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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF THE PHILIPPINES

FOR THE PERIOD JULY 2019- DECEMBER 2023

Brunei, Malaysia, Philippines and Thailand Country Management Unit East Asia and Pacific Region

International Finance Corporation East Asia and Pacific Department

Multilateral Investment Guarantee Agency

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CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 12, 2019) Currency Unit = Philippine Pesos US\$1 = PhP51.91

GOVERNMENT FISCAL YEAR

January 1 – December 31

ACRONYMS AND ABBREVIATIONS

4Ps	Pantawid Pamilyang Pilipino	BTMS	Budget and Treasury Management
	Program; see also CCT		System
ADB	Asian Development Bank	CAT-DDO	Catastrophe Deferred Drawdown
AF	Additional Financing		Option
AFD	Agence Française de	CCT	conditional cash transfer
	Développement	CDD	community-driven development
ALS	Alternative Learning System	CFT	combating the financing of terrorism
AML	anti-money laundering	CHED	Commission on Higher Education
ASA	Advisory Services and Analytics	CLR	Completion and Learning Review
ASEAN	Association of Southeast Asian	CMU	Country Management Unit
	Nations	CPF	Country Partnership Framework
ASEP	Access to Sustainable Energy	CPS	Country Partnership Strategy
	Project	CRRP	Comprehensive Rehabilitation and
BARMM	Bangsamoro Autonomous Region of		Recovery Program
	Muslim Mindanao	DA	Department of Agriculture
BCMS	Bangsamoro Conflict Monitoring	DepEd	Department of Education
	System	DFAT	Department of Foreign Affairs and
BDA	Bangsamoro Development		Trade (Australia)
	Authority	DICT	Department of Information,
BM-CRRP	Bangon Marawi - Comprehensive		Communications and Technology
	Rehabilitation and Recovery	DOF	Department of Finance
	Program	DOH	Department of Health
BNP	Bangsamoro Normalization	DPL	Development Policy Loan
	Program	DRF	Debt Reduction Facility
BNTF	Bangsamoro Normalization Trust	DRM	disaster risk management
	Fund	DSWD	Department of Social Welfare and
BOL	Bangsamoro Organic Law	2212	Development
BPO	business process outsourcing	EC	electric cooperative
BRT	Bus Rapid Transit	EDC	Energy Development Corporation
BSP	Bangko Sentral ng Pilipinas (Central	EITI	Extractive Industries Transparency
	Bank of the Philippines)		Initiative
	^ ^ /	EODB	Ease of Doing Business
		LODD	Lase of Donig Dusiliess

eVSA	Expanded Vulnerability and
ECGAD	Suitability Assessments Financial Sector Assessment
FCSAP	
FTE	Program
	Fiscal Transparency Evaluation
GDP	gross domestic product
GEF GOP	Global Environment Facility
	Government of the Philippines
GP	Global Practice
GPPB	Government Procurement Policy
CDC	Board
GRS	grievance response systems
HCI	human capital index
HICs	High-Income Countries
HRM	human resource management
HRMIS	Human Resource Management
	Information System
IBRD	International Bank for
TOPOT	Reconstruction and Development
ICTSI	International Container Terminal
	Services, Inc.
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IP	indigenous people
IPPF	Indigenous Peoples Policy
	Framework
IRA	internal revenue allocation
IRR	implementing rules and regulations
ISFs	informal settler families
JICA	Japan International Cooperation
	Agency
KGGTF	Korea Green Growth Trust Fund
LEAPS	Learning, Equity, and
	Accountability Program Support
LGU	local government unit
MDTF	Multi-Donor Trust Fund
MAPS	Methodology for Assessing
	Procurement Systems
MFD	Mobilizing Finance for
	Development
MIADP	Mindanao Inclusive Agriculture
	Development Project
MIC	middle income country
MIGA	Multilateral Investment Guarantee
	Agency

MILF	Moro Islamic Liberation Front
MinDA	Mindanao Development Authority
MMFMP	Metro Manila Flood Management
	Project
MSME	micro, small and medium
	enterprises
MTF	Mindanao Trust Fund
NBFI	non-bank financial institution
NCDDP	National Community-Driven
NCDDI	Development Project
NDCs	nationally determined contributions
NDRRM	National Disaster Risk Reduction
	Management Fund
NEAP	National Educators Academy of the
	Philippines
NEDA	National Economic and
NLDA	Development Authority
NPSA	National Payment Systems Act
NSS	National Spatial Strategy
OBI	Open Budget Index
ODA	Official Development Assistance
OFW	overseas Filipino worker
PAP	projects, program, or activity
PASA	Programmatic ASA
PCIP	Provincial Commodity Investment
1 CH	Plan
PDO	project development objective
PDP	Philippine Development Plan
PEFA	Public Expenditure and Financial
1 11 11	Accountability
PFM	public financial management
PhilSys	Philippine Identification System
PHRD	Policy and Human Resources
TIND	Development Fund
PLR	Performance and Learning Review
PNG	Papua New Guinea
PPA	Project Preparation Advances
PPP	public-private partnership
PPPP	Pantawid Pamilya Pilipino Program;
	see also 4Ps
PPST	Philippine Professional Standards
	for Teachers
PRDP	Philippine Rural Development
	Project
PRL	Performance and Learning Review
- 112	

PRRC	Pasig River Rehabilitation	SWDRP	Social Welfare Development and
	Commission		Reform Project
PSA	Philippine Statistics Authority	TA	Technical Assistance
RAS	Reimbursable Advisory Services	TEACEP	Teacher Effectiveness and
RRP	Risk Resiliency Program		Competencies Enhancement Project
SCD	Systematic Country Diagnostic	TESDA	Technical Education and Skills
SDG	Sustainable Development Goal		Development Authority
SIMM	Scaling Innovations in Mobile	TFBM	Task Force Bangon Marawi
	Money	TIMSS	Trends in International Mathematics
SIRT	Sustainable, Inclusive and Resilient		and Science Study
	Tourism	TRAIN	Tax Reform for Acceleration and
SME	small and medium enterprise		Inclusion
SOE	state-owned enterprise	UCT	unconditional cash transfer
SORT	Systematic Operations Risk-Rating	UHC	Universal Health Care
	Tool	UMIC	upper-middle income country
SP	social protection	UNICEF	United Nations Children's Fund
SPLIT	Support to Parcelization of Land for	VCA	value chain analysis
	Individual Titling	WBG	World Bank Group
STI	science, technology and innovation		

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JULY 2019 – DECEMBER 2023 COUNTRY PARTNERSHIP FRAMEWORK FOR THE REPUBLIC OF THE PHILIPPINES

I. Introduction

With a young, digitally-engaged population and one of the fastest growing economies in Asia, 1. the Philippines is increasingly positioned to deliver on its ambitious national development goals. Having nearly doubled GDP per capita over the past two decades, from US\$1,607 in 2000 to US\$3,022 in 2018 (constant 2010 US\$), the country is now in an important place of transition on several fronts. First, the Philippines is poised to cross the threshold from lower-middle income country (LMIC) status to upper-MIC status within the next three years.¹ Second, while poverty continues to affect 20 percent of Filipinos, high vulnerability and lack of economic mobility among the emerging middle class pose an increasingly pressing challenge. Third, the landmark ratification of the Bangsamoro Organic Law (BOL) paved the way for the establishment of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) in February 2019, marking the start of a three-year transition period that will need to demonstrate a tangible peace dividend (see Annex 5). In the context of impressive gains, the Philippines continues to face a uniquely complex range of development challenges. Foremost among them are the dual risks of conflict and natural disasters, which place the country near the top of global vulnerability rankings. Navigating these transitions to scaled-up achievement of national goals will require leveraging the country's strengths; tackling longstanding constraints to more equitable growth; and intensified focus on addressing the country's pressing dual vulnerabilities.

2. **The Philippine national vision**, *Ambisyon Natin 2040*, **outlines the collective ambition of the Filipino people to build a prosperous, predominately middle class society where no one is poor.**² Approved in October 2016 by President Rodrigo Roa Duterte, the *Ambisyon Natin* vision targets a threefold increase in per capita incomes by 2040 and envisages the end of poverty in the Philippines in the context of long, healthy lives for all Filipinos and a smarter, more innovative population. The vision guides the medium-term 2017-2022 Philippine Development Plan (PDP), which aims to "lay the foundation for more inclusive growth, a high-trust and resilient society, and a globally-competitive knowledge economy."³

3. **Realizing the** *Ambisyon Natin* vision will require transformation that reaches far beyond the current successful rapid growth and policy gains. The recently completed WBG Country Partnership Strategy (2015-2019) was aligned with the new vision through the 2017 Performance and Learning Review. The WBG Country Partnership Framework (FY20 – December 2023) will aim *to reduce core constraints to inclusive growth and poverty reduction in relation to people, competition, and key vulnerabilities.* Strongly affirmed by wide consultation and analysis, the CPF integrates three complementary and mutually reinforcing focus areas: (i) investing in Filipinos; (ii) competitiveness and economic opportunity for job creation; and (iii) addressing core vulnerabilities by building peace and resilience. Across these areas, the CPF will extend a cross-cutting focus on governance and digital transformation. The CPF draws extensively from the 2019 Philippines Systematic Country Diagnostic (SCD); integrates feedback from broad country consultations (see Annex 8); and incorporates a range of resources, including the CPS Completion and Learning Review; 2019 IEG Country Program Evaluation; IFC's 2019 Country Private Sector Diagnostic, "Unlocking Private Sector Markets in the Philippines;" a 2019 Client Opinion Survey; and the Philippines Risk and Resilience Assessment (RRA).

¹ GNI per capita of the Philippines was \$3830 in 2018 (Atlas Method, current US\$). Lower middle-income economies have GNI per capita between \$1,006 and \$3,955; Upper middle-income economies have GNI per capita between \$3,956 and \$12,235 (2018). The Philippines has been classified as a LMIC since 1987.

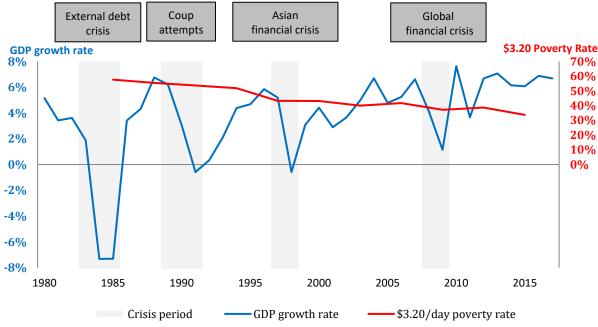
² Based on national consultations, the *Ambisyon Natin 2040* collective vision is for all Filipinos to "enjoy a stable and comfortable lifestyle, secure in the knowledge that they have enough for daily needs and unexpected expenses, that they can plan and prepare for their own and their children's future. Families live together in a place of their own, and have the freedom to go where they desire, protected and enabled by a clean, efficient and fair government." See also "Chapter 2: The Long View," 2017-2022 Philippine Development Plan.

³ The Philippine Constitution stipulates that "the President of the Philippines is elected by direct vote by the people for a term of six years." *Official Gazette*. https://www.officialgazette.gov.ph/about/gov/exec/

II. Country Context and Development Agenda

Social and Political Context

4. **Breaking from past volatility, the Philippines has emerged as a leading economic performer in Asia and boasts world-class social development initiatives as well as notable business innovations.** The strong performance of the Philippine economy over the past decade departs from past bouts of macroeconomic instability and political volatility. As reflected in Figure 1, while the Philippine economy saw only modest annual growth rates averaging 2.5 percent in the nearly two decades from 1980-1997, key structural reforms by the late 1990s helped catalyze higher growth rates. Growth between 2010-2017 accelerated to an average of 6.4 percent annually, exceeding structural and regional peers. Buoyed by the strong economy, the country has undertaken a range of significant policy initiatives that helped millions of Filipinos lift themselves from poverty. World-class initiatives to deliver results for the poor include the globally recognized conditional cash transfer program (one of the world's largest and best targeted) and high-impact sin tax reforms that boosted investment in health while reducing smoking prevalence. The country has also become a global leader in the business process outsourcing (BPO) sector, ranking alongside India as one of the world's top two BPO destinations.⁴





Sources: Philippine Statistics Authority, National Income Accounts, World Development Indicators

5. **Sustained policy commitment in key aspects of the inclusive growth agenda has anchored recent progress.** Prudent macroeconomic management in the early 2010s laid the foundation for macroeconomic stability. In the context of proactive fiscal consolidation from 2010 to 2015, the Philippines earned an investment grade credit rating that lowered borrowing costs and freed up resources for deeper investments in social services.^{5,6} Building on these gains, the Duterte administration has maintained strong macroeconomic management since 2016, further scaling up investments in human development as well as

⁴ Lorenza Errighi, Sameer Khatiwada, and Charles Bodwell (2016). "Business Process Outsourcing in the Philippines: Challenges for Decent Work," *ILO Asia-Pacific Working Paper Series*.

⁵ See *Philippine SCD*, Chapter 1. From 2011-2015, the national government deficit averaged 1.4 percent of GDP, well below the government's deficit target of 2.0 percent of GDP over the same period.

⁶ By end-2014, the Philippines had received 15 positive credit rating actions from multiple credit rating agencies.

in physical capital through the Build, Build, Build initiative. Recent legislative breakthroughs are also the fruits of long-term policy commitment, including the 2019 institutionalization of the Pantawid Pamilyang Pilipino Program (4Ps), which was launched in 2008, and landmark 2019 ratification of the Bangsamoro Organic Law (BOL) linked to the 2014 Comprehensive Agreement on the Bangsamoro (see Annex 5). Successive governments have also pursued key reforms in public financial management and tackling disaster risks, including disaster risk financing and insurance. The country has pursued increasingly sophisticated post-disaster financing instruments – from contingent credit (DPL CAT-DDO) in 2011, to catastrophe insurance in 2017, to the potential upcoming catastrophe bond issuance.

6. **Despite these significant development gains, inequality in the Philippines remains deeply rooted.** The sociopolitical environment in the Philippines is defined by intense concentration of wealth, of markets, and of political influence contrasted by fragmentation and uneven capacity in public institutions at various levels of government. Together, these factors define the country's distinctively complex political economy. The Gini index for the Philippines has been above 40 for decades,⁷ and crude measures suggest that the gap between the wealthiest Filipinos and the majority is one of the largest in the world, as discussed in detail in the SCD. To uproot inequality, successive national strategies have focused on inclusive growth and poverty reduction, pinpointing governance as a central challenge.⁸

7. Recent developments will influence policy priorities, the institutional context, and local service delivery over the next three years. First, with the establishment of the BARMM, a three-year transition period to the first BARMM elections poses a range of demands, including for inter-governmental coordination. BARMM authorities face an array of accountabilities stipulated in the BOL; high expectations for tangible improvements in the daily lives of Bangsamoro communities; and the need for effective consensus building in the ethnically diverse region. Second, mid-term elections in May 2019 were seen to strengthen the mandate of the Duterte Administration, widening the proportion of allied lawmakers in both houses of the Philippine Congress. This will possibly ease the future adoption of the government's policy priorities in the remaining three years of the administration, encompassing economic policies as well as judicial and law enforcement reforms that have characterized the administration's priorities to date. Third, financial devolution to LGUs will intensify by 2022 as a result of a recent Supreme Court ruling on a 2012 petition by then-Representative H. I. Mandanas that significantly increases the proportion of national revenues transferred from the national government to the local level.⁹ Specifically, the ruling declares that local government units (LGUs) are "entitled to internal revenue allotments (IRA) based on the collections of all national taxes and not just from national internal revenue taxes.¹⁰" The ruling will have wide implications, increasing the allocation of IRA to LGUs by 50 percent (an estimated 1 percent of GDP) and thereby closing the funding gap between devolved responsibilities and national transfers.¹¹ The implications are far-reaching, including the need to bolster capacity for financial management and service delivery at the local level and making appropriate adjustments in responsibilities and budgets at the national level.

¹⁰ Philippines Department of the Interior and Local Government, 2019 Ap 11. https://dilg.gov.ph/news/DILG-welcomes-SC-final-ruling-that-LGUs-IRA-should-be-based-on-all-national-taxes/NC-2019-1096

⁷ Poverty and Equity Databank and PovCal Net. http://povertydata.worldbank.org/poverty/country/PHL

⁸ The Medium-Term Philippine Development Plan (2004-2010) aimed to fight poverty by building prosperity for the greater number of the Filipino people. It included a focus on economic growth and job creation; energy; social justices and basic needs; education and youth; and anti-corruption and good governance. The PDP 2011-2016 envisioned inclusive growth for the country, with overarching themes of good governance and anti-corruption.

⁹ Government of the Philippines Supreme Court, G.R. No. 199802.

¹¹ In its first year of implementation, the allocation of IRA to LGUs will increase by 50 percent to an estimated PhP1.2 trillion (4.6 percent of GDP), compared to the PhP780 billion (3.4 percent of GDP in 2021) IRA in 2021. This will cost the national government an additional PhP264 billion (an estimated 1 percent of GDP).

Recent Economic Developments

8. The Philippines registered faster economic growth in recent years bolstered by robust domestic demand amidst a weak and uncertain external environment. In the past five years, the economy expanded at an annual rate of 6.4 percent, on average, compared to 5.1 percent in 2008-2013. Although growth in 2018 slowed to 6.2 percent from 6.7 percent in 2017, the Philippines still outperformed regional peers, topped only by China and Vietnam. While food supply constraints, high global oil prices, and new excise taxes provoked higher inflation, investment in durable equipment and the construction sector rose substantially in 2018. The latter was largely driven by a surge in public investments because of the government's expansionary fiscal policy and a strong recovery in private construction. However, economic growth decelerated to 5.5 percent year-on-year in the first half of 2019 from 6.3 percent over the same period in the previous year, driven by a combination of slowing external demand and weaker growth in both private and public investment.¹²

9. The Philippine economy is consumption-driven, fueled in part by the large domestic market and remittances. From 2000-2018, private consumption represented 73.7 percent of the total economy and contributed three-fourths of economic growth. Remittances from overseas Filipinos accounted for an average of 11 percent of GDP from 2000-2016, far outstripping other EAP countries (0.4 percent over the same period) and other lower-MICs (4.4 percent). Overseas Filipino workers (OFWs) have long played an important role in individual families and in the national economy through remittances, and the Philippines was fourth among the top remittance-receiving countries in 2019.¹³ Remittances are a significant source of resilience for the Philippine economy, though the growth rate of remittances recently tapered, decelerating from 5.7 percent in 2017 to 3.1 percent a year later due to reduced transfers from the Middle East in 2018.¹⁴

10. Increased domestic resource mobilization supported an expansionary fiscal policy aimed at scaling-up investment in infrastructure and human development. Successful passage of the *Tax Reform for Acceleration and Inclusion* (TRAIN), the first of four reform packages, broadened the tax base, simplified the tax system, consolidated tax exemptions, and introduced new excise taxes.¹⁵ Newly added expenditures included the introduction of unconditional cash transfers (UCTs) to help low-income households cope with the slight inflationary impact of the new reform;¹⁶ subsidies for public transport; free tertiary education; and introduction of Universal Health Care. TRAIN's impact has been significant: the Philippines achieved the highest ratio of tax revenue to GDP in more than two decades in 2018, which continued into the first six months of 2019.¹⁷ Non-tax revenue also improved through better monitoring of state-owned enterprises (SOEs). Though revenues increased, expenditures increased at a higher rate, and the fiscal deficit widened over time from 0.6 percent in 2014 and 2.2 percent in 2017 to 3.2 percent in 2018 – breaching the government's budget deficit ceiling of 3.0 percent of GDP. However, the national government deficit shrunk to 0.5 percent of GDP in the first half of 2019, as public revenue growth far

¹² Fixed investment growth was at its slowest pace since 2011, as public investment was tempered by the reenactment of the 2019 national government budget for the first four months of the year and spending ban for new projects before the May elections, resulting in infrastructure and other capital outlay disbursements shrinking to 4.3 percent of GDP in the first half of 2019 compared to 5.4 percent in the first half of 2018. In addition, private investment activities also slowed due to uncertainties around the government's ongoing tax-reform program and the external environment.

¹³ The 1974 Labor Code institutionalized a systematic program for overseas employment of Filipino workers, including a mandatory remittance of a portion of foreign exchange earnings. *Labor Code of the Philippines*. Article 17 and Article 22.

http://bwc.dole.gov.ph/images/Downloads/Labor_Code_of_the_Philippines_2016_fulltext_DOLE-Edition.pdf

¹⁴ Migration and Development Brief No. 31, KNOMAD.

¹⁵ Two additional tax reform packages passed by the 17th Congress, the Tax Amnesty and the Excise Tax on Tobacco, are both also expected to provide additional tax revenues.

¹⁶ See https://taxreform.dof.gov.ph/news_and_updates/7-4-million-households-to-receive-unconditional-cash-transfers-in-1st-quarter/

¹⁷ The tax revenue to GDP ratio increased to 15.6 percent of GDP in the first half of 2019 from 15.2 percent of GDP in the previous year, supported by the second round of increases in excise taxes as part of the implementation of the TRAIN law, as well as improved efforts in tax administration.

outstripped expenditure growth, due in large part to the impact of the delayed passage of the 2019 national government budget and the public spending ban during the election period. ¹⁸ The government's commitment to implementing an expansionary fiscal policy has resulted in a modest increase in the national government public debt ratio, from 42.5 percent of GDP in 2017 and 2018 to 43.7 percent of GDP in the first half of 2019.

11. **Despite the recent increase, debt metrics remain favorable toward maintaining long-term fiscal sustainability.** The country's debt portfolio is composed largely of long-term debt (77.5 percent), while around two-thirds of the country's total debt is composed of peso-denominated debt. If current policies are maintained, further decline in the overall debt ratio is expected in the near term before increasing in 2022.¹⁹

	2014	2015	2016	2017	2018	2019	2020	2021	2022
			Actual				Proj	ected	
Growth and inflation			(in percent	of GDP, un	less otherwis	e indicated)			
Gross domestic product (percent change)	6.1	6.1	6.9	6.7	6.2	5.8	6.1	6.2	6.2
Inflation (period average)	3.6	0.7	1.3	2.9	5.2	2.9	3.0	3.0	3.0
Savings and investment									
Gross domestic savings	16.9	15.3	15.1	15.2	14.4	14.1	14.2	14.5	14.5
Gross domestic investment	20.7	22.0	24.6	25.0	26.9	26.8	28.4	30.0	31.2
Public sector									
National government balance	-0.6	-0.9	-2.4	-2.2	-3.2	-2.0	-2.7	-2.8	-2.8
Primary balance	2.0	1.4	-0.3	-0.3	-1.2	-0.1	-0.7	-0.7	-0.7
Total revenue (government definition)	15.1	15.8	15.2	15.6	16.4	16.6	17.0	17.1	17.3
Tax revenue	13.6	13.6	13.7	14.2	14.7	15.0	15.4	15.5	15.7
Total spending (government definition)	15.7	16.7	17.6	17.9	19.6	18.6	19.7	19.9	20.1
National government debt	45.4	44.7	42.1	42.1	41.9	41.7	41.6	41.6	41.5
Balance of payments									
Total exports (percent change)	12.6	8.5	11.6	19.5	13.4	5.9	8.0	8.3	8.5
Total Imports (percent change)	9.9	14.6	20.2	18.1	16.0	6.6	11.5	12.0	12.4
Remittances (percent change of US\$ remittance)	7.5	3.8	4.9	5.3	3.0	3.3	3.3	3.5	3.5
Current account balance	3.8	2.5	-0.4	-0.7	-2.4	-2.0	-2.5	-2.7	-2.7
Foreign direct investment (billions of dollars)	5.7	5.7	8.3	10.3	9.8	10.0	10.5	11.0	11.5
Portfolio Investment (billions of dollars)	2.7	5.5	1.5	2.5	0.9	1.0	1.2	1.4	1.5
International reserves									
Gross official reserves ^{1/} (billions of dollars)	79.5	80.6	80.7	81.6	79.2				
Gross official reserves (months of imports) ^{2/}	9.9	10.0	8.8	7.8	7.1				

Table 1. Key Economic Indicators (2014 to 2022)

Sources: Government of the Philippines for historical and World Bank for projections.

