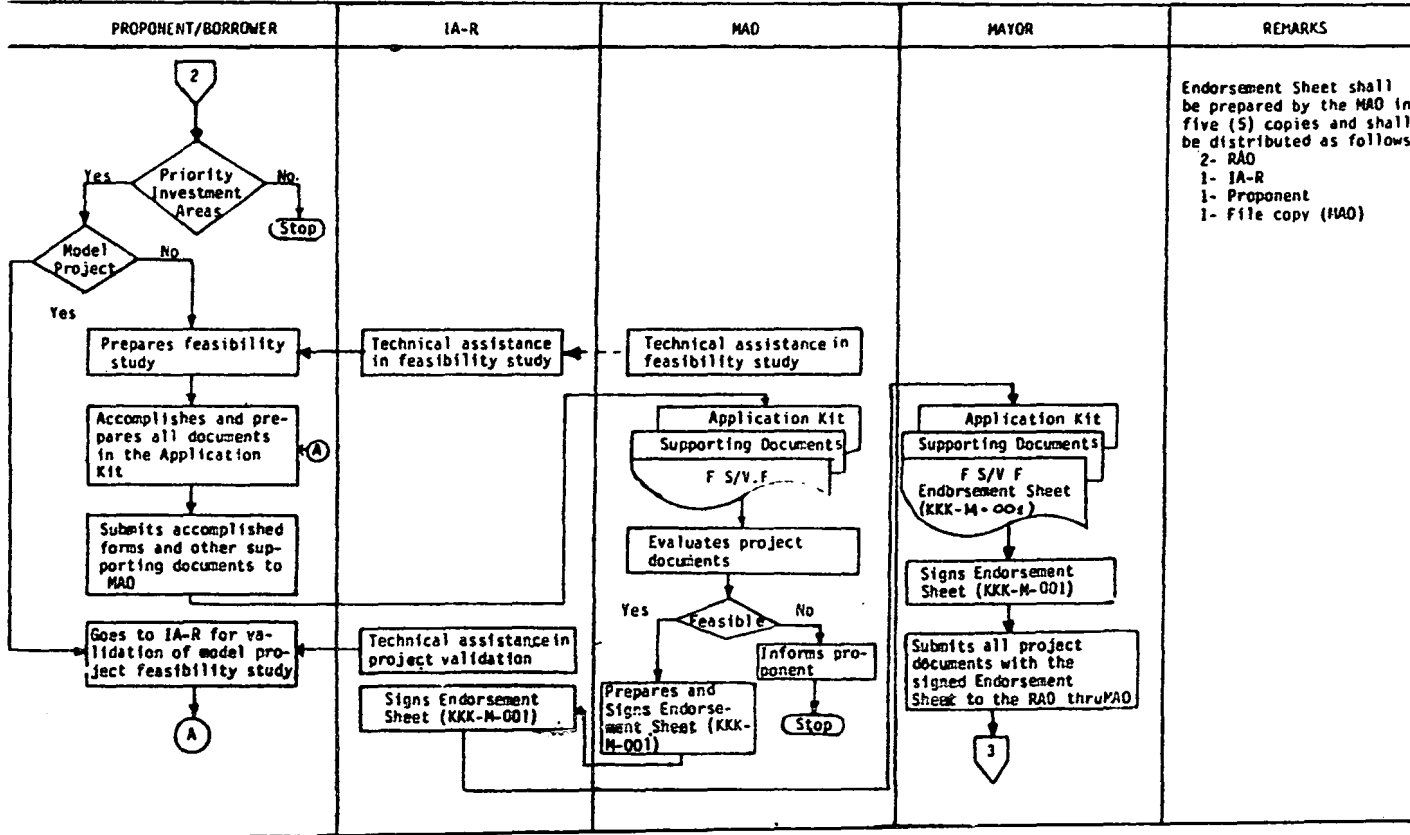
ACTIVITY	DOCUMENTS	DOCUMENT RECIPIENT	REMARKS
3. Initial Release of Funds	3. Notice of Fund Release	3. Project Proponent	3. This notice shall be sent by registered mail within 5 banking days from the acceptance of the docket.
4. Acknowledgment of receipt of funds	4. Fund Receipt Acknowledgment	4. Designated Bank's Head Office	4. Fund Receipt is acknowledged by the borrower and attested by the MAO and the Implementing Agency-Representative.
5. Notification of the borrower re: payment of amortization due	5. Collection Notice	5. Proponent	5. The notice is sent 5 banking days prior to the due date of amortization payments.

