

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA1263

Project Name	Philippines National Community Driven Development Program (P127741)
Region	EAST ASIA AND PACIFIC
Country	Philippines
Sector(s)	Public administration- Other social services (50%), Rural and Inter-Urban Roads and Highways (20%), Water supply (20%), Primary education (10%)
Theme(s)	Rural services and infrastructure (34%), Participation and civic engagement (33%), Other social development (33%)
Lending Instrument	Investment Project Financing
Project ID	P127741
Borrower(s)	Department of Finance
Implementing Agency	Department of Social Welfare and Development
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	09-Jan-2014
Date PID Approved/Disclosed	11-Jun-2013, 09-Jan-2014
Estimated Date of Appraisal Completion	12-Apr-2013
Estimated Date of Board Approval	20-Feb-2014
Decision	Management has authorized to appraise the project.

I. Project Context

Country Context

The Philippines is a lower middle-income country with a population of 92 million, of which about 26 percent are classified as poor. Although the country's economy grew by an average of 4.9 percent from 2000 to 2009, the incidence of poverty has stagnated or increased during that same period suggesting that growth is not sufficiently inclusive; the gini coefficient (at 43.0 percent in 2009) is one of the highest in East Asia. Spatial inequality is also evident with significant differences in income and poverty levels across regions. Non-income measures of poverty, such as health and education outcomes, and basic service access, also indicate a high level of inequality across different parts of the country. Chronic poverty in the Philippines has been attributed to inefficient service delivery; geographic isolation; vulnerabilities owing to disaster and conflict; low spending for social protection; poor targeting of anti-poverty programs and weak governance.

The Aquino administration seeks to address poverty through inclusive growth and good governance as espoused in the strategic objectives of the 2011-2016 Philippine Development Plan (PDP), which

calls for: (i) attaining a sustained and high rate of economic growth that provides productive employment opportunities; (ii) equalizing access to development opportunities for all Filipinos; and (iii) implementing effective safety nets to protect and enable those who do not have the capability to participate in the economic growth process. The PDP highlights achieving universal coverage in health and basic education; converging social protection programs; providing direct conditional cash transfer to the poor; mainstreaming climate change objectives and the use of Community Driven Development (CDD) approaches as key strategies to help improve human development outcomes and reduce poverty.

On November 8, 2013, Typhoon Yolanda —one of the strongest typhoons ever recorded worldwide-- hit central Philippines and left behind an unprecedented level of destruction affecting the people and infrastructure in 9 (of 17) administrative regions, 44 provinces and 591 municipalities. The people, towns and cities of Western, Central and Eastern Visayas (Regions VI, VII and VIII), some of the poorest in the country, bore the brunt of the storm's impact, accounting for approximately 90 percent of the estimated 14.1 million people affected in terms of death, destruction and displacement. The effects of the storm are expected to result in a significant increase in the number of poor in central Philippines (as a result of a contracting economy, increase in unemployment and dramatic inflation in the early emergency relief phase which is on-going), as well as nationally. The Government has mobilized its disaster response institutions and mechanisms and called upon its own citizens, the private sector and the international community to assist in the responding to this unprecedented level of destruction

Sectoral and institutional Context

The Philippines has a long history of participatory development, community empowerment and community-driven initiatives, which was given official support and recognition under the 1991 Local Government Code (LGC). A key objective of the LGC is to increase the voice and participation of citizens in the devolved planning, budgeting and service delivery responsibilities of local government units (LGUs). Historically, however, LGUs have struggled to fulfill the requirements of the LGC and to deliver on their governance and service delivery mandates. This is due to a combination of entrenched patronage politics, limited technical capacity, the failure of mechanisms in the LGC to fully engage citizens in local development processes, and an inter-governmental fiscal framework that promotes vertical and horizontal inequities and has no link to either performance or poverty. This can leave some poorer LGUs in particular with inadequate resources and unfunded mandates, resulting in many devolved functions still being implemented in whole or in part by national government agencies.