1/ Includes gold

2/ Defined as the total of goods and services imports and primary income that can be financed by reserves

¹⁸ The delayed passage of the 2019 national government budget, as well as the implementation of a public spending ban on public works contributed heavily to significant underspending by the national government in the first half of 2019. Public expenditure contracted by 0.8 percent, year-on-year, in nominal terms in the first half of 2019, falling short of the programmed target by 7.3 percent, resulting in the public expenditure to GDP ratio falling to 18.0 percent of GDP in the first half of 2019 compared to 19.4 percent of GDP over the same period in 2018.
¹⁹ A projected growth decline starting in 2022 and a sustained debt increase will result in higher debt ratios in 2022 and onwards. Many loan agreements are being negotiated and will be disbursed in time for project implementation; hence, the national debt ratio is assumed to increase even beyond the present administration.

12. The economic outlook for the Philippines is broadly positive, with a solid growth trajectory despite emerging downside risks (see Table 1). Medium-term growth is expected to expand by 5.8 percent in 2019 and 6.1 percent and 6.2 percent in 2020 and 2021, respectively. Nonetheless, downside risks are increasing. The economy shows signs of reaching capacity limits in recent years and will face further pressure as consumer demand increases, driven by remittances, declining unemployment, and the increased take-home pay of 60 percent of wage-earners who benefitted from the TRAIN law.²⁰ Continued government focus on increasing quality investment in physical and human capital investment amid concerns over capacity constraints is essential for sustaining growth in the medium to long term. Moreover, the Philippines faces heightened external risks due to the slowdown in global growth and demand, weaker global manufacturing activity, and rising global protectionism. The impact of key legislative initiatives designed to liberalize the domestic business environment –the Ease of Doing Business (EODB) and the 11th Foreign Investment Negative List, among others—and foster the growth of industry and service sectors will depend on full implementation.²¹

Poverty Profile

13. Some 1.8 million Filipinos lifted themselves from poverty between 2012 and 2015, surpassing government targets.²² Progress in poverty reduction since the last CPF, finalized in 2014, is noteworthy. Based on the national poverty line, the poverty rate dropped from 26.6 percent of the Philippine population in 2006 to 21.6 percent in 2015;²³ the pace of poverty reduction also increased, as poverty fell annually by an average of 1.2 percentage points from 2012–2015 compared with 0.6 percentage point decline per year from 2006–2012. Projections also suggest a continued reduction in the poverty rate through 2018. Accelerated poverty reduction during this period owes to three core factors: (i) increased wage income accounted for half the reduction, as increased employment away from agriculture into industry and service sector jobs resulted in improved wages; (ii) increased government transfers accounted for 25 percent of the reduction; and (iii) remittances from domestic and foreign sources accounted for 12 percent and 6 percent of the reduction respectively, with two-thirds of Filipinos (15 million households) benefitting from some form of remittances.²⁴ Nonetheless, the rate of poverty reduction in the Philippines has still been slower than in neighboring countries. Based on the international poverty line of US\$1.9 dollars per day, for example, the Philippines achieved roughly one percentage point reduction per year from 2006 to 2015 compared to average annual poverty reduction of 2.1–2.4 percent in China, Indonesia, and Vietnam in the same period.

14. **Income growth of the bottom 40 percent of the population outpaced average income growth in recent years, though top earners saw the most rapid growth.** The bottom 40 percent of the population in the Philippines experienced 2.9 percent annual income growth from 2006 to 2015 compared to median income growth of 2.2 percent. However, as discussed in the Philippine SCD, the overall share of income that has gone to labor has declined to 36 percent in 2015 compared to 44 percent two decades ago in 1995.²⁵ Given the high degree of wealth concentration in the Philippines and the growing share of income for the owners of capital, much of the gains from rapid recent growth have accrued to the top income quintile. The

²⁰ The unemployment rate declined from 5.7 percent in 2017 to 5.3 percent in 2018, while the manufacturing sector continues to tighten, consistently registering capacity utilization rates above 80 percent over the past couple of years and even reaching 84.3 percent by the end of 2018.

²¹ Fiscal Risks Statement 2020: Development Budget Coordination Committee (DBCC). https://www.dbm.gov.ph/wp-

content/uploads/DBCC_MATTERS/FiscalRiskStatement/FY-2020-Fiscal-Risks-Statement.pdf

²² World Bank Philippines Economic Update 2017

 ²³ This section draws from the SCD and Making Growth Work for the Poor: A Poverty Assessment for the Philippines (World Bank, 2018).
 ²⁴ World Bank (2018). Making Growth Work for the Poor.

²⁵ The labor share of national income in 2014 was the 15th lowest among 137 countries for which estimates are available in the Penn World Tables.

incomes of the wealthiest 15 percent of the population grew by 9.1 percent annually from 2006 to 2015 while average wage growth has been stagnant, increasing by only 0.4 percent annually over the same period.

The absolute number of poor people in the country-accounting for some 22 million 15. Filipinos—has remained broadly unchanged over the past decade. Nearly one out of every five citizens lives below the national poverty line according to the most recent census of 2015. Characteristics of the poor have been broadly consistent over time. Poor Filipinos are more likely to live in large households with low educational attainment, headed by smallholders and the self-employed. The World Bank's 2018 Poverty Assessment found a strong negative correlation between poverty risk and the level of education of the household head.²⁶ Notably, high school education is the key threshold: graduation reduces the risk of poverty to two-thirds of the average. The poor also start life at a disadvantage, including malnutrition, limited resources, poor access to quality health care, and low education and skills. The three main sources of income for the poorest households comprise income from agriculture, domestic remittances, and government transfers. Female-headed households, which receive a large share of income from remittances (averaging 20 percent foreign remittances), are less likely to be poor. Some three-quarters of poor Filipinos live in rural areas, and the rural poverty rate is three times higher than urban areas. Roughly two-fifths of the poor live in Mindanao, and over 50 percent of the population in the Autonomous Region in Muslim Mindanao (now subsumed in the BARMM) are poor. Urban poverty is also significant, with more than 1.5 million informal settler families (ISFs), nearly 600,000 of whom live in Metro Manila.

16. The geography of poverty reflects the strong nexus between poverty and vulnerability, both to conflict and to the impacts of natural hazards and climate change. Poverty rates increase with distance from Metro Manila. While under 5 percent of the population in Metro Manila fall below the national poverty line, the highest poverty rates—exceeding 50 percent of the population—are in two areas: (i) conflict-affected areas of western Mindanao and islands of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM); and (ii) disaster-prone provinces in the eastern Visayas region. The largest share of the poor live in Mindanao, home to roughly 25 percent of the country's population but 39 percent of the poor.

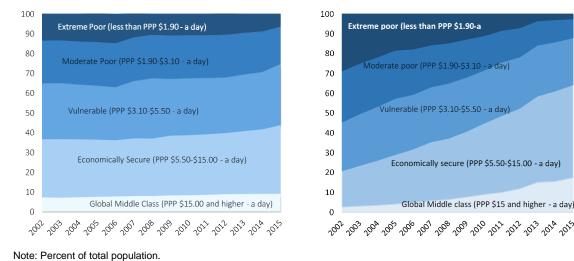
Main Development Challenges

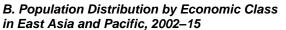
17. The evolving Philippine development story integrates two contrasting elements: while a decade of impressive growth and key gains signals the beginning of potential transformation, root causes of the uneven playing field facing most Filipinos show little change. Growth in the Philippines has not been highly inclusive. Further, economic mobility, i.e. making a sustainable exit from poverty and moving upwards in the middle class, has been limited. As shown in Figure 2, the combined total share of the moderate poor and the economically vulnerable has remained constant at roughly 50 percent of the population for the last 20 years, while the share of the economically secure has increased very modestly in the Philippines relative to neighboring countries. Looking towards UMIC status, only 9.2 percent of the Philippine population had a per capita income above the US\$15/day "global middle-income" line in 2015 compared to Malaysia (65.7 percent), Thailand (35.4 percent), and China (19.4 percent).

²⁶ This section draws from *Making Growth Work for the Poor: A Poverty Assessment for the Philippines* (The World Bank, 2018).

Figure 2: Economic Mobility in the Philippines Compared to the Region

A. Population Distribution by Economic Class in the Philippines, 2002–15





18. The Philippines Systematic Country Diagnostic, a key analytical input to the CPF, identified four core constraints to achieving the equitable future reflected in the *Ambisyon Natin* vision:

A. High economic/market concentration in the Philippines limits growth, inclusion, and job creation

19. The Philippines has the highest level of market concentration among major countries in Southeast Asia, a product of market rules and regulations that hinder competition. Recent data confirm that a large share of Philippine markets is highly concentrated when examined in a static setting, including manufacturing, wholesale/retail, agriculture, and transport/storage.²⁷ The impact of restrictive regulations stretch across the economy, particularly as new firms often lack the advantages, protections, and connections of large, established firms and conglomerates. These factors stifle entrepreneurship: in 2016, for example, only 300 new firms registered per one million people in the working age population in the Philippines, compared to 1,000 for Thailand and 2,300 in Malaysia.²⁸ Notably, survey data indicate that, although men may be preferred in top management, women in the Philippines are more involved than men in business ownership, with 69 percent of the country's business firms owned or co-owned by women.²⁹ Establishment of the Philippine Competition Commission in 2016 aims to enable fair competition while the Ease of Doing Business and Efficient Government Service Delivery Act,³⁰ passed in May 2018, aims to reduce the cost of doing business and promote job creation. A key step forward was the signing of the implementing rules and regulations for the Ease of Doing Business (EODB) reform in July 2019.

20. **Foreign direct investment in the Philippines remains low relative to peers**. The Philippines was the most restrictive country in terms of FDI regulation among 62 countries included in the OECD FDI Regulatory Restrictiveness Index.³¹ Restrictions owe to a constitutional limitation on foreign investment on public utilities, natural resources, and mass media, among other sectors. In addition, the foreign investment negative list caps foreign equity investment at 40 percent in most sectors. The Public Services

Source: East Asia and Pacific Team for Statistical Development.

²⁷ World Bank. (2018). Fostering Competition in the Philippines: The Challenge of Restrictive Regulations.

²⁸ The country ranked 166th out of 190 countries on the "starting a business" indicator in the most recent Doing Business report. IFC PSDS

²⁹ Philippines Country Gender Action Plan (CGAP), draft 2019.

³⁰ Philippines. *Republic Act 11032v*

³¹ Philippine SCD (to be published).

Act, which defines "public utility" more narrowly, would free up key sectors—port operations, road and rail investments—and could help facilitate much-needed foreign investments and bring new know-how in the management of infrastructure projects. Restrictive labor regulations such as high redundancy costs and limitations in the use of flexible contracts affect job creation and fuel the large informal sector, which accounts for 76.3 percent of total employment in the Philippines. High trade costs also hold back competition and reduce access to larger markets, while steep logistics costs, low connectivity to international markets, and non-tariff measures discourage investment.

21. Underinvestment in infrastructure has produced wide gaps across the Philippine archipelago, affecting large cities and rural areas alike. Among 140 countries included in the 2017-2018 World Economic Forum's Global Competitiveness Index, the Philippines has the worst quality of overall infrastructure in East Asia. Weaknesses in transportation infrastructure have increased opportunity costs, including traffic congestion, underperforming ports, and overcrowded airports. Filling the infrastructure deficit will call for strong mobilization of the private sector. This will require further capital market development by providing long tenor finance, particularly in local currency to keep pace with high demand for infrastructure financing. Plugging infrastructure gaps will remove a key constraint to the growth of the private sector in the Philippines, including the digital economy, helping to spur job creation and connecting the poor to opportunity and basic services. Stakeholder consultations in Cebu, Naga, and Metro Manila highlighted the linkages between lack of rural infrastructure and poverty, which is most intense in remote and hard-to-reach areas that lack basic infrastructure and connectivity.

22. Natural capital—agriculture, fisheries, and natural resources—contribute significantly to the Philippines' wealth, but key resource-dependent sectors have fallen short of their abundant potential.32 In particular, weak agriculture sector performance owes to the emphasis on traditional crops and limited diversification: lack of irrigation: and the need for more extension services for farmers. Notably, climate-related risks have heavy impacts on agriculture, with total loss and damage from weatherrelated shocks amounting to US\$3.8 billion from 2006-2013. In 2018 alone, the impacts of some 11 typhoons contributed to weak agriculture performance.³³ Marine and coastal resources contribute about PhP8 billion per year from fisheries and recreation, 1.8 million jobs, and 56 percent of animal protein consumption. The Philippines is a major fisheries producer, but catches are falling as a result of depleted stocks, illegal and unlicensed fishing, unsustainable coastal development, pollution and climate change, among other factors. Enhanced performance for the agriculture and fisheries sectors will call for expanded rural infrastructure such as irrigation, farm-to-market roads, ports, and inter-island shipping, along with improved access to finance. The Philippines is one of only five countries globally to be in full compliance with the Extractive Industries Transparency Initiative (EITI), and the country remains a top global producer of nickel, though it is no longer a large producer of other minerals.

23. Although nearly eight of ten Filipinos under age 36 are on social media,³⁴ the country lags in digital development relative to neighboring economies. Digital infrastructure is a foundation and a prerequisite for the digital economy, including e-commerce, app-based businesses, and new/disruptive business models. The state of fixed and mobile broadband adoption in the Philippines is limited and broadband services are less affordable compared to neighboring countries. Key enabling factors for the digital economy—payments, logistics, skills, cross-cutting policies and regulations ranging from tax to data protection—are also constrained, reflected in the relatively low rates of digital adoption by business and government as shown in Figure 3 (World Bank Digital Adoption Index, 2016). In particular, the Philippines has a low rate of adoption of digital financial services, which reflect regulatory constraints and trust issues. The government's rollout of the national ID system, the PhilSys, a central identification platform for citizens and residents of the Philippines, breaks new ground. Potential for accelerating digital skills

³² Resource-based industries in the Philippines range from ecotourism and agro-forestry to mining.

³³ These include Typhoons Vinta, Agaton, Basyang, Caloy, Henry, Inday, Josie, Luis, Ompong, and Rosita; and Habagat in the Ilocos Region and Central Luzon. Fiscal Risks Assessment 2020, DBCC. ³⁴ Pew Research Center. (2018 Jun). "Social Media Use Continues to Rise in Developing Countries, but Plateaus Across Developed Ones."

development is high in the Philippines, leveraging the existing digital services industry (offshoring/outsourcing). Young and better educated Filipinos are more likely to use the Internet, with a 55-percentage point gap between young people (ages 18-36) and older generations and a 48-percentage point gap between educated and less educated Filipinos.³⁵ While this gap is found worldwide, the wide margins in the Philippines are noteworthy.

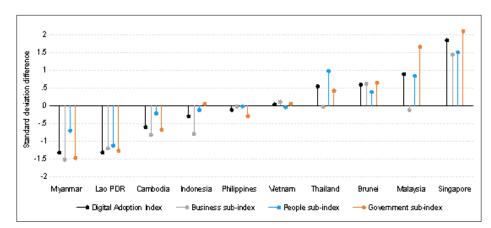


Figure 3: Modest digital adoption by the Philippines relative to UMICs/HICs in Asia

B. High childhood stunting and weak education quality in the Philippines undercut the country's demographic advantage

24. Accelerated effort to strengthen human capital development can position the Philippines to realize its demographic advantage. The Philippine population is expected to reach nearly 140 million by 2040, with the working age population (15-64 years) set to increase to 66 percent of the population compared to 8 percent over age 65 by that time. However, current trends reveal mixed human capital outcomes that undermine the wellbeing and productivity of current and future generations. The Philippines ranked 84th out of 157 countries in the WBG Human Capital Index (HCI), which captures the impact of human capital on future growth prospects. The national HCI for the Philippines (0.55) indicates that the future productivity of a child born today in the Philippines will be 45 percent below what could have been achieved with complete education and full health. Inequality in human capital outcomes across the Philippines is stark. Children from the poorest quintile accumulate 40 percent less human capital than those in the wealthiest quintile of families and are nearly four times more likely to die before their fifth birthday than wealthy peers. Filipinos born into poor families have less access to quality education, are less likely to complete high school, and are more likely to be undernourished and to suffer from poor health.

25. **High stunting prevalence in the Philippines erodes the long-term capacity of individuals, with economy-wide implications**. Stunting affects one in three Filipino children, with little difference in rates of stunting by gender.³⁶ In the poorest one-fifth of the population, half of the children are stunted and one in five is severely stunted; malnutrition is also more prevalent in indigenous people (IP) communities. Severe child health and nutrition problems have potential to seriously curtail the demographic dividend: children who are stunted are more likely to have lower cognitive abilities because of impairment to brain development, reducing the likelihood of attending school and increasing potential for dropping out early.³⁷

³⁵ Ibid, Pew Research Center (2018).

³⁶Rates of overall stunting and severe stunting are slightly higher for male children than for female children. From *Making Growth Work for the Poor: A Poverty Assessment for the Philippines* (World Bank, 2018).

³⁷ Bank analysis found that, compared with non-stunted children, stunted children score 7 percent lower on math tests, are 19 percent less likely to be able to read a simple sentence at age 8, are 12 percent less likely to be able to write a simple sentence, and are 13 percent less likely to be in the appropriate grade for their age in school. From *Live Long and Prosper: Ageing in East Asia and Pacific Regional Report* (World Bank, 2016).

Research tracking young Filipinos has shown that children who are stunted at age two will struggle to learn in school; face greater risk of dropping out early; and will be less likely to hold formal sector jobs as adults.

26. The Philippines has been successful in extending access to education, with a growing focus on the need to improve quality, extend access to the under-served and adapt to future labor market **demands**. The Philippine government has steadily scaled up public education spending over time from 2.6 percent of GDP in 2013 to 3.8 percent in 2017.³⁸ Some 84 percent of five-year-olds were enrolled in school in 2017, up from 57 percent in 2010, and primary school enrollment among students in the poorest income quintile is close to universal through age 12, with enrollment of over 80 percent students up to age 16.³⁹ Yet time in school is not equivalent to learning: the 2018 HCI suggests that 12.8 years of schooling in the Philippines is equal to roughly 8.4 years in the highest performing school systems.⁴⁰ Roughly half of Filipino students struggle to complete basic education on time, and the country faces a significant challenge of school drop-outs. By gender, female students have been able to complete elementary and high school more often than their male counterparts. Tailored action is also needed to address gender-related implications (see Box 1), including lower school completion rates for boys than for girls and the weak quality of educational material to address gender biases and stereotypes – highly relevant for promoting inclusion. As discussed in the SCD, looking forward, continuing economic growth in the Philippines will depend on harnessing the rising tide of technological change and expanding the country's high-skill services sector, calling for enhanced investment in education quality.

27. The recent expansion of public health insurance and social protection increased access to health services, though weak quality is reflected in poor health outcomes. Coverage of PhilHealth, the national health insurance system of the government, expanded from 38 percent of the population in 2008 to 66 percent in 2017, with the coverage rate for the bottom quintile increasing from 20 percent in 2008 to 59 percent in 2017. Public expenditure on health rose from 0.5 percent of GDP in 2013 to 0.9 percent of GDP in 2016, a significant increase but still far lower than the 5 percent threshold recommended by the World Health Organization. Nonetheless, out of pocket health expenses remain high at 54 percent in the Philippines, and many health outcome indicators are weaker than in peer countries. Child immunization rates are also low: the fraction of children that received all basic vaccinations fell to 70 percent between 1998-2017, below the level in 1993. To address SDG targets in health care, the Philippine government passed the Universal Health Care Act in 2019, which calls for a systematic sector reform and close collaboration between private and public sectors to achieve the targeted results of healthy Filipinos. The Philippines has one of the most advanced social protection systems in East Asia, with most of the poor benefiting from at least one intervention.

³⁸ Department of Budget and Management

³⁹ As discussed in the Philippine SCD, this has promoted significant improvements in cognitive, social, motor and language development. Importantly, an impact evaluation also found that short-term nutrition status of children residing in early childhood development areas also improved.

 $^{^{40}}$ Learning-adjusted years of school are obtained by multiplying expected years of school by the ratio of test scores to 625, corresponding to the TIMSS benchmark of advanced achievement. For example, if expected years of school in a country is 10 and the average test score is 400, then the country has $10 \times (400/625) = 6.4$ learning-adjusted years of school. The distance between 10 and 6.4 represents a learning gap equivalent to 3.6 years of school.

Box 1: Gains in Gender Equality, but challenges remain for wider inclusion in the Philippines

By global and regional standards, the Philippines has attained relatively high standards of gender equality (see Annex 6). The World Economic Forum (WEF) Gender Gap Index ranks the Philippines 10th out of 144 countries. Legislation attests to government commitment to gender equality, and affirmative action is an instrument to promote gender equity in access to education, health, and social protection, as well as in economic and political participation. The Magna Carta of Women (Republic Act 9710), signed into law by President Gloria Macapagal-Arroyo in 2009, has been highly influential. However, there is limited emphasis on school-to-work transition, large differences between male and female labor force participation, and women earn less than men for every level of education they attain. These issues present obstacles for inclusive growth, hamper competitiveness, and reduce opportunities to enhance women's voice and agency.

Persons with disabilities continue to face barriers to their full participation and inclusion in society. The provisions of the Magna Carta for Disabled Persons and the Act Expanding the Benefits and Privileges of Persons with Disability offer clear guideline to ensure that rights and privileges are given to PWDs. However, monitoring is weak. As discussed in the SCD, lesbian, gay, bisexual, transgender and intersex (LGBTI) individuals face challenges in employment and case studies indicate that LGBTI Filipinos also experience sexual harassment in the workplace (Alegre, 2006) and barriers in education. The Philippines has 182 ethnolinguistic groups, 110 of which are designated indigenous peoples. IPs continue to be poorer and have less access to services than other Filipinos.