PROCEDURAL FLOW CHART

A. PROJECT IDENTIFICATION/APPLICATION AND EVALUATION (MUNICIPAL)

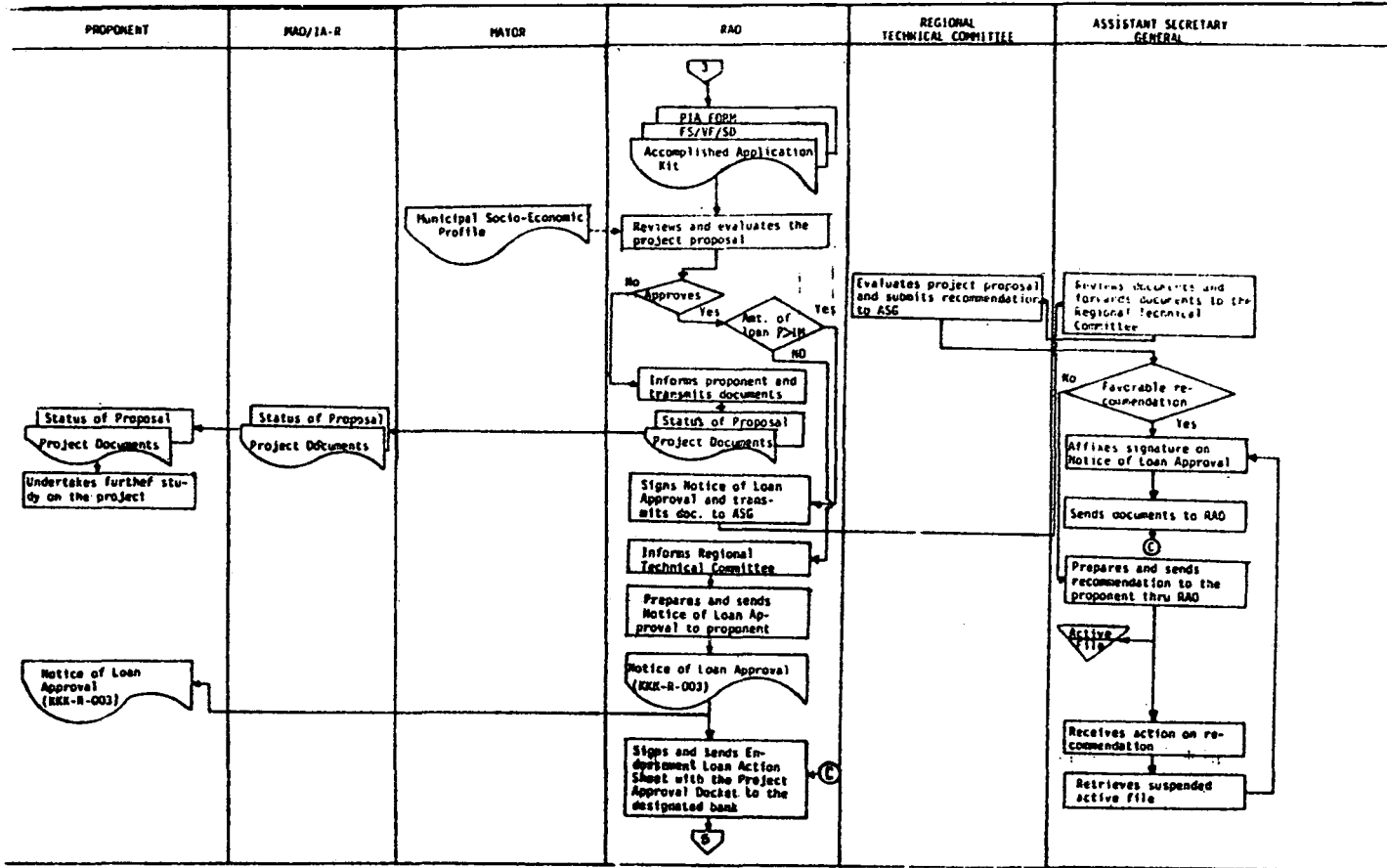


PROCEDURAL FLOW CHART
PROJECT IDENTIFICATION/APPLICATION AND EVALUATION (MUNICIPAL)



