1. Country and Sector Background
Poverty situation: Widespread poverty and inequality continues to be a challenge in the Philippines. Initial estimates of the national poverty incidence show that the proportion of poor households increased from 31.8% in 1997 to 34.2% in 2000. Self-rated poverty incidences were 59% in 1997 and 62% in 1999. The aggregate number of households below the poverty line reached a high of 5.2 million. Poverty is over 40% in 8 of the 16 regions in the country, and inequality is highlighted by a Gini coefficient of 49. Poverty is a predominantly rural phenomenon in the Philippines. The rural poor constitute about 44% of the rural population and account for almost three-fourths of the poor in the country. Most of the rural poor are engaged in agriculture (about 63%), with rice, corn, coconut farmers, and fisher folk comprising the majority. The severity of rural poverty is the greatest among the landless workers and small farmers who make up a large part of the rural population. Average GDP growth in the last three years (1999-2001) has been around 3.5%. With a population growth rate of 2.32 per annum and the prospect of a robust economic recovery appearing uncertain in the very near future, the incidence of poverty is rising again. Official sources cite unemployment at 11% and underemployment at 21% in the last quarter of 2001. Previous poverty reduction programs: Past administrations have attempted measures or programs that sought to address the problem of poverty. Among these were the Comprehensive Integrated Delivery of Social Services (CIDSS), enacted as part of the Social Reform and Poverty Alleviation Act (RA 8425) of the Ramos government targeted at vulnerable groups. It has been one of the most effective instruments in reaching the target beneficiaries. Among the factors that enhanced its ability to benefit the poor are: (i) employment of geographic targeting of recipients; (ii) utilization of the latest poverty statistics to identify target groups; (iii) efforts to maximize participation of the community in
all aspects of the project cycles'; (iv) a comprehensive approach to poverty reduction by attempting a convergence strategy; and (v) a multi-stakeholder involvement in CIDSS initiatives. In summary, the CIDSS provides welfare type assistance to poor and vulnerable households based on the minimum basic needs (MBN) assessment. The KALAHI, which stands for Kapit-Bisig Laban sa Kahirapan or "linking hands in the fight against poverty", is the primary framework for poverty alleviation of the Philippine administration. It is based on the following five pillars: (i) asset reform (redistributing physical and resource assets to the poor, especially land); (ii) human development services (access to basic education, health and nutrition, shelter, potable water, sanitation and electricity); (iii) employment and livelihood activities (enhancing agriculture and fisheries activities and providing seed capital to micro and small businesses of the poor); (iv) participation in governance of basic sectors (strengthening political participation and cultural expression); and (v) social protection and security against violence by reducing the risk and vulnerability of the poor to the immediate effects of economic shocks and disasters. The KALAHI-CIDSS provides "investment" type assistance that is situated within the KALAHI framework and builds on the CIDSS approach by deepening and broadening its outreach. It will also differ from the CIDSS by shifting the unit of reference from households to the community and introducing: (i) an open menu for selection of project activities; (ii) the selection of community proposals for funding through prioritization by an inter-barangay (village) forum; (iii) community management of development resources including community contracting; (iv) arrangements to ensure full transparency; and (v) an enhanced facilitation process. The conceptual underpinnings of this community approach to development and poverty reduction are threefold. The first is to establish the context in which communities can be empowered to manage their assets, lives and livelihoods in ways that restore their sense of responsibility and human dignity (i.e. the emancipatory dimension of development as opposed to social engineering). The second links communities and social networks into the policy and administrative structures of the state, particularly by strengthening the linkages between communities and their local government units. The third focus is to establish a development model that uses investment programs as a platform to promote representation, accountability, and poverty reduction. The demand driven approach to investment based on an open menu is at the center of this project, since it empowers communities to decide on sub-projects based on their own identified needs, rather than relying on external experts.

2. Objectives
The objective of the proposed five-year project is to empower communities through enhanced participation in barangay (village) governance and involvement in the design, implementation, and management of development activities that reduce poverty. This objective establishes a strong link between improved local governance and poverty reduction. This goal is pursued through three interlinked activities: Empowerment of communities based on facilitated participatory planning, implementation, and management of local development activities. Through this, communities will enhance their capacity to engage with government at different levels to access, influence, and manage resources to meet community priorities. Improvement of local governance: this is pursued by strengthening formal and informal institutions to become more inclusive, accountable, and effective. Provision of grants for community investment programs: by
matching needs with limited resources through consultation regarding priority activities, communities and Local Government Units (LGUs) will be engaged in a demand driven process of problem solving. The limited project grant resources is expected to trigger better local resource mobilization, effective community ownership of investments, and induce the type of behavioral change required for long term sustainability of such investments.