C. The dual risks of conflict and natural disasters have stifled development in affected areas and test government capacity to build peace and resilience

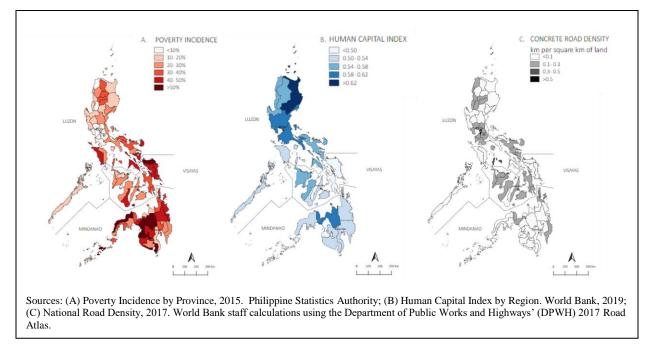
28. While many countries have natural disaster hazards or conflict hazards, few are in the position of the Philippines, which faces high levels of both. These ongoing threats have stifled development and poverty reduction in the areas most directly affected by conflict and disasters (see Figure 4). The latest Global Terrorism Index ranked the Philippines as one of the top 10 countries affected by fatal terrorist attacks. Protracted, low intensity conflicts create fertile ground for radicalization, with villages in some areas of Mindanao reportedly under threat from groups influenced by international extremism. The country's high exposure to natural hazards is a principal threat to economic growth and inclusion: at least 74 percent of Filipinos are vulnerable to natural disasters, which have killed 33,000 people and adversely affected 120 million in the last 30 years; Metro Manila is especially vulnerable to the risk of a major earthquake. Disasters have major economic impacts. Expected average annual asset losses for the Philippines are PhP233 billion, 75 percent of which are due to typhoons and 25 percent to earthquakes.⁴¹ The high intensity of the country's risk factors on both fronts test government capacity on varying levels.

29. **The Philippines has a complex and multi-layered history of conflict posed by several armed groups**. Although a long-running conflict with the Communist Party of the Philippines-New People's Army-National Democratic Front (CPP-NPA-NDF) is present in some rural areas, the country's main peacebuilding challenges involve a limited geographic area in western Mindanao that has spillover effects on Mindanao and more widely. However, armed groups do not pose a national-level threat to the state. While the core conflict in Mindanao has been between Muslim armed groups and the government, it is not primarily a religious conflict. Endemic drivers of violence in the region include: (i) social injustice and alienation, and exclusion of Muslim and indigenous peoples; (ii) displacement of indigenous peoples from their ancestral domain; (iii) inter-ethnic conflicts; (iv) "rido" clan war and revenge killing; (v) land tenure

⁴¹ AIR Worldwide (2018).

and ownership disputes; (vi) competition for scarce natural and mineral resources; (vii) local election disputes; (viii) ineffective governance and lack of rule of law and service delivery; (ix) widespread poverty and lack of job opportunities. One estimate puts the financial cost of conflict in Mindanao at US\$850 million from 2010-2016,⁴² while the human costs are incalculable, including displacement and disruption of lives and livelihoods; loss of cultural identity, social cohesion; increased biases as well as ethnic and social tensions; and increased kidnapping, trafficking, and other illegal activities. The five-month-long siege in the city of Marawi in 2017 resulted in the destruction of 95 percent of the infrastructure in the main affected area, displacing over 350,000 inhabitants.⁴³ The government estimates that the cost of reconstruction could reach PhP62 billion, or over US\$1 billion.

Figure 4: Poverty Rate & Other Development Indicators in Conflict-Affected and Disaster-Prone Areas



30. **Mindanao's** *conflict-affected areas* have had worse development outcomes than Mindanao as a whole in recent years, with the provinces of the former ARMM bearing the main impact of conflict. Buoyed by strong growth performance in the city of Davao and its surrounding region over the past decade, Mindanao on the whole has seen economic growth that has mirrored the high growth rates in the rest of the country, and poverty has started to decline. Conflict-affected areas, however, are a glaring exception and have seen little improvement in the past decade. The former ARMM accounts for the poorest provinces in the Philippines, with weak delivery of basic social services such as education, health, water, sanitation, and electricity compared to Mindanao and the Philippines overall (see Figure 5). The recent formation of the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM) as a result of the peace agreement offers new hope for peace in the region. It is clear, however, that the road to lasting peace will be long and full implementation of the agreement will face challenges, among them the increasing terrorist threat posed by more radical groups. Conflict-affected areas have high percentages of women who experienced gender violence.⁴⁴

43 Following the Marawi siege, Proclamation No. 216 dated 23 May 2017 placed the Mindanao group of islands under martial law for 60 days. The Philippine Congress extended the period the third time through the end of 2019.

http://www.officialgazette.gov.ph/downloads/2017/05may/20170530-GO-1-RRD.pdf

⁴² Project Ploughsares (2015).

⁴⁴ Based on NDHS 2017 data, these regions included ARMM, Northern Mindanao, Southern Mindanao, Zamboanga Peninsula, and SOCCSKSARGEN.

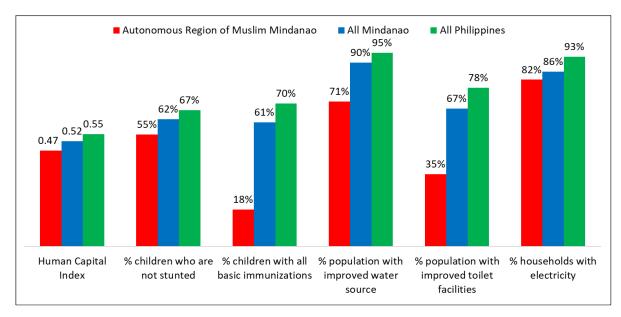


Figure 5: Socioeconomic Indicators Show Limited Access to Services in the Former ARMM

31. **Annually, roughly 1 million Filipinos on average are impoverished due to natural disasters.** The poor are also more likely to live in unsafe areas due to lack of affordable housing; invest less in risk reduction; receive less support to cope and recover during disasters; and experience disproportionate impacts on well-being from disaster-related shocks. There are major human capital implications. Poor children face an uphill climb through the education system partly because of high vulnerability to household income shocks resulting from natural disasters. In barangays (smallest administrative unit) that have experienced a typhoon within the previous 6 months, household consumption falls by 6.7 percent while protein consumption drops by 10 percent, aggravating the malnutrition challenge in those areas.⁴⁵ Moreover, over one-third of the non-poor in the most exposed areas at the eastern edge of the country are at risk of being pushed into poverty by typhoons.⁴⁶ The agriculture sector absorbs the majority of the impacts of extreme climate events, including chronic water supply deficits and droughts and dry spells linked to the El Niño climate cycle. Farmers and fishers are particularly exposed to climate impacts.

32. **High vulnerability to climate change impacts and steep environmental and disaster risks are core threats to sustainable development in the Philippines**. In the long run, climate change poses the largest risk to the long-term prosperity of the Filipino people. Natural hazards, including climate-related events such as typhoons, floods, landslides and droughts as well as earthquakes and volcanic activity, generate large costs for the Philippine economy and disproportionately affect the poor and vulnerable. Of the 2,754 natural hazard events in the Philippines from 2005 to 2015, the most frequent were climate-related; typhoons accounted for roughly 90 percent of damage in recent years. Located in one of the world's most active seismic regions, the Philippines also faces high earthquake risks, including the National Capital Region that accounts for one-third of national GDP. Potential effects of a projected magnitude 7.2 earthquake on the West Valley Fault, which crosses Metro Manila, includes an estimated 48,000 fatalities and US\$48 billion in economic losses.³⁹ Women and the rural poor are among the groups most vulnerable to impacts of climate variability and natural disasters.

33. **Multisectoral actions to build resilience are wide-ranging.** Actions vary from promotion of climate-resilient cropping systems and protecting mangroves to strengthening financial protection instruments and promoting strong water resource management and climate-resilient buildings and

⁴⁵ Skoufias et al. (2019).

⁴⁶ Skoufias et al. (2019).

infrastructure. While the country has generally managed post-disaster response and utilized disaster risk insurance to address associated fiscal risks, efforts to mitigate the risks posed by a potential large-scale disaster (an earthquake in Metro Manila) have been limited. Further stepping up efforts to improve preparation for disasters, and in particular to make buildings more resilient to earthquakes, floods and typhoons, is needed. Emergency cash transfer systems can also be developed further to allow efficient support for affected communities. The Philippine Risk Resiliency Program (RRP) aims to enhance the extent to which the national budget integrates climate adaptation priorities with a potential for action. In terms of adaptation, efforts are being made to address water resource challenges at a basin-wide level through complementary adaptation efforts that focus on water supply, flood management, dam management, climate-smart irrigation and drainage.

D. A complex mix of challenges undermines government effectiveness and service delivery

34. As discussed in the Philippine SCD, legislation and policy initiatives exist for addressing many key development challenges in the Philippines; *implementation and follow-through* have been core weaknesses. At the national level, hindrances to effective implementation of policies and programs include overlapping agency responsibilities, weaknesses in public financial management, constraints in civil service capacity, and complex public procurement processes. Complex arrangements hamper service delivery across the Philippine archipelago's 17 regions, 81 provinces, 145 cities, 1,489 municipalities, and 42,045 barangays.⁴⁷ Nearly 30 years after the Local Government Code devolved service delivery to the local level, the disparity between responsibilities and fiscal transfers has become a long-standing challenge that continues to hamper social development in the countryside.

35. As discussed in the Philippine SCD, the justice sector faces many challenges. The high caseload backlog affecting all levels of the court system is salient: lower courts had over 800,000 cases pending in 2017 while the Supreme Court had a caseload of 14,411 cases, including 8,726 pending cases in the same year. Feedback from private sector representatives highlights the challenge of the overburdened judiciary, weaknesses in contract enforcement, and regulatory issues relating to capture, capacity and regulatory uncertainties. As noted in the SCD, the Philippines ranks 151 out of 190 countries in the "Enforcing Contracts" sub-index of Doing Business due to the underperformance of the judiciary, with perceptions that the court system favors the privileged. Substantial rule of law concerns have also been raised about the deaths resulting from the government's campaign against illicit drugs. The Duterte administration is undertaking efforts to strengthen public sector management in a range of areas, including maintaining concerted focus on promoting enhanced public financial management. Looking ahead, the systematic digitalization of processes and transactions across all levels of government in the Philippines will be essential in strengthening the performance of the civil service and enhancing the business climate.

36. **The political landscape is highly concentrated, limiting voice and agency.** The share of Philippine legislators hailing from political dynasties is unusually high by global standards.⁴⁸ The explanatory note for the "Act Defining and Prohibiting the Establishment of Political Dynasties" from 2016 noted that 80 percent of senators, 74 percent of congressional representatives, and 94 percent of provincial leaders hailed from political families at that time. The note states that political dynasties are "both results and manifestations of ...inability to create a sizable educated middle class."⁴⁹ The SCD discusses the positive correlation between political dynasties (which undermine political competition) and poverty, a relationship that is particularly strong in the Visayas and Mindanao regions.

⁴⁷ Department of Interior and Local Government. Regional Summary as of June 30, 2019.

⁴⁸ Mendoza, R.U. and Banaag, M.S., Dynasties thrive under decentralization in the Philippines, Ateneo School of Government Working Paper, January 2017

⁴⁹ Seventeenth Congress of the Republic of the Philippines. H. B. No. 911. http://www.congress.gov.ph/legisdocs/basic_17/HB00911.pdf.

III. World Bank Group Partnership Framework

Government Program and Medium-Term Strategy (2017-2021)

37. Rooted in the Duterte Administration's 0-10 point socioeconomic agenda, the PDP 2017-2022 aims to support the achievement of Ambisyon Natin 2040 vision across three main pillars: (i) enhancing the social fabric, which includes themes of clean and efficient government, administration of justice and respect for cultural diversity; (ii) inequality reducing transformation, to expand economic opportunity with special attention to disadvantaged subsectors and people groups; and (iii) increasing growth potential through technology adoption, innovation, and investments in human capital. Underlying these pillars is a commitment to an enabling and supportive economic environment, including macroeconomic stability and strong and credible competition policy to "level the playing field and encourage investment". Cross-cutting "Foundations for Sustainable Development" include pursuing peace and security; accelerating strategic infrastructure development; ensuring ecological integrity and a clean and healthy environment; and ensuring safety and building resilience. Notably, the PDP 2017-2022 incorporates the National Spatial Strategy (NSS), which aims to address long-term challenges of spatial and socioeconomic inequality and to improve connectivity for enhanced access to opportunity.⁵⁰ The PDP sets out eight core outcomes: achieving uppermiddle income country status by 2022; delivering more inclusive growth reflected in a lower poverty incidence in rural areas, from 30 percent in 2015 to 20 percent in 2022; achieving a high level of human development; unemployment falling from 5.5 percent to 3-5 percent in 2022; greater trust in government and in society; more resilient communities and individuals; and promoting a greater drive for innovation.⁵¹

At the midpoint of the 2017-2022 PDP, reform momentum is evident on a range of PDP 38. priorities notwithstanding policy emphases that have provoked concern. The government has pursued its "hybrid public-private model" in which the public sector undertakes projects using lower-cost official loans and engages the private sector for operations and maintenance. Leveraging the strong economy and significant tax reform, the government's "Build, Build, Build" infrastructure initiative has served as a platform for increased infrastructure spending that exceeded 5 percent of GDP in 2018. A spectrum of breakthrough legislation was passed, including the Bangsamoro Organic Law; Ease of Doing Business Act; the Rice Tarrification Law, which lowers the prices of the staple food in the country; the Magna Carta for the Poor; the National Payment Systems Act; Revisions to the New Central Bank Act; and institutionalization of the 4Ps program. Related to the governance and implementation challenges previously outlined, policy stability and certainty of reform program delivery remain unclear as the threat of policy reversals continues to jeopardize potential gains from the Philippines' momentum. The country has good potential to achieve UMIC status in advance of the 2022 target, and the annual unemployment rate has fallen from 5.7 percent in 2017 to 5.3 percent in 2018. However, the fiscal deficit exceeded the government's target of 3.0 percent of GDP in 2018 and pressure on expenditures is increasing, with new funding mandates associated with Universal Health Care and the tuition-free state university education on the horizon. Sustained focus on law and order remains a visible priority of the administration, attracting international scrutiny and concerns related to the campaign against illicit drugs, impact on the poor and vulnerable, and the broader rule of law. Elevated concerns in the international community, should they continue, may negatively affect the Philippines' risk profile among economic and development partners and hamper the country's efforts to be on par with globally competitive neighboring countries.

⁵⁰ PDP (2017-2022), Chapter 3 – Overlay of Economic Growth, Demographic Trends, and Physical Characteristics

⁵¹ PDP (2017-2022), Chapter 4 – Philippine Development Plan 2017-2022, Overall Framework

Proposed WBG Country Partnership Framework

39. The SCD outlined six policy priorities that can further position the Philippines to address the country's core constraints to reducing poverty and promoting shared prosperity in line with the Ambisyon Natin vision. SCD priority actions aim to support: (i) enacting policies that maintain high growth while removing barriers to generating good jobs and making growth more inclusive; (ii) investments in human capital to ensure Filipinos can lead healthy and productive lives, also promoting the employability of the growing working-age population; addressing the country's (iii) intense vulnerabilities by scaling up efforts to protect the country from



natural disasters and climate change impacts and continuing to build the peace in Mindanao; and (iv) upgrading governance as the core cross-cutting issue that will ultimately shape the follow-through and implementation across each of the areas. The SCD acknowledges that the current extent of policy action and reform momentum varies across these policy actions and points to areas requiring continuation of current policies; enhancement of current policy action; and a more significant ramp-up in policy effort (see Figure 6).

40. Five core lessons from the WBG experience inform the design of the CPF and bear relevance for the future program:

- Sustained WBG engagement in a selective number of areas facilitates institutional strengthening and delivery of results, particularly for the poor and vulnerable. As discussed in the recent IEG evaluation of WBG partnership with the Philippines from 2009-2018, long-standing support for social protection, rural development, community-driven development, and disaster risk management, among others, has boosted the quality and sustainability of key national programs, improving their design, targeting, implementation and outcomes. Maximizing synergy across Bank activities is a key aspect of the Bank's value proposition. For example, technical assistance to strengthen the quality and institutional aspects of the CCT program, including for payments, grievance response systems, and business process reviews complemented Bank financing for the CCT program that was provided in parallel with the ADB. The concurrent 2011-2015 DPL series also supported the introduction of the CCT program.⁵² This affirms earlier lessons from WBG experience on the value of programmatic, multi-year programs that involve complementing reform actions with implementation support through other instruments.
- Strong government ownership is a critical driver of delivering significant reforms, requiring realism in project design and adaptive approaches during implementation. Factors such as the three-year electoral cycles for local government can significantly affect ownership and delivery of WBG activities. Risk mitigation includes realism in project design to account for key risks; regular

⁵² World Bank Independent Evaluation Group (to be published in 2019). World Bank Group Partnership with the Republic of the Philippines, 2009-2018: Country Program Evaluation.

dialogue with both elected officials and technical counterparts; nurturing partnerships with committed stakeholders in the public, private and civic sectors; and readiness and flexibility to adapt approaches in the context of a clear line of sight to achieving agreed development objectives. Bank support for far-reaching reforms in tax policy and administration, risk management, and fiscal transparency through a three-part DPL series also showed the importance of nurturing coalitions.

- Global knowledge is the main anchor of WBG's comparative advantage in the Philippines—an important and consistent message from clients and partners. The IEG country evaluation, the Completion and Learning Reviews (CLR) and the 2019 Country Opinion Survey all highlighted that high-quality WBG knowledge services have been central to program effectiveness in the Philippines, grounded in the WBG's global best practice. Programmatic ASAs have been influential across the WBG program, from public financial management and climate change resilience to conflict and security. IFC clients have benefited from advisory services to scale up climate financing through a partnership with commercial banks and promote SME financial products, including in the agriculture sector. Notably, the ASA program also enabled close working relationships with government counterparts that promoted the resilience of technical-level dialogue and partnership across political cycles. The introduction of the first Reimbursable Advisory Services (RAS) agreement with the Philippines in 2017 marked an important milestone that carries forward robust technical assistance to enhance policy implementation.
- Supporting the peace agenda is a core aspect of the WBG value proposition in the Philippines, and the WBG is especially well-placed to partner closely with BARMM. The IEG evaluations of WB activities in fragility, conflict, and violence or FCV (2016) confirmed that the Bank engagement in Mindanao is a good example of active and effective long-term engagement for FCV situations in MICs. IEG's 2019 evaluation affirmed that the Bank Group's efforts in Mindanao and ARMM provided important contributions to confidence building and promotion of the peace process, a point of emphasis from stakeholders and donor partners as well. Effective management of consolidated international development assistance through the Mindanao Trust Fund (MTF) kept the instrument functional even during times of high tension. The involvement of communities and LGUs in projects also fostered social cohesion, and some 86 percent of beneficiaries held that projects reflected their needs.
- *Key recommendations from the recent IEG Country Program Evaluations in the Philippines are*: (i) improve the overall balance of ASA to make it more demand-driven and selective, with greater emphasis on collaborative approaches; (ii) support in Mindanao (and especially BARMM) should be a focal area for WBG's support, and potentially a model for in-depth regional engagement and local capacity building; (iii) improve coordination and sequencing of Bank and IFC interventions for private sector development and operationalize the "One Bank" approach; and (iv) implement successful programs such as the Philippine Rural Development Project (PRDP) to expand presence and operations at the provincial and municipal levels and build the capacity of subnational governments.

41. The CPF benefited from substantive consultations, using both traditional and digital formats for special outreach to youth and to areas affected by conflict and natural disasters (see Annex 8). In addition, the 2019 WBG Client Opinion Survey for the Philippines added perspectives on pressing development needs of the Philippines and perceptions of the WBG. Some 804 people attended CPF consultation sessions, and another 1,134 young Filipinos provided written comments during university outreach meetings. The CPF digital campaign had a reach of over 700,000 people through social media. The consultations underscored the relevance of continued robust engagement, keeping poverty reduction and equitable growth at the center of WBG partnership with the Philippines. Client feedback affirmed the constraints outlined in the SCD and the extent to which various groups feel left behind, ranging from farmers to the urban poor. In addition, education quality and linkages to employment were also prominent themes, and stakeholders highlighted the need for public sector actions to foster an environment for enhanced job creation.

Overview of WBG Country Partnership Framework

42. As the Philippines nears the threshold to UMIC status, the overarching CPF objective will be to reduce core constraints to inclusive growth and poverty reduction in relation to people, competition, and key vulnerabilities. Informed by robust analysis and extensive client feedback, WBG partnership in the FY20-December 2023 period will deepen engagement and sustain focus on the fundamentals—inclusive growth and poverty reduction—while adapting WBG partnership to address next-level challenges and opportunities. Long-standing challenges such as limited competition, high inequality, deep pockets of poverty, and institutional dysfunctions will weigh on the country's future growth and prosperity. At the same time, the Philippines has achieved key development gains that are increasingly shifting the agenda from extending access to ensuring quality; from proposing breakthrough legislation to implementing them. The CPF will aim to support the country in addressing the unique challenges facing the disadvantaged, vulnerable, and economically insecure through a well-tailored and selective program of engagement.

The FY20-December 2023 CPF will have three focus areas for engagement: (i) Investing in 43. Filipinos to improve human capital development and help position the Philippines to harness its future demographic advantage; (ii) Competitiveness and Economic Opportunity for Job Creation, towards unlocking key constraints and expanding opportunities for expanded creation of good jobs, livelihoods, and private and financial sector development; and (iii) Promoting Peace and Building Resilience, to address the country's core vulnerabilities of conflict alongside natural disasters and climate change (see Table 2). The CPF will incorporate cross-cutting themes of strengthening governance, with a focus on implementation capacity including at the subnational level as some responsibilities are re-devolved to LGUs along with increased IRA, and digital transformation towards strengthening long-term foundations for government effectiveness and equitable growth. In line with WBG lessons learned, the CPF focus areas aim to be complementary and mutually-reinforcing, with activity in one area supporting outcomes in another. For example, activities to expand agricultural productivity in Mindanao support competitiveness as well as nutrition objectives; financial sector activities to boost capacity for distressed asset management also support resilience objectives. Importantly, the CPF objectives align with the Philippine Development Plan (PDP) 2017-2022, which integrates linkages to the Sustainable Development Goals (SDGs).