Annex D

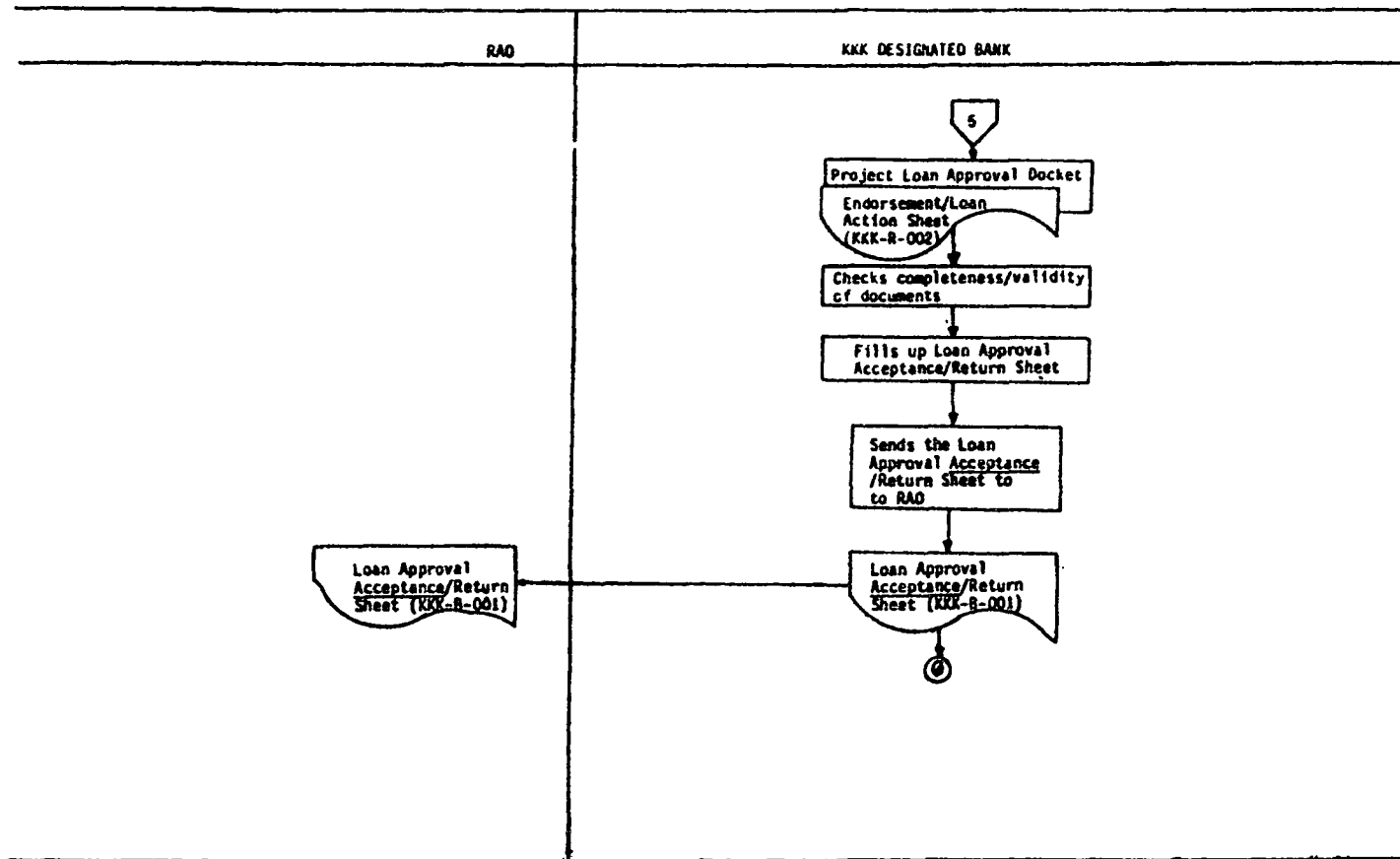
PROCEDURAL FLOW CHART
B. PROJECT APPLICATION PROCESSING (REGIONAL)