3. Rationale for Bank’s Involvement
After seven years of experience with the CIDSS program, the GOP has deemed it appropriate to introduce a broader community-driven program, with national coverage, that fills the gaps left by the CIDSS. To implement a program that does not only target vulnerable households within the community but the entire barangay itself in order to address both poverty reduction and improved governance, the GOP has sought the support of the Bank to avail itself of the experience the Bank provides. Extensive learning trips have been undertaken by various stakeholders in the Philippines, including Cabinet Secretaries and Undersecretaries, oversight agencies and representatives of civil society to Indonesia to learn some of the innovations in the design and upscaling of CDD interventions introduced by the Kecamatan Development Project in Indonesia. Through this project, the Bank is fulfilling the dual mandate of a knowledge bank and providing critical resources for poverty alleviation. The primary design innovation is the introduction of new ways of working with communities and local institutions, including the Local Government Units (LGUs). It is also introducing an alternative (direct) fund delivery mechanism that will empower communities to plan, implement, and manage investments at the barangay level. The anticipated outcome of this approach is to institutionalize new ways of thinking about accountability and governance at the local level both in participating and non-participating barangays.

4. Description
The KALAHI-CIDSS project components include: Community Block Grants to the barangays which will be used for community investment activities. Implementation Support to facilitate barangay planning, implementation and maintenance of productive assets and investments and to upscale and coordinate activities at the LGU and national levels. This component covers two key activities (i) Social Mobilization of communities and stakeholders to achieve the goals of the project; and (ii) Capacity Building of LGUs and local communities to support the operations and maintenance of investments. Monitoring and evaluation comprising internal progress monitoring, independent external implementation monitoring and evaluation, civil society monitoring, and related impact studies on local governance and poverty in KALAHI-supported areas.

5. Financing

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<th>Source</th>
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6. Implementation
Project Coordination. The project implementation structure will comprise: (a) A National Steering Committee (NSC), an inter-agency steering
committee for policy and coordination functions comprising National Economic Development Authority, National Anti Poverty Commission, Department of Social Welfare and Development, Department of Interior and Local Government, Ministry of Finance, Department of Budget Management, Commission on Audit, the Caucus of Development NGO Networks, and regional NGO representatives. The NSC will provide policy guidelines on poverty targeting, set goals for the implementing agency, and assure institutional convergence on poverty reduction outcomes. It will also ensure a continuous review of the project’s contribution to achieving the Social Reform Agenda goals and linkages with the economic recovery agenda. (b) A technical working committee drawn from agencies represented on the NSC. The technical working committee will be responsible for development of technical manuals and coordination between technical support services at the field level. (c) The implementing agency (IA) will be the Department of Social Welfare and Development, which will establish a National Project Management Office responsible for the overall implementation and financial management of the project.

There will be implementation responsibilities and involvement of LGUs at the following levels: (i) Regional Project Management Offices: At regional level there will be a core group of 15 people working exclusively on the project. The regional management will be responsible for prioritizing the poorest municipalities in the region based on poverty indicators, provide assistance to provincial level consultants, train trainers, and kick off the KALAHI project in the region. (ii) Role of provinces: The provinces will play an important role through (i) provision of data for the ranking of municipalities, and (ii) provincial development plans, which will provide the funding for higher order infrastructure investments to support those at the community and municipal level. (iii) Role of municipalities: Likewise, the municipalities will play an important role in this project in terms of (i) monitoring, (ii) problem solving at monthly inter-barangay assembly meetings with beneficiary communities, (iii) provision of technical services on request, (iv) support for community investments through complementary municipal development planning, and (v) auditing and accounting reports. However, it is the exclusively role of the inter-barangay meeting to choose which barangays and projects to provide grants. To enable the municipalities to fulfill the above-mentioned roles, capacity building will be provided under the proposed project. To provide guidance during implementation, the following manuals have been prepared: General Project Implementation ManualSub-Manuals and Supporting Plans: Sub-Manual 1: Community Organizing Sub-Manual 2: Community Infrastructure Sub-Manual 3: Community Livelihood Sub-Manual 4A: KALAHI-CIDSS Project Financial System Sub-Manual 4B: Community-Based Financial System Sub-Manual 5: Monitoring and Evaluation Sub-Manual 6: Training and Capacity-Building Sub-Manual 7: Human Resources and Staffing.