44. **The WBG will seek to deepen engagement on Mindanao peace and development during the CPF period, with a focus on supporting a successful transition in the BARMM.** To strengthen capacity for conflict-sensitive and evidence-based engagement across the program in areas subject to conflict or post-conflict conditions, the Bank developed a "Peace Lens" and is investing in conflict monitoring (see Box 2). The *Programmatic Approach to Peace and Development for Mindanao*, a catalytic package of advisory services and analytical work, will continue to undergird the Bank's engagement through two work streams: (i) supporting post-conflict planning and conflict-sensitive development, and (ii) assisting in peace consolidation.

Box 2: The Peace Lens: Strengthening Capacity for Conflict-Sensitive Development

'Conflict sensitivity' in projects involves (i) designing projects that tackle drivers of conflict directly, or at least avoid exacerbating grievances, and (ii) ensuring that the activity is implementable in a weak and contested administrative environment. To support conflict sensitivity in ongoing and future WBG activities in the Philippines, a "peace lens" consisting of analytical products and technical assistance to WBG task teams will be deployed to help assure that key factors associated with both drivers of conflict and opportunities for peacebuilding are considered in the design of interventions. This will increase the relevance of project design, improve the effectiveness of implementation, and enhance substantive dialogue on project design and implementation.

Table 2: Overview of the FY2020–December 2023 WBG Philippines Country Partnership Framework

Key Constraints (SCD)	Focus Areas	CPF Objectives
Addressing wide disparities in human capital development by boosting quality and extending access to the poorest can help position the Philippines to harness its demographic advantage.	Focus Area #1: Investing in Filipinos	 Improved access to quality education services Increased access to affordable health services Improved efficiency of social protection coverage for the poor and vulnerable
Fostering more inclusive growth in the Philippines will mean tackling core constraints, including lack of competition; restrictive legislation; weak infrastructure; and an underperforming agriculture sector.	Focus Areas #2: Competitiveness and Economic Opportunity for Job Creation	 Improved budget execution and revenue management Promote regulatory reforms to enhance competitiveness Improved efficiency of infrastructure services in selected areas Improved income opportunities in agriculture
Dual vulnerabilities to conflict and natural hazards pose the most significant risks to future growth in the Philippines. Conflict-affected and disaster-prone areas also account for the deepest levels of poverty, calling for tailored development solutions at national and local levels.	Focus Area #3: Addressing Core Vulnerabilities by Building Peace and Resilience	 8) Increased availability of basic services in conflict- affected areas 9) Support the normalization process in the Bangsamoro region 10) Increased resilience to natural disasters and climate change
	Cross-cutting	themes
Governance: Scaling up development impact across the Philippine archipelago depends on strengthening implementation capacity, particularly at the local level.		 Promoting digital transformation: Building digital infrastructure and skills will be integral to future economic dynamism in the Philippines.

45. Selective WBG engagement has been informed by the Philippine program's "three Cs:" client demand, WBG comparative advantage,⁵³ and complementarity with other development partners. Selective WBG engagement calls for ensuring robust alignment across all three Cs. For example, the Bank does not currently envisage engagement in the justice sector or the housing sector (notwithstanding the importance of both) due to lack of alignment across these elements. Complementing the three Cs, SCD priorities will continue to inform program priorities during the CPF period and will remain guideposts for the development of the future program. Lastly, the WBG program will be tailored to ensure relevance for the UMIC transition. IEG analysis of WBG support to UMICs offers a useful framework for delivering high-impact UMIC engagement. Accordingly, WBG support to the Philippines will aim to help the country to: (i) close the existing large gap in institutional quality with higher income countries; (ii) raise large

⁵³WBG comparative advantage as a long-term partner include: (i) tailored provision of global knowledge for tackling complex challenges; (ii) deep, long-standing support for the peace agenda and a strong track record as a trusted partner; (iii) WBG convening capacity, bringing together international partners around shared objectives; (iv) a wide range of financing instruments that can adapt to the country's evolving needs, promote increasing sophistication over time, and maximize synergies between knowledge and financing; and, of increasing relevance, (v) capacity to mobilize private financing for development through synergies across IBRD, IFC, and MIGA.

segments of the population from below poverty levels and grow the country's middle class; (iii) build human capital and improve the quality of public services including quality of education; (iv) improve the investment climate and raise global competitiveness; and (v) improve resilience to shocks such as situations of conflict and natural disasters.⁵⁴

46. The following section discusses the CPF focus areas and cross-cutting themes, integrating implications related to vulnerable groups, including in relation to gender, ethnicity, disability, and sexual orientation and gender identity.

CPF Focus Area #1: Investing in Filipinos

The PDP affirms that increasing the growth potential of the country's economy will require investing in the Filipino people.⁵⁵ Towards achieving an equitable, knowledge-based economy, the PDP sets out several core priorities: (i) achieve quality, accessible, relevant and liberating basic education for all, also providing life-long learning and inclusive programs to reach stakeholders outside the formal system; (ii) expand access to quality and affordable health care service, including functional and efficient networks of health care providers; and (iii) reduce vulnerability of individuals and groups, including mitigating risks for vulnerable groups by enhancing the CCT; improving the social pension; and ensuring quality education to position the population with the skills needed for productive employment. This will include informing policy making on nutrition to address the deep challenge of childhood stunting, which affects one-third of Filipino children and particularly the poor.

CPF Objective #1: Improved access to quality education services

47. The Philippine basic education system has undergone systemic reforms over the last decade, but a two-fold challenge remains: (i) enhancing quality, and (ii) extending access to the underserved. Over the past decade, elementary and high school enrollment rates have continued to improve, particularly among the poorest children. However, stagnant improvement in learning outcomes and high dropouts among disadvantaged groups and in conflict-affected areas are key challenges. To improve the delivery of quality basic education, the DepEd established the Philippines Professional Standards for Teachers (PPST) and has begun to transform the National Educators Academy of the Philippines (NEAP), which is responsible for the learning and development of teachers and non-teaching staff in the basic education system. The proposed Teacher Effectiveness and Competencies Enhancement Project (TEACEP) will aim to support these quality-related reforms, focusing on enhancing teaching quality for literacy, numeracy, and socio-emotional skills for kindergarten to grade 6, and ultimately to improve reading and math learning outcomes among elementary students.

48. While intensifying efforts to keep students in the formal school system, the Alternative Learning System (ALS) aims to extend educational opportunities to out-of-school youth and adults. An overhaul of the ALS program operation throughout the country is underway, towards implementation of an enhanced "ALS 2.0".⁵⁶ The Bank has provided intensive technical assistance for the policy enhancements and implementation of ALS 2.0 as well as a study on ALS for the new BARMM government in 2018-2019. The DepEd and the Bank are exploring a potential lending project to support the implementation of ALS 2.0, which is expected to improve program delivery and medium-term outcomes across the country, including in BARMM which experiences high levels of school dropouts. To enhance the capacities of low-skilled and unemployed youth and adults in Mindanao, the Mindanao Development Authority (MinDA) has also developed a draft Employment and Skills Strategy in consultation with other government agencies in Mindanao, for which the Bank has provided technical advice. MinDA and the

⁵⁴ World Bank Independent Evaluation Group (2017). World Bank Group Engagement in Upper-Middle-Income Countries: Evidence from IEG Evaluations, IEG Synthesis Report.

⁵⁵ Philippine Development Plan 2017-2022

⁵⁶ DepEd Order No. 19 S.2019 "Policy Guidelines on the Implementation of Enhanced ALS 2.0".

Bank, together with oversight agencies, are exploring the design of a potential Bank lending project on Employment and Skills in Mindanao. Given the need to expand access to quality technical-vocational education and training, the limited supply of high-quality teaching resources and calls to improve the responsiveness of tertiary education to evolving industry needs, IFC will seek additional investments in tertiary education and vocational training to help improve the employability of graduates and address the current skills gap. To facilitate such improvements, key policy actions for the Philippines could include opening up the education sector to foreign majority ownership and encouraging new delivery approaches such as online learning platforms.⁵⁷ In relation to higher education and lifelong learning, the Bank will also initiate policy dialogues with relevant authorities, namely the Commission on Higher Education (CHED) and Technical Education and Skills Development Authority (TESDA), to explore potential future engagement.

CPF Objective #2: Improved access to affordable health services

49. **Considered a "big leap" towards improving the Philippine health care system, the Universal Health Care (UHC) Law of 2019 aims to ensure equitable access to quality, affordable health care and protection against financial risks for all Filipinos.**⁵⁸ To progressively realize universal health care, the UHC law supports the development of a health network approach and promotes clear delineation of roles across key agencies and stakeholders for better health system performance and efficiency. After the passage of the BOL, the transitional BARMM government placed improving health outcomes among its top policy priorities. Programmatic ASA for Health, Nutrition, and Population is supporting key policy objectives at the national level and within BARMM, including providing technical and financial support to improve sustainability and equity of national health financing. Health financing will continue as a key area of Bank engagement, and support will also be provided to BARMM as the region designs and implements medium-term plans for health financing and service delivery in the context of the BOL and the UHC Law.

Selective WBG engagement will be increasingly important, particularly as the country's 50. access to complementary grant financing continues to transition. Enhanced private sector provision of health and education services to the middle class can allow public investment to be more targeted on lower-income population segments. However, this requires changing the current regulatory framework to enable domestic sponsors' participation and reducing restrictions on foreign ownership. There is considerable scope to leverage private sector participation to improve the quality and affordability of health care services, and WBG engagement in support of national health objectives includes efforts to mobilize the private sector to fill gaps in healthcare provision. With its global network of health care sponsors, IFC will seek to attract new market entrants and help domestic players scale up to address the need for primary health care and specialized treatments for chronic illnesses. IFC is undertaking a cancer hospital project (public-private partnership or PPP) and collaborating with the Singapore government to help with the capacity building of the Department of Health (DOH) and other relevant agencies to successfully implement health care PPPs. IFC is also undertaking a health care CPSD deep dive to deepen its knowledge and explore future investments in the health care sector.

51. The Philippines is an "early adopter" country in the WBG Human Capital Project, creating a platform for high-level dialogue on the country's significant stunting and malnutrition challenge. The Philippine Plan for Action on Nutrition highlights the GOP goal to reduce the prevalence of stunting in children under 5 years old from a baseline of 33.4 percent to 21.4 percent by 2022.⁵⁹ Bank engagement on the nutrition agenda is in early stages, grounded since 2017 in an ongoing nutrition ASA that is a platform for providing evidence-based research to inform the government's nutrition policies and the

⁵⁷Note that Republic Act 11448 (Transnational Higher Education Act), signed August 2019, provides for academic franchising, partnership, and collaborative arrangements among other mechanisms that promote international engagement in higher education.
⁵⁸ Philippine News Agency (2019, Jun 18).

⁵⁹ http://www.nnc.gov.ph/phocadownloadpap/PPAN/18Sept_PPAN2017_2022Executive%20Summary.pdf

nutrition elements of future projects. The ASA is expected to inform GOP policy efforts to tackle the country's stunting challenge. During the CPF period, the WBG will aim to leverage the flagship Nutrition ASA to support such efforts. Given high levels of malnutrition in IP communities, the Mindanao Inclusive Agriculture Development Project (MIADP), which is under preparation, will plan to improve the availability and accessibility of more nutritious and safe food and to support increased food and nutrition security of IPs in Mindanao by investing in nutrition education for behavioral change. Such support will help improve dietary diversification, mainly for children and expectant or new mothers.

CPF Objective #3: Improved efficiency of social protection coverage for the poor and vulnerable

In line with the Magna Carta for the Poor, approved in April 2019, the Philippines is 52. committed to building a social protection system that encompasses social insurance, social safety nets, labor market interventions, and social assistance. With support under the WB-DFAT TA on New Frontiers for SP, the government developed a Social Protection Operational Framework and Plan. The Bank will carry forward its long-standing support of the newly institutionalized 4Ps program during the CPF period to expand the program's capacity and effectiveness.⁶⁰ The Social Welfare Development and Reform Project II provides continued support to the Department of Social Welfare and Development (DSWD) to improve the use of health and education services for poor children; monitoring attendance to elementary and secondary school; tracking growth monitoring and health checkups aligned with DOH protocols; and monitoring transition from elementary to secondary school. Notably, the 4Ps continues to promote responsiveness to the welfare of IPs in compliance with its Indigenous Peoples Policy Framework (IPPF).⁶¹ SWDRP II will help scale up the 4Ps program, addressing fundamentals for long-term institutional effectiveness that will include information systems upgrades; enhanced payment through digital payments to beneficiaries' accounts; and improved compliance verification and beneficiary data systems. Also, the Technical Assistance for the Philippine Identification System will support advisory assistance to the Philippine Statistics Authority (PSA) on the application of secure digital ID in social protection programs.

53. Looking ahead, promising recent legislation may allow for deepening dialogue and WBG engagement on social protection in the coming years. In particular, the new Social Security Charter and the recent law constituting the National Commission for Senior Citizens are promising measures that can allow for deepening Bank engagement on social insurance and employment during the CPF period, including leveraging entry points for private sector engagement.

CPF Focus Area #2: Competitiveness and Economic Opportunity for Job Creation

Generating quality jobs for the expanding Philippine workforce is integral to achieving the equitable middle-class society Filipinos desire. The environment for job creation and economic opportunity in the Philippines has been constrained by regulatory barriers that undermine competition, undercut entrepreneurship and foreign investment, and favor big players. Lack of infrastructure also increases costs for businesses and consumers. The 2017-2022 PDP outlines national ambitions to promote "inequality-reducing transformation" that will expand economic opportunities across sectors—from agriculture, forestry and fisheries to industry and services.

⁶⁰ Reaching roughly 20 percent of the Philippine population, the 4Ps program is implemented in 145 cities and 1,489 municipalities across the country's 81 provinces.

⁶¹ In country referred to and disclosed as "Indigenous People Participation Framework". As of 2018, there were 670,453 indigenous household grantees, comprising about 15 percent of the total beneficiaries of Pantawid.

CPF Objective #4: Improved budget execution and revenue management

54. **Fiscal sustainability is at the core of macroeconomic stability, the bedrock of any country's competitiveness.** Efficiency gains in public expenditure, the first dimension of fiscal sustainability, will secure increased public investment towards improved service delivery and outcomes for Filipinos. Strong budget planning and financial management are important complements to efficient public expenditures as well as to robust domestic resource mobilization, and the Philippines is making important progress over time.⁶² The upcoming Competitiveness DPL series will carry forward these reforms, also providing a platform for sustained dialogue to improve budget planning, cash management, and monitoring. The Budget and Treasury Management System (BTMS) will facilitate the production of timely and accurate financial reports, also providing a foundation for increased systems functionality, including the establishment of a fully integrated financial management system covering all major elements of financial management, such as revenue, payroll, procurement, and asset management. This will allow for comprehensive, real-time information on the financial position of national government to inform planning and decision-making.⁶³

CPF Objective #5: Promote regulatory reforms to enhance competitiveness

55. The 2017-2022 PDP aims to "implement structural reforms to create more open, well-functioning, transparent and competitive markets."⁶⁴ The Duterte administration has passed key legislation to simplify rules and regulations on business licensing, entry and exit, paying taxes and access to finance, including the TRAIN tax reform package, the Ease of Doing Business Act, and the National Payment Systems Act, among others. To support continued reform momentum and enhance potential gains for the poor and vulnerable, a three-part programmatic DPL series—the *Promoting Competitiveness and Enhancing Resilience to Natural Disasters* DPL—will aim to promote competitiveness; enhance fiscal sustainability; and improve resilience to natural disasters and climate change. Key regulatory reforms are expected to include: (i) rice sector liberalization to enhance food security and lower rice prices;⁶⁵ (ii) improving the regulatory framework to increase the ease of doing business; (iii) removing constraints to attracting FDI in key public services; (iv) creating the legal and regulatory framework to create a single National ID for all citizen, with due regard for privacy; and (v) strengthening the institutional framework and supporting measures to ease the process of opening a business and to reduce the compliance costs.

56. **Importantly, WBG engagement will aim to enhance the environment for generating quality jobs and crowding in private investment rather than creating jobs directly**. For example, weak performance of the Bureau of Customs (BoC) contributes to high trade costs in the Philippines that undercut export performance and reduce the country's capacity to use trade as a vehicle for inclusive economic growth and job creation. The forthcoming Philippine Customs Modernization project will support critical institutional reforms and ICT modernization in the BOC to help reduce trade costs, improve transparency, and increase revenue collection. An enabling environment for trade can in turn foster foster job creation in the export sector. The DPL series will also create space to crowd in private investment, as encouraged by the WBG Mobilizing Finance for Development (MFD) initiative.⁶⁶ As an MFD-enabling investment (see Box 3), the DPL series will support the removal of restrictions to investment and

⁶²The Philippines ranked first among countries in Asia in the most recent 2017 Open Budget Index (OBI), achieving a "substantial information is available" budget transparency rating. The country has posted steady improvements on the OBI over the past decade, from an overall OBI score of 51 in 2006, to 55 in 2010, to 67 in 2017 ranking 19th worldwide.

⁶³ Competitiveness DPL Program Document

⁶⁴ PDP 2017-2022

⁶⁵ The series will support measures that are expected to lower rice prices by narrowing the gap between international and domestic prices, increase agriculture productivity and diversification in the medium to long term, and contribute to poverty reduction and increased food security. This will include promoting competition through regulatory reforms and shifting the focus from rice self-sufficiency to food and nutrition security. This is aligned with GOP strategy, which includes focus on diversifying into commodities with high market potential and ensuring the proper utilization of the Rice Competitiveness Enhancement Fund (RCEF) to promote the productivity and competitiveness of the rice sector.
⁶⁶ MFD-enabling projects are defined as 'activities that address binding constraints at the country, market, or sector level in a way that is expected to unlock private solutions within a short time frame (three years post-project completion). See *Maximizing Finance for Development: Leveraging the Private Sector for Growth and Sustainable Development*, Report No. DC2017-009 (World Bank, 2017).

competition in key services, which can contribute to creating more and better jobs in sectors such as digital infrastructure and transport that have potential to benefit from downstream services. Reforms that reduce high entry costs and ease sector-specific restrictions (licenses and permits) that act as a deterrent to foreign investment can remove impediments to a more dynamic private sector, promote new markets, and achieve fair market competition.

57. Developing a resilient, efficient, and inclusive financial sector will position the Philippines for more inclusive growth, including in relation to the digital economy. To promote financial inclusion and the healthy development of the financial sector, a number of key reforms are needed to further open and create markets. A major achievement is the secured transaction legal reform, which includes setting up a collateral registry after the passage of the Personal Property Security Act, the governing law for the Secured Transactions reform in August 2018. Additional reforms include: tax reform to make leasing a viable alternative source of funding for SMEs and encouraging more capital market direct financing and individual investment in fixed income instruments; and strengthened regulatory oversight in the non-bank financial institution (NBFI) sector. With these reforms, IFC will be well-placed to partner with local financial institutions to scale up access to finance of SMEs. IFC will also focus on promoting the adoption of disruptive technology to expand financial inclusion and improve efficiency (e.g., digital/mobile banking). Moreover, to support the growing demand of the sector, IFC will collaborate closely with WB and IMF to promote more capital market products that can help commercial banks achieve sustainable growth.

58. The Philippine government is planning to develop and implement a new financial sector development roadmap, building on the IMF-World Bank Financial Sector Assessment Program (FSAP) Updates in 2020. To promote the healthy development of the financial sector, WBG analytical support includes undertaking a new Financial Sector Programmatic ASA (PASA) focused on addressing key bottlenecks to financial inclusion and promoting financial sector deepening, financial stability and disaster risk financing. This will include a "FinTech Deep Dive" that brings together IBRD and IFC, adding to the analytical foundations for current and future WBG engagement through various instruments. Support in improving financial inclusion will focus on continued strengthening of financial infrastructure—especially payment systems and credit reporting—and supporting innovative finance, particularly through FinTech, to improve efficiency in remittances, agriculture credit and MSME markets. Market competitiveness and efficiency will be further promoted through support for sustainable banking and capital market development and enhancing credit guarantee schemes. Financial stability work will include enhancement of the regulatory framework and strengthening financial system oversight capacity, in particular relating to banking sector and payments systems. Potential future engagement on anti-money laundering and combating the financing of terrorism (AML/CFT) could carry forward an earlier National Risk Assessment. Technical support will also strengthen the framework and capacity for distressed asset management, institutionalizing crisis preparedness, and addressing aspects of financial resilience to disasters. Lastly, knowledge exchange and partnerships with partner countries, including Korea, will continue to advance the Philippines' financial sector development.

59. **IFC** is pursuing both traditional business development and strategic sequencing of **IFC** Advisory Services/Investment Services interventions, also collaborating with other development partners. This includes opportunities in key sectors, including tourism, financial inclusion, and water & waste, with a total of US\$400 million committed in FY19 (as of July), including Mobilization (US\$70 million). In addition to that, all of IFC's strategic client groups are expanding overseas, with a focus on ASEAN and infrastructure projects (renewable energy, transportation). Going forward, IFC's Investment and Advisory service program in the Philippines will focus on: (i) *job creation*, including Transport & Logistics and Productive Agribusiness; (ii) *inclusion*, including Access to Finance, Sustainable Banking & Capital Markets Development, Health & Education; (iii) *sustainability*, including Climate Risk, Quality Water & Sanitation, Disaster Risk Resilience, Sustainable Tourism and Property; and iv) *investment*

climate and regulatory reforms, including business Regulation simplification, Investment Policy, National Competition Reforms and Trade Facilitation reforms.

60. **MIGA's engagement in the Philippines will focus on collaborating with local companies looking to expand investment into other ASEAN countries**. Significant improvements in the credit rating of the Philippines, as well as investors' risk perception of the country, reduced the relevance of political risk providers over the period. Instead of focusing on foreign direct investments into the Philippines, in recent years MIGA has focused more on collaborating with local companies in the Philippines that are looking to invest in other countries in the region. At the same time, MIGA will continue to explore opportunities to support eligible cross-border investment, including in conflict-affected areas in the Philippines through its de-risking instruments.