October

PROCEDURAL FLOW CHART
PROJECT APPLICATION PROCESSING (REGIONAL)

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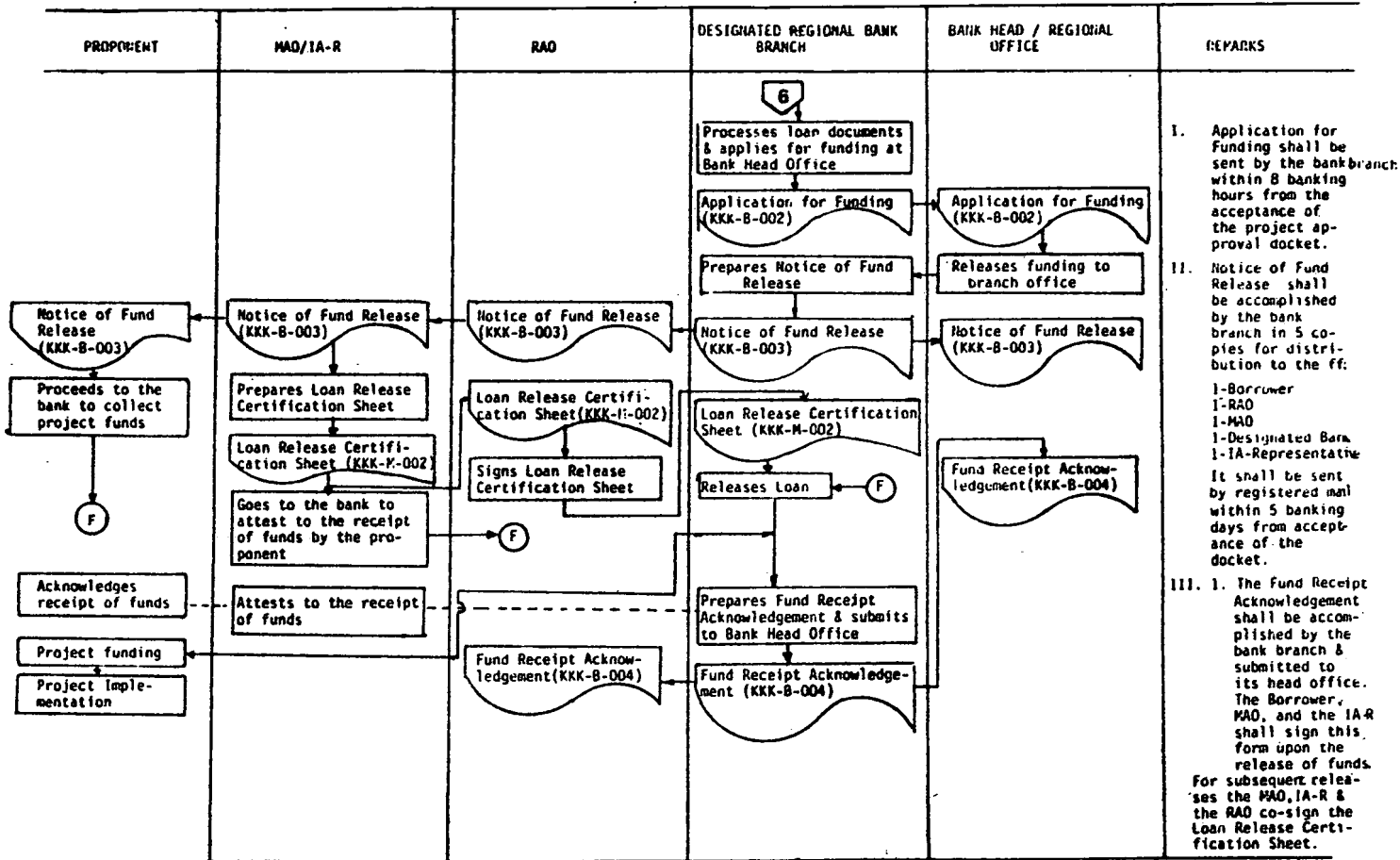


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Annex E

PROCEDURES FLOW CHART
C. FUND RELEASE/PROJECT IMPLEMENTATION



October

Annex F

PROCEDURAL FLOW CHART
D. FUND COLLECTION