7. Sustainability
Sustainability is built-in to the KALAHI-CIDSS project through the social preparation and capacity-building activities at the community level. The comprehensive facilitation process aims at ensuring inclusive participation by the poor, indigenous groups, men, women, and youth in the planning of sub-projects. As a condition for funding, every investment activity will have its own operations and maintenance component and an appropriately constituted sub-committee responsible for its management.

8. Lessons learned from past operations in the country/sector
The following are the key lessons learned: Project design should be simple and flexible, and goals must be realistic and precise. Community participation in project planning, implementation, and subsequent operation and maintenance is essential. Working with NGOs and Civil society: Successful community-driven projects require clear guidelines on the roles and responsibilities of government, the implementing agency, NGOs, and the community. Arrangements for physical infrastructure maintenance must be set up from the beginning. Economic activities are challenging. One constraint to economic activities is the large variety of grant-based schemes set up by the government to disburse funds into poor remote communities. This may influence repayment rates negatively due to lack of familiarity with repayment. KALAHI-CIDSS will not include micro-credit schemes. Supervision and monitoring are important, and need to include a combination of internal monitoring by project and government staff, regular supervision by Bank staff, independent external monitoring by consultants and by NGOs and media, and community self-assessments. The monitoring system should be designed as a learning system, which makes use of insights derived from monitoring to address problems in project design and implementation.

9. Program of Targeted Intervention (PTI) Y

10. Environment Aspects (including any public consultation)

   Issues: Environmental issues derive from impacts caused by the construction of small-scale infrastructure. The environmental impacts caused by these activities are not expected to be significant. The project will use an environmental screening procedure to assess negative impacts from proposed sub-projects (See Section B above). Land acquisition for sub-projects will be undertaken in accordance with an agreed Resettlement Policy Framework. Both the environmental screening procedure and the provisions of the Resettlement Policy Framework will be incorporated into the Project Implementation Manual. The concerns of indigenous peoples are addressed through the design of the project itself, which comprises mechanisms that is summarized in an Indigenous Peoples Strategy.

   Environmental impacts: The project has designed a negative list of prohibited investments that includes activities with adverse environmental impacts. Mitigation of negative impacts from sub-projects that are not on the negative list will be addressed through standard operating procedures, which are built into project manuals and training programs. Land acquisition: The project will comprise sub-projects that provide small scale infrastructure to beneficiary barangays, and which will only require limited land acquisition, if any. Land for sub-projects will be furnished either as voluntary donations, as government land free of claims, or acquired after payment of compensation at replacement value in accordance with a Resettlement Policy Framework agreed between the client and the Bank. No involuntary resettlement is anticipated. Since the project is demand driven, and subproject proposals are developed through a participatory planning process at the community level and finally selected through an inter-barangay meeting, the land acquisition impacts cannot be assessed in advance. The agreed Resettlement Policy Framework draw on experience from comparable Bank funded projects in the Philippines, including arrangements to verify the voluntary nature of land donations. The Policy Framework will be translated into local languages, and its provisions will be integrated into the Project Implementation Manuals. Indigenous peoples: In 1997, the Philippine Congress passed
Republic Act 8371 entitled Indigenous People’s Rights Act, which uses the term ‘indigenous peoples’ as the collective label for non-Christian and non-Muslim ethnic groups in the Philippines. The proposed project will use this definition to determine the social groups to which OD 4.20 would apply, with the qualification that it would not apply to non-indigenous ethnic minorities such as Chinese, Indian, and American. The design for the proposed project defines the main elements of a strategy, which will ensure that indigenous peoples are included, and that their concerns are addressed in compliance with the requirements of OD 4.20. Key elements of the Indigenous Peoples Strategy comprise (i) provisions regarding targeting of municipalities with indigenous groups, (ii) a facilitated participatory community level planning process for sub-projects which will include all groups in the community, (iii) scope for indigenous communities to select activities that specifically address their concerns based on an open menu for sub-project selection, (iv) a grievance redress mechanism that provides an indigenous minority within a particular barangay or municipality with an avenue for complaints if bypassed or marginalized, (iv) independent monitoring by civil society (NGOs and the press) which will provide another mechanism to cases where indigenous groups have been bypassed or marginalized, and (v) an institutional mapping to clarify the institutional contexts, constraints and lessons learned regarding involvement of communities including indigenous groups in the planning of local development activities.

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    Web: http://www.worldbank.org/infoshop

Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

This PID was processed by the InfoShop during the week ending June 28, 2002.