CPF Objective #6: Improved efficiency of infrastructure services in selected areas

61. Complementing large-scale infrastructure financing by other development partners, WBG support for local infrastructure comprises (i) selected local infrastructure that promotes greener transport with lower GHG emissions, enhanced access to renewable energy, and local infrastructure for sustainable tourism; and (ii) nationwide support for agricultural productivity. The ongoing Bus Rapid Transit (BRT) projects in Metro Manila and Cebu will together provide roughly 630,000 city commuters with faster, safer, more efficient and reliable transport systems while reducing greenhouse gas emissions. The Cebu BRT project will put in place a city-wide computerized traffic management system to promote smoother overall traffic flows and more integrated transport networks, also integrating lessons learned from project experience to date. The Metro Manila BRT project also forms part of a wider Strategic Mass Transit Network, targets a key corridor not currently served by mass transit; with the lowest two income quintiles expected to make up some 75 percent of BRT riders. In support of overall road safety, the project is designed to promote safer transport for potentially vulnerable populations, including women, children, the elderly, and persons with disabilities.⁶⁷

The 2017-2022 PDP aims to prioritize the provision of electricity services to the remaining 62. unelectrified, off-grid, island, remote and last-mile communities. While over 90 percent of households in the Philippines have access to electricity, access is lowest in two areas of Mindanao: the Zamboanga Peninsula and the former provinces of the ARMM, both of which have rates of 81.5 percent. Bank support for the rehabilitation of the Agus-Pulangi hydropower plants will generate greener, more affordable power and enhanced system reliability in Mindanao and eventual implementation of PPP, in accordance with legislation that has mandated privatization of power generation assets in the country. Through a phased approach, the Agus-Pulangi Rehabilitation Program will focus on the replacement of electro-mechanical equipment at the Pulangi and Agus VI and VII plants in Phase One. WBG support for renewable energy will also continue, including through the Philippines Renewable Energy Development Project, with nearly half of Philippine households and many businesses depending on roughly 120 rural electric cooperatives (ECs), the project will focus on facilitating the flow of private commercial debt to support EC investments in electrification, expanded networks, and renewable energy. IFC will scale up investments in Utility Scale merchant renewable energy projects, particularly geothermal, solar and wind, which are particularly well suited for remote communities.

63. The Bank, IFC and , where appropriate, MIGA will work together to promote sustainable tourism to stimulate job creation and local development, including local infrastructure. The tourism ecosystem goes far beyond hospitality, including the development of value chains and essential infrastructure that have significant potential to generate employment and investment. Policy reforms to implement sustainable tourism development include the application of penalties for non-compliance with environmental laws and regulatory reforms to enforce green building standards and

⁶⁷ Metro Manila BRT – Line 1 Project, Report No. PAD1382

promote disaster resilience. Key constraints to sustainable development of the sector include the need for basic infrastructure (i.e., solid waste and wastewater facilities) to address environmental challenges and to ensure that tourism growth is inclusive, resilient and sustainable. The Sustainable, Inclusive and Resilient Tourism (SIRT) project will focus on improving provincial tourism infrastructure, such as power, water supply and sanitation tourism site infrastructure, and connectivity investments; promoting livelihood opportunities, including MSMEs; and strengthening the DRM infrastructure. IFC will work closely with the Bank to leverage public and private resources to build a sustainable tourism sector in the Philippines in line with the PDP 2017-2022 objectives and the country's medium-term National Tourism Development Plan.⁶⁸

Box 3: Maximizing Financing for Development: Leveraging the Private Sector for Growth and Sustainable Development in the Philippines

In line with the WBG *Maximizing Finance for Development (MFD) agenda*, the WBG will aim to support the Philippines in addressing binding constraints at the country, market, or sector level towards unlocking private sector solutions. Two examples include:

• *Sustainable tourism and sub-national financing*: The Bank, IFC and , where appropriate, MIGA will work together to promote sustainable tourism to stimulate job creation and local development, including local infrastructure. IFC will work closely with the Bank to leverage public and private resources and undertake a possible sub-national financing project to compliment the Bank's SIRT project.

• Leveraging digital technology to promote financial inclusion: The WB and IFC will strive to identify MFD opportunities for using digital technology to address the gap in access to finance. The Bank in collaboration with IFC will support technical advisory assistance to DICT and the Philippine Competition Commission to help strengthen the regulatory framework for digital infrastructure investment, complementing the Competitiveness DPL. The DPL will support foundational policy initiatives. IFC investments in education (including potentially in edu-tech) and health care will focus on use of digital technology to deliver better services. As increased automation may pose a threat to the BPO sector, private investment to transition to knowledge-intensive activities with higher value added will be important.

CPF Objective #7: Improved income opportunities in agriculture

64. WBG support to increase farmers' income will support market linkages, innovation, infrastructure and land titling for agriculture and rural development. Rice sector liberalization through Republic Act 11203 is a game-changing national policy reform that has potential to enhance food security and lower rice prices; the Bank is supporting its implementation through the Competitiveness DPL series. Boosting agricultural productivity and incomes will also require robust engagement to remove key barriers at the local level. Longstanding challenges in the agriculture sector such as the limited connectivity of transport infrastructure - including all-weather farm-to-market roads, ports, and interisland, continue to reduce agricultural productivity and the competitiveness of agricultural commodities, thus limiting livelihoods. Bank engagement through the nationwide Philippine Rural Development Project (PRDP) is helping to increase rural incomes, enhance farm and fishery productivity in targeted areas, and strengthening the conservation of the coastal and marine resource base in targeted areas. Given the strong demand for infrastructure support under the project (particularly for farm-to-market roads), additional financing in 2017 expanded the reach of the project in line with PRDP's intended nationwide coverage, designed to reach all 81 provinces in the country.⁶⁹ The PRDP AF will support the Department of Agriculture in realigning to provide more catalytic investments through rural infrastructure linked to

⁶⁸ The 2017-2022 PDP aims to promote "developing a highly competitive, environmentally sustainable and socially responsible tourism industry that promotes inclusive growth through employment generation and equitable distribution of income."

⁶⁹ Participating provinces develop Provincial Commodity Investment Plans (PCIPs) that link to national objectives and reflect interventions identified through Value Chain Analyses (VCAs). Currently, the top five commodities supported under the project in terms of financing are coconut, banana, rubber, coffee, and cacao.

support for value chain strengthening. The proposed Support to Parcelization of Land for Individual Titling (SPLIT) Project is also expected to contribute to higher agricultural productivity by increasing land tenure security for individual agricultural landowners. To increase the competitiveness of agribusiness and farmers, IFC will seek opportunities to invest in improved trade facilitation and logistics infrastructure, particularly cold storage facilities, and support the efforts of financial institutions to increase access to finance to the agribusiness sector and small farmers. IFC advisory services will also continue to support promoting climate-smart agricultural practices and expand crop insurance innovation and coverage expansion.

CPF Focus Area #3: Addressing Core Vulnerabilities by Building Peace and Resilience

Ending poverty in the Philippines will require intensified effort to address the country's dual vulnerabilities—conflict and risks associated with climate change, environmental, and disasters. The 2017-2022 PDP highlights key goals, including implementing peace-promoting and catch-up socioeconomic development in conflict areas; effort to empower communities by increasing their capacity to address conflicts and reduce their vulnerabilities; and strengthening the implementation of climate change adaptation and disaster risk reduction across sectors, particularly at the local level, as well as strengthening institutional response to disasters. As one of the world's most vulnerable countries to climate change impacts, the Philippines can aspire to become a leading example of proactive climate change adaptation.

65. The WBG engagement in Mindanao, encompasses: (i) Mindanao-wide activities; (ii) support to conflict-affected areas; and (iii) intensive effort to engage the BARMM, including reconstruction support for Marawi. First, the WBG will continue to encourage and support a cohesive approach to Mindanao's development underpinned by the Philippines Mindanao Jobs Report, including both conflictaffected and non-conflict affected areas, through the Comprehensive Program for Regional Development in Mindanao.⁷⁰ The Program consists of a series of interrelated projects that encompass spatial development, such as linking hinterlands to main markets and ports along key corridors, as well as promoting human development and addressing drivers of conflict. Projects under preparation for FY20 and FY21 include the Mindanao Inclusive Agriculture Project, the Customs Modernization project, and the Teacher Education and Competencies Enhancement Project. Second, the Bank will continue to help extend community-based support in conflict-affected communities until 2020 through the Mindanao Trust Fund. Third, WBG supports positive transition in the BARMM by providing robust support for the normalization process and promoting institutional strengthening and service delivery, and fourth, support for the reconstruction of Marawi. While the delivery of tangible improvements in the lives of BARMM residents will help foster an environment for sustained peace in the Bangsamoro region, the presence of militias, extremist groups with local and international linkages, and armed separatist groups presents ongoing challenges for lasting peace and development in the region.

CPF Objective #8: Increased availability of services in conflict-affected areas

66. **The Mindanao Trust Fund remains a critical instrument for helping sustain engagement and further build momentum in MILF communities**. Specifically, the MTF will continue to finance access to basic socio-economic services and institutional capacity building in conflict-affected communities and will include efforts to promote the transition of combatants into becoming productive civilians. While a new long-term financing facility for the normalization process is being developed, the government and development partners agreed in May 2018 to extend the MTF through 2020 and to expand the MTF's activities.

⁷⁰ World Bank Group Performance and Learning Review (PLR) for the Republic of the Philippines (2017 Aug). Report No. 117771-PH.

67. Building on the technical assistance and advisory services the World Bank has provided to the Task Force Bangon Marawi since July 2017. an IBRD-financed loan will support the rehabilitation and reconstruction of Marawi and surrounding areas. The project will draw from the Bank's global experience in post-conflict situations with establishing a foundation for the restoration of basic services for local governments; addressing long-term development needs as part of reconstruction; and ensuring that such investments are supportive of trust-building and reconciliation processes to reduce social tensions and promote state-building. The Task Force Bangon Marawi (TFBM) developed the Comprehensive Rehabilitation and Recovery Program (BM-CRRP) - with funding requirements of PhP60.5 billion (US\$1.2 billion) over five years from 2018-2022 – but implementation to date has been limited. Constraints have ranged from unexploded ordnances and ongoing security operations that limit access, to local capacity constraints, weak coordination arrangements, and financing gaps. Ongoing tensions among local militias, groups involved in the Bangsamoro peace process, the armed forces, and the national government add to the complexity. Bank support will comprise inclusive rehabilitation of basic services in Marawi and surrounding areas, including both a short-term focus (filling financing gaps related to smaller PPAs with direct impact on the local population, e.g., schools, sanitation, roads, drainage, community centers) and a medium-term focus linked to developing LGU capacity and involving the community and the youth in the rehabilitation of cultural sites. Engaging in Marawi will entail engaging in a context of ongoing security operations, a fragile social contract, and rapidly evolving institutional arrangements given the establishment of the BARMM in 2019.

CPF Objective #9: Support the normalization process in the Bangsamoro region

68. Enactment of the Bangsamoro Organic Law triggered the launch of the implementation of the Bangsamoro Normalization Program (BNP).⁷¹ The main objective of the BNP is "to guide the design, financing, implementation, and monitoring of a series of programs, projects and activities designed to support the transition from the conflict to sustainable development in the Bangsamoro." While the government will make available most of the resources necessary to implement the BNP,⁷² grant financing from international partners will be pooled in the proposed fiduciary fund designated as the Bangsamoro Normalization Trust Fund (BNTF). The Bank will serve as the Administrator of the BNTF and will bring together the Government of the Philippines (GOP), the MILF, other local stakeholders, and the international development community to accelerate the development and implementation of a "peace dividend" program for the Bangsamoro. Given the institutional capacity constraints in BARMM, close and effective collaboration across development partners will be essential for promoting high-impact engagement.

69. The BNTF will aim to provide economic and social services to the population, including excombatants, in a timely and effective manner. The establishment of the proposed BNTF builds on the Bank's convening role under the MTF. The program development objective (PDO) of the BNTF is "to support the implementation of selected tasks of the normalization mechanisms, and the implementation of selected Projects, Programs or Activities (PPAs) in the Bangsamoro Normalization Program". The BNTF will aim to achieve its objective by supporting coordination, technical assistance and financing of activities under several programs or "windows", which will potentially include: (i) Institutional and operational support to GOP/MILF normalization mechanisms; (ii) Technical assistance and capacity building for normalization; (iii) Financing of investment grants aimed at supporting specific PPAs for the implementation of the BNP and its clusters; and (iv) Implementation support and supervision of PPAs financed by the BNTF and Fund Secretarial activities in support of its governance mechanisms. WBG engagement will aim to promote social inclusion by promoting broad-based participation and intercommunity dialogue. Support can also include building conflict-prevention components into projects

⁷¹ See Annex 5.

⁷² The proposed National Government budgetary support for BARMM under the FY2020 National Expenditure Program (NEP) is composed of P63.6 billion Annual Block Grant; P5.0 billion Special Development Fund; and P2.0 billion share of the BARMM national taxes, fees and charges collected in the BARMM, pursuant to the BOL.

to reinforce resilience as well as developing programs designed to improve the welfare of young people, including youth employment programs.

CPF Objective #10: Increased resilience to natural disasters and climate change

Support for Disaster Risk Management

70. The Philippines has been forward-leaning in establishing innovative risk financing mechanisms to manage fiscal risks to natural disasters and climate change. The government continues long-term efforts to expand its menu of risk financing instruments to minimize costs and increase the timeliness of post-disaster response, with focus ranging from the national to the household level.⁷³ Long-term Bank support for the government's implementation of the Disaster Risk Financing Strategy of the Government of the Philippines, has encompassed catastrophe risk insurance supervision, budget revisions, and support for fiscal risk management and catastrophe risk insurance programs. Building on the lessons learned from the first and second DPL CAT-DDOs, the forthcoming Third DPL CAT-DDO will complement the Competitiveness DPL series and will support policy actions aimed at (i) further strengthening the policy, regulatory and institutional framework for disaster risk reduction, and (ii) further enhancing the capacity of LGUs to respond and recover from disasters. The Third DPL CAT-DDO also supports several policy actions on building the capacity of local governments to plan, implement, finance, and monitor disaster resilience, recovery and reconstruction programs. It highlights policy reforms on effective planning and improving delivery mechanisms, implementation arrangements, and financing solutions to help LGUs recover faster and build-back-better after disasters. Mobilizing private sector is important to improve climate risk prevention by developing more resilient and green buildings

71. Strengthening asset management is integral to the effective management of fiscal risks. In line with a policy to implement comprehensive fiscal risk management of public assets against disasters, the Philippines is putting in place the needed institutional structure and financial instruments to insure key assets. In line with the 2017-2022 PDP strategic goal to ensure asset protection, the Competitiveness DPL series supports policy reforms to enhance public asset management, working with key institutions, including the Bureau of the Treasury, which will establish a web-based National Asset Registry System to improve asset management by key agencies. Improved asset management and greater access to key information will facilitate better planning and capacity to address fiscal and physical impacts of climate change, including sea level rise and increased hydro-meteorological disasters. Improved public asset management will reduce contingent fiscal risks, increase efficiency in the use of public resources, and support improved planning and maintenance of public infrastructure. The DPL series also supports complementary reforms to improve financial resilience to natural disasters and climate change, including further institutionalization of DRF principles. This will improve the efficiency of post-disaster budget execution, a key challenge in disaster response. Supported measures are expected to reduce the cost and shorten response time post-disasters by having more or improved financial mechanisms for disaster response.

72. WBG partnership will support the Philippines in complementing *financial* risk reduction with *physical* risk reduction. The proposed Philippines Seismic Risk Reduction and Resilience Project will enhance the: (i) expected seismic performance of selected public facilities; and (ii) emergency preparedness and response capacity of relevant government agencies starting with Metro Manila. It will promote risk reduction for priority public facilities such as schools and public buildings and enhance emergency preparedness and response, leveraging the Philippine Building Act, landmark legislation around the regulatory framework for building the resilience of infrastructure, and the first overhaul of the National Building Code since its enactment in 1977.

⁷³ The recent approval of the Emergency Cash Transfer program, if successfully implemented, will promote faster recovery from natural shocks at the household level.

73. Metro Manila's geographic location makes it prone to frequent and increasingly intense floods, which put millions of people and economic growth at risk. While recurrent flooding affects the population at large, the poorest population segments (who generally live in higher-risk, more flood-prone areas) are hardest hit. The Flood Management Master Plan for Metro Manila prepared in 2012 with WB technical and financial support proposes priority structural and non-structural measures to provide sustainable flood management in Metro Manila. As the first major intervention of the master plan, the ongoing Metro Manila Flood Management Project (MMFMP), aims to modernize existing pumping stations or construct new ones, improve waterways and drainage channels, improve solid waste management in drainage areas, and relocate informal settler families living precariously on waterways. These multi-sector interventions will help reduce flooding in project drainage areas and reduce the vulnerability of Metro Manila's population. The master plan also identified the need for structural and non-structural interventions to improve flood management in the Pasig-Marikina River Basin. The Bank has provided two recipient-executed grants to support the feasibility studies and designs of required interventions, including a large multi-purpose dam in the upper catchment of the Marikina River and a retention basin just upstream of the city to improve flood management and enhance water supply. The dam will be constructed by the government as a public good, while the water supply development can be done by the private sector. In support of flood management improvements, the proposed Pasig-Marikina River Basin Flood Management Project will finance the implementation of necessary infrastructure as well as watershed rehabilitation, flood forecasting and early warning, and inundation mapping, among others.

Engagement on Climate Change and the Environment

74. The CPF will support the implementation of the Philippines Nationally Determined Contribution (NDC), particularly in relation to climate resilience objectives.⁷⁴ A cohesive package of technical assistance currently underpins Bank engagement in this arena, aligned with new WBG climate corporate commitments. Core activities include a technical assistance through late 2019 for increasing government capacity to implement the Philippine Risk Resiliency Program, along with a Partnership for Market Readiness grant that is currently underway (closing at the end of FY20), which analyzes the potential for carbon pricing instruments to assist the Philippines in delivering on its NDC commitments. Given the negative impact of droughts on agriculture and the large potential to promote more efficient irrigation development, the Bank has also proposed ASA to develop a vision of irrigated agriculture by 2050, encompassing (i) improved water management; (ii) increased agricultural production and water productivity; and (iii) strengthening knowledge and capacity building. In parallel, a new phase of Climate TA is being mobilized—with resources from the NDC Support Facility and potentially ProBlue Trust Funds—to support the implementation of climate budgeting reforms, to deepen the understanding and planning of climate resilience measures in key sectors, and to mobilize the private sector in support of climate resilience and mitigation. Lending in this sector may also be considered.

75. The private sector is exposed to considerable financial risk stemming from natural disasters and climate change. To promote disaster resilience infrastructure projects, including residential housing, key reforms could include (i) engaging the private sector in renewable energy investments to support the adoption of more renewable and cleaner energy sources, and (ii) using policy initiatives to incentivize financial institutions to better serve the agriculture sector by upgrading service models and supporting weather index insurance. IFC has worked with Banko Sentral ng Pilipinas (BSP) through the Sustainable Banking Network to develop the Sustainable Finance Framework; helped create the market for climate finance by building the capacity of local banks to lend to climate-smart projects; and helped catalyze the green bond market by investing and issuing the first green bonds in the country. Looking ahead, IFC's

⁷⁴ The Philippines Department of Finance (DOF) has shown strong leadership in international Climate Change fora, including as Chair of the Vulnerable 20 (V20) group in 2016 and more recently as a member of the Coalition of Finance Ministers for Climate Action and as Country Champion for Principle 4 of the Helsinki Principles that aims to "take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management and procurement practices."

future contribution to the WBG's Climate Change Action Plan will include: (i) continued engagement with commercial banks to expand access to finance for green/climate-smart projects through investment and advisory support; (ii) investing in the renewable energy sector: solar, wind and geothermal; and (iii) working with various stakeholders to promote more investment in green buildings. IFC will also seek to partner with domestic banks (through risk-sharing) and developers (through direct financing) to supply disaster-resilient housing, while IFC advisory services will support crop insurance innovation and coverage expansion.

76. The WBG will continue to deepen engagement on renewable energy in line with the 2017-2022 PDP goals and the implementation of the Philippine National Energy Efficiency and Conservation Program. The ongoing Access to Sustainable Energy Project (ASEP) will support rural electrification with an emphasis on remote and last-mile communities, adding 30,500 solar home systems by 2021. The Bank will also seek to engage the government in supporting the implementation of the recently enacted Energy Efficiency and Conservation Act, with initial focus on opportunities in public buildings.

77. **Management of solid waste and marine plastics is also recognized as a key issue for the Philippines, threatening several elements of the blue economy as well as urban public health.** A regional programmatic ASA is under preparation (with support to the Philippines from KGGTF and ProBlue Trust Funds) to determine plastic pollution hotspots along the Pasig River and to assess different plastic quantities and types. The intent is to prioritize plastic items for regulation and areas where solid waste collection investments are needed. In parallel, a US\$7.4 million GEF grant for Integrated Water Quality Management for Pasig River is in the advanced stage of preparation, with the Pasig River Rehabilitation Commission (PRRC) as the implementing agency. IFC will seek opportunities for investment in solid waste and wastewater treatment.

Cross-Cutting Theme: Governance

Towards achieving the overarching goal of enhancing the social fabric in the Philippines, the 2017-2022 PDP highlights the need to achieve seamless service delivery and improve the productivity of the public sector; to fully engage and empower the citizenry, including by promoting participatory governance; and to strengthen the civil service, including by improving human resource management systems, streamlining processes, and developing and investing in human resources.

78. Given the systematic implications of the Mandanas ruling, the Bank portfolio and pipeline will be reviewed and leveraged to support strengthening the implementation capacity of LGUs, which is central to addressing key service delivery challenges. During the CPF period, the Bank will support more effective planning at the local level, supporting the wider GOP goal to channel national government resources more effectively. The Mandanas ruling has heightened the focus on strengthening the capacity at the local level, including for public finance management. The WBG is well-positioned to deepen capacity building through its program, including the PRDP and the Philippines National Community Driven Development Program (NCDDP). The PRDP has helped to introduce significant institutional reforms that are increasingly being mainstreamed across the units and agencies of the Department of Agriculture (DA). Key reforms include, among others: (i) planning that links national strategic objectives with regional and local level plans and strategies; (ii) LGUs have become implementers and owners of the investments, consistent with the LGU Code (1991), with DA playing a technical support and cost-sharing role; (iii) Provincial Commodity Investment Plans (PCIPs), designed as three-year rolling plans, are increasingly being institutionalized and becoming part of regular LGU investment planning. Notably, PCIPs also provide a mechanism for mobilizing complementary support (convergence) from other government agency programs and private sector initiatives. To this end, 70 provincial LGUs have reported leveraging PhP8 billion (approx. US\$115 million), while another PhP36

billion is proposed for funding with various agencies, in addition to PRDP support. Notably, PRDP support for planning at central and local levels and for rural infrastructure investments also aims to increase climate resilience and adaptation. Innovations in NCDDP will also explore institutionalizing the integration of CDD in local development processes; pilot-testing CDD in peri-urban areas; and exploring a workable model for CDD in local economic development. An intensified effort will be needed across national agencies with devolved functions to put in place effective operational and institutional mechanisms in advance of 2022 when the Mandanas-related budget adjustments become effective.