Against this background, Community-Based and CDD approaches have been widely used by several sectors, departments and development partners in the Philippines to support LGUs to improve the delivery of basic services and address poverty. One of the Government's key programs that successfully utilizes a CDD approach is the Kapitbisig Laban Sa Kahirapan - Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) program managed by the Department of Social Welfare and Development (DSWD), which has been operating since 2003.

The proposed use of CDD as a core pillar of the Government's poverty reduction strategy is consistent with the President's new Social Contract that seeks to engage and empower individuals and communities in development and good governance. This approach is also reflected in the national "Grassroots Participatory Budgeting Process" (GPBP) of the Human Development and

Poverty Reduction cabinet cluster, which began in 2012. It is currently being expanded to cover all municipalities and cities starting in 2014/2015. It mandates that fourteen key sectoral departments finance specific community level investments that are the outcome of a bottom-up local Poverty Reduction Action Planning process. In so doing, the Government is giving significant leverage to the participatory planning and budgeting requirements of the LGC, and is seeking to embed core CDD principles in that effort.

The successful use of CDD approaches in poverty reduction interventions in the Philippines have been clearly demonstrated in the recent end-line impact evaluation of KALAHY-CIDSS. This mixed-methods analysis found that the project had a positive impact on per capita consumption, especially for households that were classified as poor before the project started. Those improvements are associated with a reduction in poverty rates. The project also had a positive impact on year-round accessibility. In addition, and consistent with the project development objective, community members were also more willing to contribute resources to development activities that would benefit the community as a result of the project. Community volunteers were empowered and better able to effectively engage elected officials through village assemblies. These meetings also shifted from being considered mere venues for reporting by local government to becoming forums for citizen participation. Further studies have shown the program to be effective in providing public infrastructure at lower unit costs than comparable public sector providers, at targeting the poorest barangays in the poorest municipalities, and in responding to the will of the people.

Building on years of support for CDD in the Philippines, the NCDDP will be a major step forward in the evolution of the approach. It will do this by significantly scaling up coverage and drawing on experiences of the so called Makamasang Tugon initiative of KALAHY-CIDSS to phase over management to municipal local government units (MLGUs). The program is also expected to be closely aligned with the GPBP and more tightly integrated with the annual budgeting and implementation cycle of the M/BLGUs and other relevant national government agencies (NGAs). It will also engage with the Department of the Interior and Local Government (DILG) to support local capacity building and MLGU performance. Compliance with government's minimum performance criteria regarding budget transparency and public financial management – known as the Seal of Good Housekeeping – would be a condition for participation in the program. This is intended to strengthen the incentives for good governance and, in turn, improve the sustainability of governance outcomes under the program. These critical enhancements, coupled with national coverage, increased levels of block grant funding, and more pro-poor allocations of these grants are expected improve outcomes on income, access to services, employment and social capital, and support of the Government's vision of promoting self-reliant and empowered communities.

The NCDDP will also be closely aligned with the DSWD's Social Welfare and Development reform agenda, which seeks to harmonize the agency's poverty reduction efforts. The NCDDP will seek closer linkages with the national conditional cash transfer program (Pantawid Pamilyang Pilipino Program, or "4P's"), the Sustainable Livelihoods Program (SEA-K) and DSWD's disaster risk mitigation and response efforts. Based on preparatory analysis, the program will also build on and enhance successful KALAHY-CIDSS experiences in working with indigenous communities, working in areas affected by conflict and vulnerable to natural disasters, and in gender mainstreaming. The proposed use of NCDDP to help respond to the destruction caused by Typhoon Yolanda is also aligned with the role that DSWD plays nationally as the Government's lead implementing agency responsible for post-disaster relief and recovery activities.

The overall goal of this program is to reduce poverty in the poorest and disaster affected municipalities of the Philippines, in accordance with the current Philippine Development Plan. This goal, and the related program objectives and strategies are consistent with the overall objective of the World Bank's Country Assistance Strategy (CAS) for the Philippines: 2010-2013 towards achieving inclusive growth. The proposed program supports the strategic objectives of the CAS regarding better public service delivery and good governance. More specifically the program aims to enhance the Government's work in scaling up basic service delivery to poor areas and contribute to better local governance through more effective decentralization. Furthermore, the program is also in line with the upcoming Philippines Country Partnership Strategy (2014-2017), where World Bank support for the National CDD program is a key element of the engagement area on Improving Public Service Delivery and Protecting the Poor and Vulnerable.