79. More broadly, achieving the priorities and aspirations in Ambisyon Natin calls for a competent, motivated, and modern civil service that is "smart and future-ready." The 2017-2022 PDP priorities include strengthening the civil service, including improving human resource systems, streamlining processes, and developing as well as investing in human resources. The Civil Service Modernization project will aim to strengthen the capacity of the Civil Service Commission and key human resource management (HRM) institutions and improve the HRM capacity of line agencies to support enhanced organizational effectiveness. The Philippine civil service faces a number of challenges, including high institutional fragmentation, politicization, low digital penetration, and administrative risks; in addition, the Philippines does not currently have a single, comprehensive Human Resources Management Information System (HRMIS) covering the Philippine civil service as a whole. Similarly, there is currently no national system for human resources management and payroll, with both automated and manual systems in use in various agencies. Looking to the future, reforms can equip civil servants for engagement that is more agile and citizen-centric; more technology-enabled and automated; enabling rather than controlling and regulating; results-oriented; driven by partnership and collaboration; datadriven; and oriented towards innovation, design thinking, and risk management.⁷⁵

Cross-Cutting Theme: Promoting Digital Transformation

Ambisyon Natin 2040 envisages the Philippines as a globally-competitive knowledge economy that is smart and innovative. In line with this vision and efforts to capture opportunities and manage risks associated with the Fourth Industrial Revolution (FIRe), the 2017-2022 PDP outlines strategic priorities that reach across the public and private sectors, including enhanced e-government, addressing gaps in digital connectivity, enhancing the ecosystem for science, technology and innovation (STI) as key to long-term growth; and increasing STI utilization in agriculture, industry and services sectors, along with increasing investments in STI-based start-ups, enterprises and spin-offs. The PDP also recognizes the need to leverage the potential of digitalization and manage its risks in order to enable service delivery and expand opportunity for all Filipinos, including the youth.

80. **Proactive efforts to harness digital technology while managing related risks can help enable and catalyze more inclusive growth in the Philippines**. The WBG will strive to identify opportunities to use digital technology in the delivery of the CPF program, building on ongoing ASA for PhilSys, the government's forthcoming central identification platform for all citizen and resident aliens of the Philippines. The Competitiveness DPL will also support foundational policy initiatives, including the implementation of the national ID system (supported by the 2018 Philippine Identification Systems Act) and the implementation of the National Payment Systems Act (NPSA), both of which are expected to boost service delivery and financial inclusion, and facilitate the transition of the Philippine economy into the digital age, which would broaden the country's prospects and further boost investments by the private sector. Both the national ID system and the NPSA are potential springboards for expanding opportunities

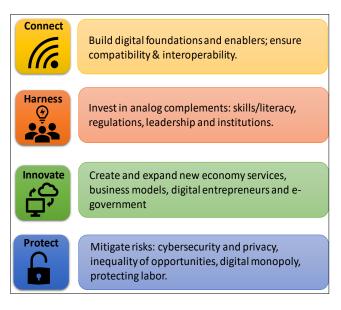
⁷⁵ The notion of a "smart and future ready civil service" comes from the Civil Service Commission (CSC) itself; the definition in this paragraph draws on the output of an internal CSC brainstorming session and a workshop held in January 2019.

for the poor and vulnerable through digitalization, and the government is working to operationalize the NPSA's regulatory framework.⁷⁶ IFC will also invest in select fintech players to help address issues of inclusion (e.g., digital/mobile banking) and to bring knowledge sharing and best practices to a nascent industry. IFC investments in education, including potentially in edu-tech, and health care will focus on the use of digital technology to deliver better services.⁷⁷ As increased use of automation potentially poses a threat to the BPO sector, private investment to transition to knowledge-intensive activities with higher value-added will also be important.⁷⁸

81. Towards leveraging technology for inclusive development, faster growth, quality jobs, and better service delivery, WBG engagement will be guided by the CHIP conceptual framework (see Figure 7).

Connect. The archipelago geography of the Philippines poses particular vulnerability to an urban/rural divide in broadband coverage. The Bank, in collaboration with IFC, will support technical and advisory assistance to DICT and the Philippine Competition Commission to help strengthen the regulatory framework for digital infrastructure investment, complementing work under the Competitiveness DPL. Core objectives will include extending both fixed and mobile broadband access countrywide and improving affordability,

Figure 7: CHIP Conceptual Framework for Supporting Digital Transformation



addressing regulatory issues such as infrastructure-sharing and demand side aspects such as interoperability in support of the planned digital government platform. With support from the Global ID4D Trust Fund and potentially other development partners, the Bank will also continue ongoing ASA for PhilSys.

• *Harness*. Under a regional ASA (Southeast Asia: Data-Driven Digital Skills Development Strategies), the Bank will work with the Philippines and three other governments to develop tools to track and monitor changing skills needs as Southeast Asian economies adopt digitalization. The Civil Service Modernization and Human Resources Management Project will also include a component to support the design, installation, and rollout of a new government-wide human resources management information and payroll system.

• **Innovate**. A cross-GP engagement on Digital Economy will build on ongoing analytical advisory work to support the Government's new Digital Economy Technical Working Group. Focus areas include digital infrastructure, payments, and logistics. Towards strengthening government capacity for service delivery at all levels in line with the country's medium-term development objectives, the Bank will also work with key stakeholders to build the foundations for digital government. This will encompass policy dialogue and sharing of global best practices; cloud services; data management; government back office systems interoperability; and prioritizing digitalization of front-line services. Follow up investment or

 ⁷⁶ Other relevant strategic frameworks include the Philippine Inclusive Innovation Industrial Strategy, which aims to help the Philippines develop a globally competitive and innovative manufacturing, agriculture and services industries.
 ⁷⁷ IFC will aim to explore sectors with proven business models, where applying disruptive technology has made a significant impact by lowering

⁷⁷ IFC will aim to explore sectors with proven business models, where applying disruptive technology has made a significant impact by lowering the cost of doing business, expanding availability of service, and improving quality and efficiency such as in education and health care.

⁷⁸ Errighi, Bodwell, Khatiwada (International Labor Organization: 2016).

results-based operations will be subject to client demand. Further innovation also will be undertaken through the PRDP (leveraging technologies for agricultural extension services and marketing) and engagements on disaster risk management.

• **Protect.** Under the Philippines National ID System TA, the Bank has been providing selective advisory assistance on data governance, data privacy, and data protection issues in the context of the existing Privacy Act (2012). This will remain a key component of future engagement on digital ID issues and is highly relevant for WBG engagement given the increased focus on expanding the use of digital payments. Future advice may also include cybersecurity issues more broadly, including for a detailed Cybersecurity Assessment and associated capacity-building.

Implementing the FY20-December 2023 Country Partnership Framework

Financial Envelope

82. The WB program will mobilize the Bank's global knowledge and technical expertise, convening power, and financing for results-oriented support across all CPF focus areas. The indicative lending program for the CPF period is expected to be \$1.5 billion per year on average during the CPF period. Demand for FY20-22 is US\$4.2 - 4.4 billion, with between US\$1.0 and US\$1.4m for FY20. The Bank will work closely with counterparts to promote continued strong engagement during the transition between the current and subsequent administration. IBRD lending volumes over the CPF period may depend on country demand, overall performance, as well as global economic and financial developments, which affect IBRD's financial capacity and demand by other Bank borrowers. Over the CPF period, the range of Bank instruments is likely to further diversify in line with client demand, including for innovative financial products. Building on positive experiences to date, RASs will also be important instruments to support continued robust knowledge-based engagement. Trust funds will continue to play a catalytic role in support of the wider program. In FY20 the total volume of recipient executed grants is expected to be US\$150 million. In addition, a portfolio of US\$26.3 million Bank-executed trust funds are also under implementation.

Financial Management, Procurement and Government Systems

83. The Philippine government is pursuing an action plan to strengthen public financial management (PFM) at the national government level. The 2016 Public Expenditure and Financial Accountability (PEFA) assessment provided a comprehensive review of the effectiveness of the PFM system for achieving core budget outcomes of aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery. The PEFA noted areas of progress while identifying key PFM weaknesses related to budget reliability; limited capacity of the accounting system to provide timely information to budget managers; procurement; asset management; and congressional oversight of audit reports. The government has pursued an action plan for PFM reform, and a top achievement has been the launch of the Budget and Treasury Management System (BTMS), an integrated financial monitoring system for all agencies. An IBRD Reimbursable Advisory Service (RAS) 2018-2019 provided advice on the deployment of the budget and treasury management system, integration with other crucial public administration systems, establishment of a comptroller general of financial management, and implementation of the upgraded e-procurement system.⁷⁹ Robust efforts to strengthen local PFM capacity, including in BARMM, will be essential for ensuring the effective use of increased levels of public revenue at the local level. Recent WB analysis in BARMM highlighted the need to broadly strengthen administrative capability, including budget planning and preparation, revenue management, expenditure management and internal audit.

⁷⁹ Improving Fiscal Management DPL

84. **Ongoing GOP efforts to tackle procurement challenges build on a long-term agenda.** In recent years, the Government Procurement Policy Board (GPPB) developed a policy on organization, staffing and competency requirements for professionalization; standardized all procurement documents; and harmonized them with development partners. As discussed in the Philippine SCD, despite the progress achieved over time, public procurement outcomes may still be falling short of delivering the best value for money. The Bank is engaging actively with the GOP on Procurement Reform, which will likely grow during the CPF period. Ongoing support includes advisory services on the modernization/upgrading of the Philippines Government e-Procurement System (PhilGEPS) under the PFM-RAS; procurement data-analytics assessment using PhilGEPS data to measure procurement performance and recommend appropriate procurement strategies for enabling greater efficiency and cost savings; and technical assistance in conducting, at the request of the Government and in partnership with ADB, a comprehensive assessment of the public procurement system using the Methodology for Assessing Procurement Systems (MAPS) methodology. The MAPS assessment will enable the Government to prioritize future procurement reform activities and identify needs for future support.

Managing Program Implementation

85. The SCD highlighted the challenges posed by a host of public administration challenges in the effectiveness of governance and service delivery—fragmentation and overlap of responsibilities across agencies and levels of government, weak public financial management, challenges in public procurement processes, and uneven ownership and decision making across agencies and over time. These are manifested in the WBG portfolio as lengthy project preparation and internal government approvals, delays in project start-up and recurrent implementation bottlenecks. Project processing from appraisal to approval averaged 18 months from FY15-19, which is high by regional and Bank-wide standards, owing to elaborate multi-layer government reviews and limited communication and collaboration among oversight agencies. Weak technical capacity and frequent leadership changes in implementing agencies also contributed to delays in addressing bottlenecks in project preparation and approvals. The Bank has pursued Additional Financing for well-performing operations to help manage preparation time and startup.

86. The government and the WBG team have taken steps to address and mitigate key implementation risks in individual projects and across the portfolio. The GOP's Annual ODA Portfolio Review Report outlines persistent project implementation challenges, including issues related to project preparation, procurement, right-of-way and funds flow among others. Efforts to anticipate and address these challenges are ongoing. For example, the Department of Finance leads focused meetings with oversight agencies and relevant implementing agencies to pinpoint and discuss implementation and identify action steps for problem projects. Disbursements have consistently met, if not exceeded, the 20 percent annual target, helped in part by a shift to report-based disbursements as well as close monitoring of planned disbursements. The Bank has also instituted quarterly pipeline meetings with the GOP to discuss the status of project preparation and resolve outstanding issues. Currently, the portfolio has only one problem project. Robust project supervision, including monitoring and evaluation, will remain fundamental.

87. The WBG also continues to provide analytical and advisory support to the country program through ASAs and RAS. Programmatic ASAs have been pursued selectively in areas with strong champions and clear multiyear engagements. The Philippines has moved from having an ASA portfolio well in excess of capacity to one having sufficient space for new tasks. This has been achieved through proactive monitoring of deliverables and review meetings and by working closely with teams in the design and creation of new ASA tasks.

88. As of end-June 2019, the active IBRD portfolio in the Philippines consisted of 10 operations financed by loans, GEF grant, and large recipient-executed grants. Net total commitment amounted to US\$3.5 billion. The size of the portfolio (investment project) has steadily increased over the years while the total number of projects decreased from 15 projects in FY15 to only 10 projects in FY19, with average

project size increasing from US\$195 million in FY15 to US\$352 million in FY19. Most projects support the government's major programs in social protection, rural development and community-driven development through financing and technical assistance. Two of the active projects benefit from co-financing—Cebu BRT and Metro Manila Flood Management—helping to mitigate risks in complex projects.

Partnerships and Donor Engagement

89. The Philippines has had longstanding engagement with a diverse array of bilateral and multilateral development partners (see Annex 7). Total net commitment of the country's Official Development Assistance (ODA) portfolio was US\$14.5 billion in end-September 2018, the vast majority of which was in the form of loans (85 percent or US\$12.3 billion) compared to fewer grants (15 percent or US\$2.22 billion).⁸⁰ Japan was by far the largest ODA provider in 2018, with US\$5.98 billion in loans and grants—equal to 41 percent of all ODA to the Philippines. The World Bank and the Asian Development Bank (ADB) were the second and third largest sources, accounting for 22 percent and 15 percent of the active ODA portfolio. Given the scale of WB and ADB support to the Philippines, special efforts are being made to ensure strong complementarity (see Box 4). Bilateral partners have included the USA, Australia, Japan, China, Korea, Germany, Canada, New Zealand, Spain, Italy, and France among others. In terms of grants, the United States, Australia, and the UN System together accounted for 71 percent of ODA grants ranked by funding source.

90. The transition of the Philippines from LMIC to UMIC status will likely reduce access to concessional financing from several development partners. Among others, this is true of Japan, which has been a leading bilateral source of infrastructure financing for the Philippines, including the Metro Manila subway project of May 2018. Looking ahead, as access to concessional financing tapers down in the country, the relevance of leveraging private financing for development will grow. Trust fund resources will also need to be deployed with increasing selectivity for strategic initiatives. Along these lines, highlights of trust funds in the WB program during the CPF period include:

- Australia-WB Growth and Prosperity in the Philippines Trust Fund (AGaP). Resources provided through the TF will complement WB resources for mobilizing technical expertise, analytical and implementation support to underpin critical reform efforts of the government.
- At the specific request of the Philippine government, the Bank is mobilizing external funds to support complex preparatory work to inform the government's decision on modalities for the rehabilitation of the Agus Pulangi hydropower complex. A well-designed project would have the potential to mobilize financing from the private sector. A **multi-donor partnership focused solely on Agus Pulangi Rehabilitation** would be the most appropriate vehicle, with DFAT as the first contributor to the MDTF. AFD committed €1 million in parallel financing for environmental and social impact assessment and the engagement of an international panel of experts to support the Philippine Government during project preparation.
- Spain also committed to extend co-financing to a proposed **investment operation for Marawi rehabilitation**, while discussions are ongoing with the European Commission for possible co-financing for the Philippine Rural Development Project.

⁸⁰ Philippines National Economic and Development Authority (NEDA). ODA Ranking and List of Active ODA Programs and Projects as of September 2018.

Box 4: Serving the Philippines Together: Highlights of the Collaboration Between WBG and ADB

Strong collaboration between WB and the ADB in the Philippines includes regular dialogue in areas ranging from the social sectors to peace and development in Mindanao. Following are the highlights:

- **Peace:** The ADB and WB have jointly coordinated contributions from DPs for the early recovery, rehabilitation, and reconstruction of Marawi City since 2017, serving as co-chairs for meetings with DPs.
- **Country systems**: The ADB, JICA and WB consistently provide global knowledge and good practices aimed at improving the government's fiduciary systems. On procurement, joint development assistance includes the institutionalization of community participation in procurement and its adoption in ODA-funded projects. On public financial management, WB-ADB collaboration includes regular consultations with DPs to promote integrated and synchronized technical assistance and (iii) modernizing the financial disclosure system called electronic Statement of Assets, Liabilities and Net Worth (e-SALN), linked to the Anti-Money Laundering program of the government assisted by ADB.
- Social Protection. Both the ADB and WB provide substantial support to the government's 4Ps conditional cash transfer (CCT) program, implemented by the Department for Social Welfare and Development (DSWD). The US\$300 million Social Welfare and Development Reform Project Additional Financing, approved in June 2019, will deepen the Bank's long-standing program support.
- **Community-Driven Development**. WB and the ADB worked closely together to support the government in the design of the National Community-Driven Development program (NCDDP). The ADB is providing parallel financing (US\$372 million) to a US\$479 million World Bank loan to support the expansion of CDD activities across the country using a common set of guidelines and procedures. After Typhoon Yolanda in 2013, the program's coverage was expanded to include post-disaster support to disaster-hit communities.
- Education. The WB's Education team is actively collaborating with ADB Education counterparts to ensure complementary support to the GOP's basic education reform program. The IBRD financed US\$300 million Learning, Equity and Accountability Program Support (LEAPS) closed in December 2018, while ADB has supported an ongoing US\$300 million Senior High School Support program approved in FY14 and another US\$300 million Secondary Education Support Program.

IV. Managing Risks

91. **The overall level of risk to ensuring strong delivery and outcomes of the WBG program for 2020-December 2023 is considered Substantial**. Across the components of the WBG's Systematic Operations Risk-Rating Tool (SORT), most risks are expected to be moderate. Macroeconomic risks stemming from global and regional uncertainties as well as heightened budgetary pressures from recent legislation will require continued proactive management.⁸¹ The ambitious infrastructure program will also need to address environmental and social risks. Risks for sector strategy and technical design in CPF focus areas, while present in varying degrees, are evident but considered moderate relative to the most substantial risks associated with implementation.

92. With supportive legislative and robust strategies on many fronts, the key enablers for achieving more inclusive growth, a more competitive economy and a level playing field for all Filipinos are *implementation and follow-through*. This key conclusion of the SCD is also affirmed by recent lessons learned and considerable stakeholder feedback. Key risks encompass: (i) risks to achieving

⁸¹ Fiscal Risk Statement 2020

CPF objectives; (ii) risks of unintentional harm; and (iii) residual risks that remain after risk mitigation. The most substantial risks facing the delivery of the WBG CPF are as follows:

Political and governance risks: The national election and the first BARMM elections in 2022 will likely influence and shape shortterm and medium-term government policy priorities. Political risks may intensify in 2021 as elected officials prepare for the elections. national 2022 Past WBG experience highlights the challenge of maintaining momentum for delivery during political transitions and across electoral cycles. The Ambsiyon Natin 2040 aims to help mitigate this risk by providing a shared, long-term focus for successive PDPs: mitigating measures by the WBG will include

Figure 8: Systematic Operational Risk-Rating Tool

Summary Risks (H: High; S: Substantial; M: Moderate;
L: Low)

Risk Categories	Rating
Political and governance	S
Macroeconomic	М
Sector strategies and policies	М
Technical design of project or	М
program	
Institutional capacity for	S
implementation and	
sustainability	
Fiduciary	М
Environment and social	S
Stakeholders	М
Overall	S
	Political and governance Macroeconomic Sector strategies and policies Technical design of project or program Institutional capacity for implementation and sustainability Fiduciary Environment and social Stakeholders

continued development of close WBG working partnerships with technical counterparts and actively engaging newly-elected leaders for dialogue and to understand policy priorities and adjustments. In relation to transparency, accountability, and participation, the government's high-profile policy focus on law and order, including the war on drugs, will continue to shape the wider governance environment in the second half of the administration. This will, in particular, continue to influence the environment for social cohesion and peace building.

- Institutional capacity for implementation and sustainability. The adoption of consequential legislation in the Duterte administration's first three years—including the BOL, rice liberalization and Universal Health Care—poses a challenging agenda for implementation that calls for adept engagement of local government, capacity strengthening at the local level, and strong coordination across the national, regional and local levels of government. The rollout of the increased financial devolution to LGUs as of 2022 promises to increase access to delivery of services at the local level, yet without intensified capacity building, uneven delivery across LGUs could aggravate disparities in both access and quality.
- Environmental and Social Risks: There was a significant decrease in violence in the Bangsamoro region in 2018, a very hopeful development. Robust delivery of tangible improvements for BARMM residents will be integral to demonstrating a peace dividend. Nonetheless, the environment in the Bangsamoro remains subject to a wide range of conflict drivers and actors, both longstanding and emerging.⁸² These factors pose risks to sustainability of development gains through the WBG program. The Bank will also support infrastructure in selected areas, including the proposed Pasig-Marikina River Basin Flood Management Project and the Agus-Pulangi Rehabilitation Program. These projects will require careful risk management, including in relation to potential environmental impacts on physical, biological and cultural resources and on human health and safety.

⁸² Conflict Alert 2019. International Alert. http://conflictalert.info/publication/war-makes-states/

Annex 1 Philippines Country Partnership Framework Results Matrix (FY20-December 2023)

Indicators supporting the cross-cutting themes of Governance and Digital Transformation are in Italics.

CPF Objective: To reduce core constraints to inclusive growth and poverty reduction in relation to people, competition and key vulnerabilities.

Focus Area 1: Investing in Filipinos

Definition of Focus Area: Human capital development is a pathway to achieving the WBG twin goals. The SCD notes that uneven human capital investment is driving inequality, undercutting individual productivity and eroding the future demographic advantage. This focus area will concentrate on addressing key constraints to building human capital, with focus on: (i) improving access to quality education (ii) increasing access to affordable health services; and (iii) improving efficient social protection system for the poor and vulnerable.

Country Development Goals: The 2017-2022 Philippine Development Plan (PDP)⁸³ aims to facilitate economic progress by (i) ensuring access to functional service delivery in health and education; (ii) providing quality nutrition and health care interventions; (iii) achieving quality and accessible education; (v) enhancing teacher's competencies and (vi) enhancing the conditional cash transfer program to mitigate risks faced by the vulnerable. This focus area contributes to the Government's efforts to achieve SDGs 1 (Ending Poverty); SDGs 3 (Good Health and Well Being); SDGs 4 (Quality Education); SDGs 5 (Gender Equality); SDGs 10 (Reduced Inequalities).

Objective 1: Improved access to quality education services

Intervention Logic: While enrollment in elementary and high school among poor children in the Philippines has improved markedly, significant challenges remain in learning outcomes and high dropout rates, which are more prevalent among the poor and in conflict affected areas. The HCI suggests that 12.8 years of schooling in the Philippines only generates as much learning as 8.4 years in schools in the highest performing systems.⁸⁴ Investments in education quality will help to boost learning outcomes and enhance efficiency of the school system. **WBG Support:** Consistent with government priorities, the WB program will focus on enhancing teaching quality for literacy, numeracy and socioemotional skills for kindergarten and grade 6 particularly in lagging regions such as Mindanao, SOCCSKARGEN and BARMM. The program will support improving reading and math learning outcomes among elementary students by strengthening training on elementary teachers as well as coaching, mentoring and revamping school leadership. The learning outcomes will be monitored through both improvement in grade 6 National Achievement Test Scores (NATS) and International Mathematics and Science Study (TIMS). TIMSS test score indictor may be added during the PLR stage when the baseline will be available in 2020. In addition, the WB through the 4P

⁸³ PDP 201-2022

 $^{^{84}}$ Learning-adjusted years of school are obtained by multiplying expected years of school by the ratio of test scores to 625, corresponding to the TIMSS benchmark of advanced achievement. For example, if expected years of school in a country is 10 and the average test score is 400, then the country has $10 \times (400/625) = 6.4$ learning-adjusted years of school. The distance between 10 and 6.4 represents a learning gap equivalent to 3.6 years of school.

Bank will explore opportunities to support the CPF objective Indicators	Supplemental Progress Indicators	WBG Program
1.1. Share of children (6-14 years old)		Financing: Ongoing
attending school at least 85% of the time		 Social Welfare Development and
among poor CCT beneficiary households ⁸⁵		Reform Project II (P153744)
Baseline: 84% (2018); Target: 91% (o/w		– SWDRP-AF (P169637)
females 91% and indigenous 88%) (2022)		Financing: Pipeline
		 Teacher Effectiveness and
1.2. Increase in Grade 6 National		Competitiveness Enhancement
Achievement Test Scores (%) ⁸⁶		(TEACEP)
Filipino: Baseline: 53% (2017); Target:		ASA: Ongoing/Pipeline:
60% (2023)		- Philippines Skills Development
Math: Baseline: 34% (2017); Target: 38%		Technical Assistance
(2023)		- Philippines Poverty Program
English: Baseline: 40% (2017); Target:		FF
46% (2023)		
CPF Objective 2: Increased access to affore	dable health services	
Intervention Logic: Access to public health	care in the Philippines increased with the expa	ansion of public insurance in recent years.
However, ensuring high-quality of services for		
care and a persistently high stunting rate. Vacc	cination rates and other health indicators along	g with the quality of health care overall are
worse in poorer areas. Conflict-affected areas	· ·	ervices. In ARMM, only 2 in 10 children at
12-23 months of age are immunized, and malr		
WBG Support: A combination of investment		
protection program will continue to support th	1 0	1 , 5 6
(decreasing underweight wasting and stunting	; fulfillment of complete immunization). The	ongoing programmatic health ASA will

(decreasing underweight wasting and stunting; fulfillment of complete immunization). The ongoing programmatic health ASA will support key policy reforms related to health financing at the national level, while support to BARMM will include focus on health financing and service delivery. The ongoing nutrition ASA is expected to provide evidence-based research to inform the government's nutrition policies towards supporting achievement of the government's goal to reduce stunting to 22% by 2022. In addition, IFC will leverage private sector participation to improve the quality and affordability of health services.

⁸⁵ Social Welfare Development and Reform Project II (P119343)

⁸⁶ Average of 3 district domains

	Supplemental Progress Indicators	WBG Program
 2.1. Share of children (0-5 years old) undergoing growth monitoring and checkups among poor CCT beneficiary nouseholds⁸⁷ Baseline: 93 % (2018) Farget: 98% (o/w females 98% and indigenous 98%) (2022) 2.2. Immunization coverage rate for children age between 12-23 months in BARMM. Baseline 9%⁸⁸ (2017); Target 30% (2022)⁸⁹ 	2.1.1 . Number of patients with access to private health facilities ⁹¹ Baseline: 860,000 (2018); Target: 1,790,000 (2021)	 Financing: Ongoing Social Welfare Development and Reform Project II (P153744) SWDRP-AF (P169637) Quality & Affordable Education and Health (IFC) ASA: Ongoing/Pipeline: Philippines Poverty Program Philippines Health Financing Review and System Strengthening Philippines Programmatic ASA for Health, Nutrition and Population Philippines Nutrition ASA IFC: Fullerton Health
2.3. Decrease in out of pocket payment as bercentage of total health expenditure ⁹⁰ Baseline: 54.5% (2017); Target: 50% 2022)		

Intervention Logic: The Philippines has undertaken significant steps to build a strong social protection system. The 4Ps has been important for increasing the human capital of beneficiary children and reducing the extent and incidence of poverty. The government recently established the Social Protection Operational Framework Plan to move towards an "universal and transformative social protection system", as the current Philippine SP Framework remains generally weak in its Labor Market and Social Insurance components, as well as with coordination across multiple agencies. In addition, there is a concern that the high percentage of payments still channeled through over-the-counter (OTC) methods as opposed to more efficient digital payment mechanisms.

WBG Support: The WB will continue to support the 4Ps to improve institutional effectiveness, at a time when the government is undertaking important reforms toward promoting faster poverty reduction and human capital development. This will be done through system upgrades, enhanced digital payments to beneficiaries, improved compliance verification and beneficiary data systems. Technical assistance will be provided to DSWD to support its efforts in strengthening SP service delivery including the payment system. The

⁸⁷ Social Welfare Development and Reform Project II (P119343)

⁸⁸ Baseline data is from Demographic Health Survey (2017)

⁸⁹ Philippine PASA For Health, Nutrition and Population (P162115). All age appropriate vaccinations as defined in the Philippines DHS 2017 report.

⁹⁰ Philippines PASA for Health, Nutrition and Population (P162115); Baseline data from Philippines National Health Accounts (PNHA) issued by Philippine Statistical Authority (PSA 2018)

⁹¹ IFC Fullerton Health program

DSWD, along with other relevant agencies such as BSP, has begun to develop a plan to move CCT payments from OTC and single purpose cash card to more efficient forms of digital payments. In addition, technical assistance will be provided to the Philippines Statistic Authority (PSA) on the application of secure digital ID for social protection program use, with due regard to privacy considerations.

CPF objective Indicators	Supplemental Progress Indicators	WBG Program
3.1. Share of households receiving CCT	3.1.1. Share of CCT beneficiary households	Financing: Ongoing
grants through Over the Counter (OTC)	with updated information in the national	 Social Welfare Development and
(Cash) declining ⁹²	household targeting system ⁹⁴ .	Reform Project II (P153744)
Baseline: 48% (2018); Target: 19% ⁹³	Baseline: 84 % (2018); Target: 92% (2022)	– SWDRP-AF (P169637)
(2022)		ASA: Ongoing/Pipeline
		- New Frontiers in Social Protection in
		the Philippines
		- Philippines- ID4D Technical
		Assistance for the Philippine
		Identification System (PhilSys)
		 Philippines Poverty Program
	Compatitivanass and Economic Opportunity	for Job Croation

Focus Area 2: Competitiveness and Economic Opportunity for Job Creation

Definition of Focus Area: The SCD notes that growth in Philippines has not been inclusive due to lack of competition, restrictive legislation, weak infrastructure and under-performing agriculture. This focus area will contribute to improving conditions for promoting competitiveness and facilitating economic opportunities for Filipinos, improving infrastructure and in addition to improving budget and revenue management for fiscal sustainability.

Country Development Goals: The 2017-2022 PDP prioritizes and supports policies to expand economic opportunities in lagging economic sectors such as agriculture, fisheries and forestry to facilitate access by small farmers and fisherfolk to production markets, new technology and financing services. The PDP also emphasizes increasing competitiveness for a well-functioning, transparent and competitive markets. This focus area contributes government's efforts to achieving the SDG goals such as SDGs 1(ending poverty); SDG 8 (Decent Work and Economic Growth); SDG 9 (Industry, Innovation and Infrastructure) and SDGs 12 (Responsible Production and Consumption).

CPF Objective 4: Improved budget execution and revenue management

Intervention Logic: The Philippine government is increasing domestic revenue mobilization to step up investments in human and physical capital. In recent years, government revenue increased gradually as a result of both tax policy and administration reforms but is still considerably below the regional average. Strengthening budget planning and management is an ongoing effort to improve budget planning and management.

⁹² Represents increased use of card-based systems to access grants rather than over the counter cash grants. *This indicator supports the digital transformation cross-cutting theme.*

⁹³ Social Welfare Development and Reform Project II (P119343)

⁹⁴ This indicator supports the cross-cutting themes of governance and digital transformation.

WBG Support: Bank DPLs and ASA work will continue to support government efforts in enhancing fiscal sustainability by improving budget planning, cash management and increasing revenue mobilization. The policy reforms supported through the DPL are expected to strengthen government's budget planning, budget monitoring, cash management and cash management resulting in more efficient and effective government programs and services. This will help reduce deviations between planned and actual expenditure. The roll out of Budget Treasury Management System (BTMS) to all national government agencies will help produce timely and accurate financial reports in relation to cash availability, commitments and budget execution. DPL series will support government's comprehensive tax reform program, which is expected to further enhance efficiency, equity and simplicity of tax system while increasing tax expenditure, reduce contingent fiscal risks to ensure fiscal sustainability.

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program
4.1. Number of national government	4.1.1. Number of financial systems integrated	Financing: Ongoing
agencies using BTMS for recording,	with Budget Treasury Management System	 Improving Fiscal Management DPL
accounting and reporting all their finances	$(BTMS)^{97}$	(P167651)
(Baseline 2018:2; target 2023: no less	<i>Baseline:</i> 0 (2018); <i>Target: more than</i> 5 (2023)	Financing: Pipeline
than 50) ⁹⁵		 Promoting Competitiveness and
		Enhancing Resilience to Natural
		Disasters (P170052)
4.2. Tax revenue as a share of GDP		ASA: Ongoing/Pipeline
Baseline: 14.7% (2018); Target: more than		 Supporting Public Financial
15.2% ⁹⁶ (2023)		Management Reforms in the
		Philippines (RAS)
		 Game Changers regulatory reform
		 Philippines Public Expenditure
		Review
		 Philippines Macro monitoring and
		Economic Updates 2020.
CPF Objective 5: Promote regulatory reforms to enhance competitiveness		
ntervention Logic: The regulatory environment in the Philippines remains more restrictive than comparator countries. Large, established		

Intervention Logic: The regulatory environment in the Philippines remains more restrictive than comparator countries. Large, established and well-connected firms have advantages that limit opportunities for participation for newer firms and entrepreneurs without those connections. Price controls and other regulations that limit competition in input markets, such as professional services, hinder the

⁹⁵ Promoting Competitiveness and Enhancing Resilience to Natural Disasters (P170052)

⁹⁶ Promoting Competitiveness and Enhancing Resilience to Natural Disasters (P170052)

⁹⁷ This indicator supports the cross-cutting themes of governance and digital transformation. Promoting Competitiveness and Enhancing Resilience to Natural Disasters (P170052)

competitiveness of downstream firms. For example, rice importation has been heavily regulated causing high volatile rice prices; as a result, domestic rice prices have consistently been above international rice prices, with an increasingly price differential over time. High trade costs due to cumbersome customs procedures hinders export competitiveness. In recent years, the government has taken some steps towards improving competition. Examples include establishment of the Philippine Competition Commission in 2016 and the 2018 Ease of Doing Business Law.

WBG Support: The WBG will provide integrated support through lending, technical assistance and analytical work focusing on helping to remove restrictions to investment and competition through key regulatory reforms. These include: (i) rice sector liberalization; (ii) streamlining government processes to reduce the cost of doing business; (iii) access to financial services through improved payment system; (iv) removing constraints to attract FDI and (v) support the modernization of customs to reduce trade costs. Supported measures to liberalize the importation of rice to lower the price will narrow the gap between international and domestic prices, increase agriculture productivity and ensure food security. The WBG will further support promoting financial inclusion by providing a reliable and accessible payment system for greater use of digital payments.

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program
5.1. Reduced gap between domestic and	5.1.1 . Implementing Rules and Regulations of	Financing: Ongoing
international rice price	the Ease of Doing Business established. ¹⁰²	- Improving Fiscal Management DPL
Baseline: 120% (2018); Target:50%		(P167651)
$(2023)^{98}$	5.2.1 . Share of electronic payment	Financing: Pipeline
	transactions among retail payment ¹⁰³	 Promoting Competitiveness and
5.2. Reduction in average clearance time in	Baseline: 1 (2018); Target: 25 (2022)	Enhancing Resilience to Natural
Manila Port for commercial import ⁹⁹		Disasters (P170052)
Baseline: 120 hours (2019); Target: 100		- Philippines Customs Modernization
hours (2023)		(P163428)
		IFC
5.3. Percent of adults with transaction		ASA: Ongoing/Pipeline
accounts ¹⁰⁰		 Philippines Digital Economy Report
Baseline: 34% (2017); Target: 70% (2023)		

⁹⁸ The indicator captures the gap between international and domestic prices; the gaps is expected to narrow given a more competitive rice market.

⁹⁹ Philippines Customs Modernization Project (P163428)

¹⁰⁰ Global Findex

¹⁰² This indicator supports the governance cross-cutting theme. Promoting Competitiveness and Enhancing Resilience to Natural Disasters (P170052)

¹⁰³ *This indicator supports the cross-cutting theme of digital transformation.* Promoting Competitiveness and Enhancing Resilience to Natural Disasters (P170052).

5.4 . Number of SMEs have access to loans secured with movable property ¹⁰¹ Baseline: 0 (2017); Target: 23,100 (2022)		 Game Changers for Inclusive Growth: An Agenda for Action Financial Sector Development PASA
CPF Objective 6: Improved efficiency of infrastructure services in selected areas		

Intervention Logic: Infrastructure across the Philippines faces multiple challenges including chronic road traffic congestion, poorly performing seaports, and overcrowded airports. Urban transport is characterized by traffic jams, a saturated transport system, and few other alternatives. Rural road networks are insufficient, particularly in Mindanao. Increased access to infrastructure that connects the poor to opportunity or provides basic services can boost inclusion.

WBG Support: The WB's program will support access to connectivity in selected urban and rural areas. The ongoing Bus Rapid Transport projects in Metro Manila and Cebu will together provide efficient and reliable services benefitting roughly 630,000 city commuters. In rural areas, access to farm to market roads will contribute to economic and social gains for targeted rural communities. In the energy sector, future support for the rehabilitation of the Agus-Pulangi Hydropower complex will have potential to generate more affordable, sustainable power in addition to improving system reliability in Mindanao.¹⁰⁴

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program
6.1. Reduction in average travel times for	6.1.1. Construction of BRT corridors	Financing: Ongoing
BRT users ¹⁰⁵	Baseline: 0 km (2018); Target: 34 km ¹⁰⁹	– Cebu Bas Rapid Transit (BRT)
Cebu PM Peak ¹⁰⁶ :	(2021)	(P119343)

 $^{^{101}}$ IFC Secured Loan Project

¹⁰⁴ The ongoing Renewable Energy Development project will facilitate the flow of private commercial debt to support 120 rural electric cooperatives for investments in commercial electrification, expanded networks and renewable energy.

 $^{^{105}}$ Cebu Bus Rapid Transit (P119343) and Metro Manila BRT Line 1 (P132401)

 $^{^{106}}$ From Ayala to Bulacao

¹⁰⁹ Reflects the combined target from the Cebu Bus Rapid Transit (P119343) 23km and the Metro Manila BRT Line 1 (P132401) 11 km.

Baseline: 45 min (2018); Target: 35 min		– Metro Manila BRT Line 1 (P132401)
(2022)	6.1.2. Roads constructed in targeted rural	 Philippines Rural Development
Manila BRT AM Peak ¹⁰⁷ :	areas ¹¹⁰	(P132317)
Baseline: 90 min (2018); Target: 43 min	Baseline: 547 km (2018); Target: 2,300 km	 Philippines Rural Development
(2022)	(2021)	Additional Finance (P161944)
		 Philippines Renewable Energy
6.2. Reduction in travel time and		Development Project (P147646)
transportation cost in targeted rural		Financing: Pipeline
areas ¹⁰⁸		– PRDP2- AF
Travel time:		– Tourism Loan
Baseline: 0 percent (2018); Target: 24		– Rehabilitation of Agus-Hydropower
(2023)		Complex
Travel cost:		ASA: Ongoing/Pipeline
Baseline: 0 percent (2018); Target: 30		 Improving Mindanao Agro-Industrial
percent (2023)		Competitiveness through Better
		Logistics and Connectivity
		 RAS- Road Safety Technical Support
		for the Philippines

Objective 7: Improved income opportunities in agriculture

Intervention Logic: Lack of transport infrastructure including all-weather farm to market roads, ports and inter-island shipping reduces agricultural productivity and the competitiveness of commodities, also limiting livelihoods. To respond to the demand for increased rural income opportunities, greater focus on *generating productive income opportunities* is needed.

WBG Support: The WBG will focus on creating rural livelihood opportunities through community-based initiatives to enhance farmers' agribusiness income. Ongoing investment support will continue to help increase rural incomes and enhance farm and fishery productivity in targeted areas in addition to strengthening conservation of the coastal and marine resource base in targeted areas. The PRDP also supports rural infrastructure investments, especially farms to market roads. The proposed Mindanao Inclusive Agriculture project will help promote incomes for rural households by increasing agricultural production and the productivity of smallholder farmers through integration of agricultural value chains in targeted areas in Mindanao.

 $^{^{107}}$ From Manila City Hall to Quezon Memorial Circle Station

¹⁰⁸ Philippines Rural Development (P132317)

¹¹⁰ Philippines Rural Development (P132317)

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program
7.1. Increased incomes of farmers and	7.1.2. Number of farmers trained with	Financing: Ongoing
fisherfolk in targeted areas ¹¹¹	financial literacy and business skills ¹¹²	- Philippines Rural Development Project
Baseline: 0 % (2018); Target: 30% (2023)	Baseline: 0 (2018); Target: 500 (2023)	(P132317)
		- PRDP2- AF (P161944)
		Financing: Pipeline
		- Mindanao Inclusive Agriculture
		Project (P163107)
		ASA: Ongoing/Pipeline
		- Sustainable Irrigation Performance
		under Changing Conditions for
		Improved Agriculture
		IFC
		- Bayer BLF Alliance - SEA Regional
		Project 1 (602990)

Focus Area 3: Addressing Core Vulnerabilities by Building Peace and Resilience

Definition of Focus Area: The strong nexus between poverty and conflict in the Philippines requires tailored interventions, including to deliver impact in the Bangsamoro. The SCD also recognizes the country's intense vulnerability to natural hazards and climate change, both of which exacerbate poverty and have economy-wide impacts. This focus area will contribute to building a foundation for peace and stability in conflict-affected areas in Mindanao through increase access to basic services and support for the normalization process in the Bangsamoro. It will also support the country's NDC priorities, including climate change adaptation and disaster risk management. **Country Development Goals.** The PDP focuses on promoting peace and empowering conflict affected communities by increasing their capacity to address conflicts and reduce their vulnerabilities. It recognizes the need to incorporate climate change adaptation and disaster resilience measures in infrastructure development in addition to mainstream climate change across sectors particularly at local level. This focus area contributes to the government's efforts to achieve SDGs 1 (Ending Poverty); SDGs 11 (Inclusive, Safe, Resilient and Sustainable Cities) and SDGs 13 (Climate Action).

CPF Objective 8: Increased availability of basic services in conflict-affected areas

Intervention Logic: Conflict affected areas of Mindanao, including MILF camps, are among the poorest and most disadvantaged areas in the Philippines, characterized by weak delivery of basic services such as education, health, water and sanitation and electricity. **WBG Support:** The ongoing Mindanao Trust Fund will continue to finance access to basic socio-economic services and institutional capacity building in conflict-affected communities and will include effort to promote the transition of combatants into productive

¹¹¹ Philippine Rural Development (P132317)

¹¹² IFC Bayer BLF Alliance SEA Regional Project (602990)

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program
8.1. Proportion of beneficiaries reporting		Financing: Ongoing
improved access to basic infrastructure ¹¹³		– Mindanao Trust Fund – Reconstruction
Baseline: 0% (2018); Target: 50% (o/w		and Development Project Phase
female 50%) (2020)		II(P164019)
		Financing: Pipeline
		 Mindanao Education/ALS
		 Marawi Loan
		 Mindanao Inclusive Agriculture
8.2. Number of people with improved		Project
literacy and vocational skills in targeted		 Early Grade BARMM
communities ¹¹⁴		 Bangsamoro Normalization TF
Baseline: 0 (2018); Target: 2513 (o/w		ASA: Ongoing/Pipeline
women 1300) (2020)		– Skills and Employment in Mindanao
		 TA on Improving Connectivity in
		Mindanao
		– Financial management assessment of
		the Autonomous Region of Muslim
		Mindanao (ARMM)
		– Support for rehabilitation and
		reconstruction of Marawi and
		surrounding areas
		– Programmatic Approach to Peace and
CDE Objective & Support the normalization	n nuccess in the Dongsomous use	Development for Mindanao
CPF Objective 9: Support the normalizatio	the Bangsamoro Autonomous Muslim Region	of Mindanao (BADMM) offers new hore for
	faces a range of significant challenges, includi	
	awi, the normalization process for ex-combata	
and advancing the broad development agenda		ins, nanoning the threat of resurgent violence,

¹¹³ MTF- Phase II (P164019). Socio economic infrastructure such as water systems, access roads and post-harvest facilities. Targeted communities are the six previously acknowledged MILF camps.

¹¹⁴ Mindanao Trust Fund – Reconstruction and Development Project Phase II(P164019). The indicator will support improving reading and writing skills of adults in the communities in addition to other vocational training skills.

WBG Support: WBG engagement will aim to promote social inclusion by promoting broad-based participation and intercommunity dialogue. The WB through the Bangsamoro Normalization Trust Fund (BNTF) will guide the design financing, implementation and monitoring of a series of programs, projects and activities designed to support the transition from the conflict to sustainable development in the Bangsamoro. Activities may include: (i) institutional and operational support to GOP/MILF Normalization Mechanisms; (ii) technical assistance and capacity building for normalization and (iii) financing investment grants at supporting specific Projects, programs or activities (PPAs). Support can also include building conflict-prevention components into projects to reinforce resilience as well as developing programs designed to improve the welfare of young people, including youth employment program.

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program			
9.1 . Proportion of MILF decommissioned	9.1.1. Number of community volunteers	Financing: Ongoing			
combatant's households engaged in some	received capacity building assistance	– Mindanao Trust Fund – Reconstruction			
form of socio-economic activities ¹¹⁵	Baseline: 0 (2018); Target: 90 (2022)	and Development Project Phase			
Baseline: 15% (2018); Target: 60% (o/w		II(P164019)			
women 75%) (2023)		Financing: Pipeline			
		 Mindanao Education/ALS 			
		 Marawi Loan 			
		 Mindanao Inclusive Agriculture 			
		Development (P163107)			
		 Early Grade BARMM 			
		 Bangsamoro Normalization TF 			
		ASA: Ongoing/Pipeline			
		 Skills and Employment in Mindanao 			
CPF Objective 10: Increased resilience to natural disasters and climate change					

Intervention Logic: At least 74% of Filipinos are vulnerable to natural disasters. The country's high exposure to natural hazards along with intense vulnerability to the impacts of climate change pose key threats to economic growth and inclusion. The Philippines is committed to ramping up disaster resilience and climate adaptation efforts. Government policy recognizes the need for a long-term roadmap for climate action as well as efforts for disaster preparedness and resilience, rather than disaster emergency response alone. **WBG support:** Metro Manila's geographic location makes it prone to frequent and intense floods. The ongoing Metro Manila Flood Management Project (MMFMP) will continue to modernize existing or constructing new pumping stations and improving waterways and drainage channels, improve solid waste management in drainage areas and relocate informal settler families. The MMFMP's multi-sector interventions will help to reduce flooding and reduce vulnerability. To enhance resilience more broadly, the DPL series will support government in strengthening the policy, regulatory and institutional framework for disaster risk reduction and support capacity to respond and recover from disaster. IFC will also finance renewable energy project (such as Solar PV and biomass-based) in addition to IBRD's engagement in household access to solar power electricity.