II. Proposed Development Objectives

To empower communities in targeted municipalities to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation.

III. Project Description

Component Name

Barangay (community) Sub-grants for Planning and Investment

Comments (optional)

To finance community orientation, consultation, participatory priority-setting, action planning, review and approval of sub-projects and implementation of an open menu of basic infrastructure

Component Name

Local capacity building and implementation support

Comments (optional)

To support the strengthening of project teams and municipal government units and staff to facilitate, support and oversee the planning and sub-project implementation of community infrastructure.

Component Name

Project administration, monitoring and evaluation

Comments (optional)

To support the planning, coordination, financial management, monitoring and evaluation of the program

IV. Financing (in USD Million)

Total Project Cost:	663.90	Total Bank Financing:	479.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			184.90
International Bank for Reconstruction and Development			479.00
Total			663.90

V. Implementation

The institutional and implementation arrangements for the NCDDP will be based on the

arrangements previously put in place for KALAHY-CIDSS, but adapted to the broader scale and scope, and the enhanced partnership arrangements under the NCDDP. These arrangements and procedures are outlined in the NCDDP Operations Manual that has been developed and found acceptable under KALAHY-CIDSS. This manual includes a Disaster Response Operations sub-manual that provides streamlined processes and procedures to be used when a disaster has been formally declared, such as in with the Yolanda-affected areas.

The NCDDP will be overseen by the Human Development and Poverty Reduction Cabinet Cluster, through the regular reporting of the Secretary of DSWD. At the program policy level, the National Steering Committee (NSC) would remain directly responsible for overseeing the NCDDP and ensuring appropriate cross-departmental/institutional coordination. The NSC is chaired by the Secretary of DSWD and consists of Undersecretaries or Assistant Secretaries of relevant line and oversight agencies, and the leagues of provinces, municipalities and barangays; civil society organizations and the development partners. A similar (Regional Inter-Agency Committee) structure will be established at regional level to oversee operations, which, in addition to DSWD director level and program staff, would include Mayors as members.

DSWD will continue to be the lead implementing agency for the NCDDP, and will continue to work through a national-regional-municipal level structure for program management and implementation. Both organic DSWD staff and specialized program staff (consultants) will be engaged in the overall management of the program. Similar to oversight arrangements, program management structures and processes will be enhanced under NCDDP. Within DSWD, a National Program Management Team (NPMT) would ensure that the program is aligned with the Department's overall mandate and reform agenda, and would seek convergence with DSWD's other flagship poverty reduction programs including 4P's and the Sustainable Livelihoods Program (SEA-K). A similar structure (Regional Program Management Team or RPMT) will be organized in each of the 15 regions to ensure operational linkage of NCDDP to the overall strategy of the DSWD and convergence with other programs of the Department, as well as links with the Department's post-disaster relief and recovery activities.

The National Project Management Office (NPMO) will have day-to-day responsibility for program management, and will be overseen by two Deputy National Program Directors (technical and financial), who are designated senior management staff of DSWD. Existing and new Regional Project Management Offices (RPMOs) will be responsible for managing NCDDP activities at sub-national levels in all regions of the country. This regional structure will be complemented by sub-regional offices in high-volume or difficult to reach areas to better oversee and support the expanded work of the NCDDP (on average a sub-regional office will be set up in areas where there are 10 or more participating municipalities). At Municipal level, an Area Coordination Team (ACT) will be established (or continued to be engaged in on-going KALAHY-CIDSS municipalities) to oversee and support the main project activities at barangay level. The ACT will work closely with a municipal-designated Municipal Coordination Team to facilitate the early transition and integration of CDD approaches in municipal activities.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x

Forests OP/BP 4.36		x
Pest Management OP 4.09	x	
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)**VII. Contact point****World Bank**

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