CPF Objective Indicators	Supplemental Progress Indicators	WBG Program
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¹¹⁵ *This indicator supports the governance cross-cutting theme*. The source of the indicator is the Bangsamoro Normalization TF.

10.1. Number of people benefitting from	10.1.1. Solid waste collected at targeted	Financing: Ongoing		
improved flood management in the	existing pumping stations	 Second Disaster Risk Management 		
selected Metro Manila ¹¹⁶	Baseline: 17,000 (2018); Target: 12,500	Development Policy Loan (P155656)		
Baseline: 0 (2018); Target: 1,000,000 ¹¹⁷	(2023)	 Metro Manila Flood Management 		
(o/w female 500,000) (2023)		(P153814)		
	10.1.2. Number of solar home system installed Baseline: 10,000; (2018); Target: 40,500 (2022)	 Access to Sustainable Energy Project (D152268) 		
10.2. Renewable energy generated ¹¹⁸ (GWh)		(P153268) Financing: Pipeline		
			Enhancing Resilience to Natural	
		Disasters (P170052) – Seismic Resilience Loan		
		– Pasik Marikina River Basin Flood		
		Management Project (P171897)		
		ASA: Ongoing/Pipeline		
		 Seismic Resilience and Risk 		
		Management Support to the		
		Earthquake-Resilient Greater Metro		
		Manila Program		
		– Preparation of a Program Towards		
		Sustainable Flood Management in the		
		Greater Metro Manila Area Project		
		- Financing Mechanism for Distributed		
		Solar Power Project (P164540)		
		IFC		
		– DCM CHIB Green (41290)		
		– DCM BDO Green (40419)		
		– Thomas Lloyd RE (34754)		

¹¹⁶ Metro Manila Flood Management (P153814)

¹¹⁷ The target represents both high densely populated areas in Manila and less densely populated areas; the project covers 15 percent of the cities' drainage areas.

 $^{^{118}}$ IFC financing to renewable energy project (solar PV and biomass based on sugar cane or rice trash).

Annex 2 Philippines CPS (FY15-FY19) Completion and Learning Review

Date of CPS: June 2014 (Report No. 78286-PH) **Date of Performance and Learning Review:** January 11, 2018 (Report No. 117771-PH) **Period Covered by the Completion and Learning Review:** FY15-FY19

I. INTRODUCTION

1. This Completion and Learning Review (CLR) provides an assessment of the World Bank Group's (WBG) Country Partnership Strategy (CPS) for the Philippines during FY15-19¹¹⁹. The CPS was extended by one year through FY19 in view of the new Philippines Development Plan (PDP) in 2017 to allow for further progress under the existing program and to build the analytical basis for the next Country Partnership Framework (CPF). The CLR provides an evaluation of the CPS objectives and relevance of WBG performance in designing and implementing its program. The CLR also discusses alignment with the corporate twin goals and highlights lessons from program implementation that will inform the preparation of the next CPF.

2. The CPS was designed to help accelerate the Philippines' structural reforms to facilitate transformation of growth into poverty reduction. The strategic objective of the CPS was to promote inclusive growth, poverty reduction and shared prosperity across five Engagement Areas (EAs): (i) transparent and accountable government; (ii) empowerment of the poor and vulnerable; (iii) rapid, inclusive and sustained economic growth; (iv) resilience to climate change, environment and disaster risk management and (v) peace, institution building and social and economic opportunity with focus on conflict affected areas in Mindanao. The CPS is consistent with the last two Philippine Development Plans (PDP2011-2016 and 2017-2022. The new PDP, launched in June 2017, reflects the new government's ambitious goal to lift six million people out of poverty and to achieve upper middle-income status for the country by 2022. The Performance and Learning Review (PLR) reaffirmed the continued relevance of the CPS and deepened WBG's engagement for peace and development in Mindanao.

3. **The Philippines' political and economic context evolved since the launch of the CPS.** The country went through a political transition in 2016. A new government had a strong election mandate, signaling within the first few months in office, its intention to scale up public investments for poverty reduction, job creation and economic growth. During the CPS period the country had high economic growth averaging 6.5 percent, supported by a favorable external environment and robust domestic demand, especially private consumption and public investment in infrastructure. Despite progress toward upper middle-income country status, the country's growth is highly uneven. Conflict-affected provinces of Mindanao are among the country's poorest, with 36 percent of the population living below poverty line. Thus, WBG's engagement for peace and development in Mindanao remained integral to the CPS program. Recently the Bangsamoro Organic Law (BOL) was passed, granting autonomy to the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM), a subset of provinces in Mindanao. Its passage creates opportunities to further deepen engagement going forward.

II. SUMMARY OF KEY FINDINGS

4. **The overall performance of the CPS outcome is rated Moderately Satisfactory.** The CLR rating is based on an aggregate assessment of 15 outcomes (objectives) in the revised results framework introduced during the PLR. Outcome ratings are based on the status of CPS indicators. Significant progress was observed in most outcomes; 11 out 15 outcomes were either achieved or mostly achieved. Table 1

¹¹⁹ CPS was jointly prepared by IBRD, IFC and MIGA.

summarizes the CPS development outcome ratings and Section III provides a more detailed assessment of the achievement of the CPS objectives.

5. The WBG's overall performance in designing and implementing the CPS program is rated as Good¹²⁰. The CPS Engagement areas addressed important development challenges and was closely aligned with government priorities. The WBG engaged selectively and effectively through investment lending operations and budget support operations complemented by IFC investment and advisory services. However, the original results outlined in the framework were perhaps overly ambitious, lacked selectivity, and did not adequately plan for the magnitude of political economy challenges that eventually constrained program implementation. Program implementation was affected by the 2016 presidential election and the new government's priorities. Despite these implementation challenges the WBG exhibited flexibility by adjusting the program during the PLR stage to include the new priorities.

6. **IBRD delivered a modest lending program of US\$ 3.2 billion, with fewer but more selective and larger operations supporting major government programs**. Extensive use of programmatic ASA and trust fund resources allowed IBRD to provide customized support towards broad development goals and programs over several years. An innovative sovereign parametric catastrophe risk insurance instrument was introduced in the Philippines through the Bank's support in 2017. It enabled government to leverage \$207 million in private risk capital for protection against disaster and climate risk. The WBG's long standing engagement through the Mindanao Trust Fund Reconstruction (MTF) has provided effective support in conflict affected communities. Further, IFC has an investment portfolio of US\$858 million largely focused on financial markets, infrastructure and business environment.

III. PROGRESS TOWARDS CPS DEVELOPMENT OUTCOMES

7. **This self-assessment is based on the results matrix updated during the PLR.** This is not an assessment of Philippine progress towards its development goals, but rather of program achievements directly linked to WBG-supported activities during the CPS period.

CPS Outcomes	Overall	8-				
	Outcome Rating	Achieved	Mostly Achieved	Partially Achieved	Not Achieved	Total # of Indicators
Engagement Area 1: Transparent and Accountable Government -Satisfactory						
1.1 Increased public revenue mobilization	Achieved	1				1
1.2: Improved quality and transparency of	Mostly	1	1			2
public financial reporting	Achieved					
Engagement Area 2: Empow	erment of the l	Poor and Vu	lnerable – M	oderately Sa	tisfactory	
2.1: Increased coverage and utilization of health services	Achieved	1				1
2.2: Improved quality of basic education	Achieved	2				2
2.3: Increased social protection coverage	Mostly		1			1
	Achieved					
2.4: Improved access to basic services and	Mostly	1	1			2
local planning	Achieved					
Engagement Area 3: Rapid, Incl	usive and Sust	tained Econo	mic Growth	- Moderately	Satisfactory	Y
3.1 Improved transport connectivity	Achieved	2				2
3.2: Simplified business regulations and	Partially			2		2
trade logistics	Achieved					
3.3: Increased access to financial services	Partially			1	1	2
	Achieved					
3.4: Improved agriculture productivity and	Mostly		1	1		2
incomes	Achieved					
Engagement Area 4: Climate Change, Environment and Disaster Risk Management- Moderately Satisfactory						
4.1 Increased resilience to natural disasters	Achieved	2				2
and climate change						

Table 1: Summary of Results Matrix Evaluation

¹²⁰ WBG performance is rated on a four-step scale of Poor, Fair, Good and Superior. A good rating requires that design and implementation of the program successfully contributed to pursuit of key CPS outcomes and timely adaptation to changing circumstances and priorities.

4.2: Reduction in pollution	Partially Achieved			1		1
4.3. Increased access to clean energy	Partially			1		1
	Achieved					
Engagement Area 5: Peace, Institution Building and Social and Economic Opportunities- Satisfactory						
5.1: Increased access to basic services in conflict affected areas	Achieved	1				1
5.2: Improved community participation in investment planning in conflict affected areas	Achieved	1				1
Overall Outcome Rating		12	4	6	1	23
Percentage for each rating level		52%	17%	26%	4%	100%

ENGAGEMENT AREA 1: TRANSPARENT AND ACCOUNTABLE GOVERNMENT- Satisfactory

8. The WBG's program made noteworthy progress in supporting the government's fiscal reforms for efficient and transparent management of public resources. The government successfully passed its first tax reform package in December 2017¹²¹ and implementation is expected to increase revenues. Additional revenues will be mobilized toward priority spending in key areas for enabling inclusive growth. The adoption of a Budget and Treasury Management System (BTMS) is a significant milestone for improving transparency, efficiency and reliability of the national government budget management system.

CPS Outcome 1.1: Increased public revenue mobilization - Achieved

9. Notable achievements in tax administration and tax reforms contributed to revenue mobilization in the country. The Bank has provided support through a programmatic Development Policy Lending (DPL) series and various ASA-supported government tax administration measures. The latter was driven by an overall objective to boost compliance and included measures such as the restructuring of Large Taxpayer Services, the adoption of key performance indicators in tax administration policy measures, and the implementation of Tobacco and alcohol excise tax reform. The Sin Tax Reform law¹²² created additional fiscal space, allowing spending toward universal health coverage for the bottom 40 percent of the population. The specific measures introduced in the "Tax Reform for Acceleration and Inclusion" (TRAIN) law¹²³ are already making progress in improving tax revenue collection from excise tax on petroleum and VAT. These initiatives contributed to increasing the share of tax revenue to GDP to 14.4 percent, up from 13.6 percent in 2014. It provided space for greater targeted public spending during CPS. These reforms would enlarge the necessary fiscal space for greater investment in physical and human capital that would help achieve inclusive growth. The government has already committed 70 percent of the additional revenue from TRAIN toward funding for infrastructure projects, while 30 percent will fund social services.

Outcome 1.2: Improved quality and transparency of public financial reporting – *Mostly Achieved*

10. **Transparency and efficiency of public financial reporting improved during the CPS period**. The budget support operations, analytical work and technical assistance helped the government strengthen budget preparation, budget execution, and increase transparency of the budget process. Improvements in public access to key fiscal information were evident from a PEFA score of C in 2014 to A in 2016. The COA published a result audit reports, DPWH published contract awards, and the DBM regularly published budget execution reports on its website. The quality and timeliness of budget reporting likewise improved from D+ in 2010 to B in 2016. Although the CPS baseline differed from the 2010 baseline, the target

¹²¹ Became effective in January 2018.

¹²² Republic Act (RA) 10351

¹²³ Republic Act (RA) 10963

remained the same and was achieved. While reports are being disclosed regularly, reports of several departments were not submitted on time. The WB's analytical work¹²⁴ facilitated preparation of a new budget reform program aimed at strengthening the management of public finances. Cash planning and cash management arrangements were introduced and helped reduce the deviation between approved budgets and actual disbursements from 13.3 percent in 2014 to 7.3 percent in 2017. Actual disbursements exceeded planned disbursements by 1.1 percent in 2018¹²⁵. The Budget and Treasury Management System (BTMS) is already being implemented in several key agencies¹²⁶ through which at least 10 percent of total government public expenditure will be processed by the end of 2019. The Bank program supported government's Open government and Open data initiative. Hundreds of datasets were made public for the Seal of Good Housekeeping and Full Disclosure Portal, helping to strengthen the performance orientation of local governments. OBI scores increased from 48 to 67 between 2012 and 2017 as a result of improved budget transparency and public engagement in budget discussions.

ENGAGEMENT AREA 2: EMPOWERMENT OF THE POOR AND VULNERABLE – *Moderately Satisfactory*

11. Pantawid Pamilyang Pilipino Program (4Ps), one of the world's largest conditional cash transfer programs, expanded access to health and education services for poor and vulnerable populations, particularly in lagging regions. Access to health coverage for the bottom 40 percent of the population increased. Significant gains in improving learning outcomes in reading and math among grade three students can also be attributed to the WBG's support to human capital development. In addition, the Bank implemented a National Community Driven Development (CDD) program effectively, helping to empower communities in targeted municipalities (particularly women) to increase access to basic services through local planning and implementation.

Outcome 2.1: Increased coverage and utilization of health services - Achieved

12. Through its DPL series, WB support led to improved coverage of poor families under the National Health Insurance Program (NHIP). Rapid progress was observed in rolling out a National Household Targeting System-Poverty Reduction (NHTS-PR) program. It helped extend access to low income households. The WBG programmatic ASA and technical assistance is being used to help build capacity for evidence-based health policy towards i) attainment of universal health coverage – provide evidence to inform the design and implementation of major health financing reforms; (ii) efficient and equitable delivery of primary health care services' and; (iii) improving equitable access to health service delivery of the lowest performing district of the country.

Outcome 2.2.: Improved quality of basic education - *Achieved*

13. **Progress was made in improving the country's basic education system**. The WBG's integrated approach through lending¹²⁷and ASA supported the government's goal to improve the early-grade reading and math skills of students in lagging regions,¹²⁸ focusing on disadvantaged groups¹²⁹. Progress was evident in reading and math for grades 1 to 3 resulting from (i) development of relevant policies and tools to institutionalize Early Grade Reading Assessment (EGRA)- in mother tongues and Early Grade Math Assessment (EGMA); (ii) training of approximately 23,000 grade 1- 3 teachers and 9,500 school heads in

¹²⁴ Support to Identify and Develop Strategies to Scale Up Budget Execution and Provide Front-line Service Delivery 2017.

¹²⁵ Department of Management and Budget. <u>https://www.dbm.gov.ph/index.php/dbcc-matters/reports/ng-disbursement-performance</u>

¹²⁶ Bureau of Treasury (BTr), Department of Budget Management (DBM), Department of Public Works and Highways (DPWH) and Department of trade and Industry (DTI)

¹²⁷ Learning, Equity and Accountability project

¹²⁸ Regions with high incidence of poverty.

¹²⁹ Out of school youth, IPs youth and persons with disabilities)

early literacy and numeracy strategies; (iii) rolling out of new results-based performance management systems to strengthen accountability and effectiveness;(iv) implementation of school report card to promote greater community collaboration and (v) strengthening of selected programs¹³⁰ for supporting disadvantaged groups.

14. **Literacy and numeracy scores among 3rd grade students based on three rounds of assessments improved**. In 2015, 79 percent of students scored zero on reading comprehension, in 2018 this had declined substantially to 32 percent¹³¹. In addition, students scoring at least 60 percent in the Early Grade Mathematics Assessment (EGMA) increased from 36 percent in 2015 to 90 percent in 2018¹³².

Outcome 2.3: Increased social protection coverage – Mostly Achieved

15. **Poor and vulnerable populations benefitted significantly from increased social protection coverage**. The Bank has been actively supporting the government's flagship Conditional Cash Transfer (CCT) program 4Ps through financing and technical assistance. These are large investments in the health and education of poor children¹³³ to alleviate poverty. The 4Ps program covers 145 cities and 1,482 municipalities across 80 provinces¹³⁴ with a total of 4.1 million registered households enrolled in the CCT program, including 8.8 million children. Beneficiary families are selected through the national poverty targeting system called "Listahanan," which has become a centerpiece of government's social protection strategy. The program has improved human capital significantly among beneficiaries, observed through health services, and health service usage with equal effects for boys and girls. While there was progress in access to maternal and child health services (e.g. antenatal care, growth monitoring, Vitamin A dose), limited progress was observed in nutrition indicators. The total number of CCT beneficiaries is declining slightly due to the natural exit of households, but with the recent enactment of the CCT Law¹³⁵ the government will likely further expand coverage.

Outcome 2.4: Improved access to basic services and local planning - Mostly Achieved

16. **Progress was made in financing small scale community infrastructure projects and strengthening community groups and barangay-level institutions to identify community investments.** From a baseline of 53 percent in 2014, access to basic infrastructure investments/services increased to 61 percent in 2018, benefitting 18,781 Barangays (villages) in 801 of the poorest municipalities. Broad-based decision-making enabled 80 percent participation of households in the barangay level, surpassing the CPS target. The program successfully addressed inclusion of vulnerable groups, including Indigenous Peoples (IPs), women and households in conflict-affected areas. On average, among marginalized groups, participation in regular barangay assemblies was 63 percent.

ENGAGEMENT AREA 3: RAPID, INCLUSIVE AND SUSTAINED ECONOMIC GROWTH – Moderately Satisfactory

17. IFC provided advisory services to the government's legislative reforms for simplifying business regulations, promoting competition in logistics, and facilitating trade for agriculture products. These activities are expected to promote investment and enhance the country's business environment, although results are not yet fully evident. However, the country suffers from a low level of financial inclusion among the bottom 40 percent of the population. Investments in rural infrastructure improved road connectivity,

¹³⁰ Open High School program and basic education service delivery

¹³¹ 47 percent decrease over the baseline

¹³² An increase of 54 percent over the baseline.

¹³³Children ages between 0-14/18 from families participating in the CCT program as identified in the national household targeting system.

¹³⁴As of February 2019

¹³⁵ Republic Act 11310.

bringing livelihood opportunities as a result of access to markets and expansion of traders and producers. The construction of rural roads also created short-term job opportunities. Strong transparency and governance support in agriculture are making an impact on local government planning and execution capacities.

Outcome 3.1: Improved transport connectivity -Achieved

18. Notable results were achieved in improving transport connectivity and facilitating access to markets in rural areas. Rural infrastructure investments identified through the Provincial Commodity Investment Plan (PCIP) in all 80 provinces are allowing convergence at the provincial and regional level, improving livelihood opportunities of the population in the targeted areas. About 232 Farm to Market Roads (FMRs) and bridges with a total of 1,553 km were constructed. The resultant improved access generated multiple levels of benefits, including reduction in travel time (52%), reduction in hauling cost of agricultural outputs (13%), influx of traders, expansion of production areas, increase in school attendance, and access to health facilities, particularly for pregnant women. The Bank's investment lending provided capacity building support to the Department of Public Works and Highways (DPWH) for improving planning procedures, strengthening Road Board functions, increasing maintenance funding, and improving management effectiveness at the national and local level. These efforts facilitated the improvement of 295 km of national roads and 1,200 km of non-rural roads in fair and good condition. In addition, the CPS program supported improvement in the overall urban passenger transport system¹³⁶ where progress has been delayed by the lack of a management decision in designing the Bus Rapid Transit (BRT) system.

Outcome 3.2: Simplified business regulations and trade logistics - Partially Achieved

IFC facilitated technical support to improve specific regulatory reforms observed slow 19. **progress.** These reforms are in enhancing the level of competition in the domestic shipping market, streamlining the procedures for doing business, and implementing the use of risk management to facilitate trade for agricultural quarantine. During the CPS period, 13 new laws and regulations were enacted. On agricultural quarantine, reforms were implemented to relax regulatory requirements for low-risk agricultural products, which has been gradually exhibiting results such as cost savings of agriculture imports in the amount of US\$3 million in 2019, lower than the CPS target. The slow pace of results is due to the delay in implementing the Quarantine import reforms, particularly for animal and fisheries products. Increases have been observed in domestic shipping investments from US\$176 million in 2014 to US\$ 315 million in 2018, but actual IFC attribution is yet to be measured. Finally, IFC's Doing Business Advisory Services supported key government agencies¹³⁷ in the Doing Business Reform Action Plan to streamline local business license issuance and establishment of a central business portal for online registration. Key legislative reforms such as the Ease of Doing Business and Efficient Government Service Delivery Act¹³⁸. Philippine Competition Act, and Foreign Co-loading Act contributed to the overall improvement of the country's business climate and ease of doing business. This is reflected in the recent DB indicators such as reductions of procedures from 16 to 13 steps to start a business, and from 29 to 23 steps to obtain a building construction permit.

Outcome 3.3: Increased access to financial services - Partially Achieved

20. Access to financial services by the low-income population has improved but remains low. The WBG provided comprehensive support for financial sector policy reform and institution-building through a range of programmatic analytical work and technical assistance. The ASA support¹³⁹ informed the development and scope of a National Strategy for Financial Inclusion (NFSI). It brought best practices to the strategy through a financial inclusion monitoring tool that supports the implementation of the NFSI,

¹³⁶Cebu Bas Rapid Transit (BRT).

¹³⁷ Previously Department of Trade and Industry (DTI), National Competitive Council (NCC) and Doing Business Task Forc, starting in 2019 with the Anti-Red Tape Authority (ARTA)

¹³⁸ Republic Act 11032

¹³⁹ Financial Inclusion and Capability Survey and Consumer Protection and Financial Literacy Assessment

Partial Credit Guarantee (PCG), Payment System Regulation and Oversight. The Central Bank of Philippines (BSP) implemented a new National Payment System Act to promote safe, efficient, reliable and inclusive payment systems, enabled by WBG technical assistance. In addition, the WBG also supported in preparing a legal framework for Islamic finance and development approaches to address access to finance constraints in ARMM and Bangsamoro region. The financial sector reforms in stability, deepening and inclusion also informed other key policy initiatives such as Disaster Risk Management and Financing, Improvement of CCT/UCT under social protection. These efforts indirectly improved overall financial access in the country for the bottom 40 percent of the population from 10 percent in 2012 to 18 percent in 2017, which is still low. While this CPS target was achieved, the WBG's attribution in financial access can only be measured indirectly.

Outcome 3.4: Improved agriculture productivity and incomes - Mostly Achieved

21. **Progress has been made in enhancing rural income opportunities including agricultural productivity among farmers, producers and traders in geographically targeted areas.** During the CPS, the WBG's engagement in the agriculture sector led to a 15 percent increase in household incomes in targeted rural areas, as well as greater access toto other basic services¹⁴⁰ resulting from the rehabilitation of Farm to Market Roads (FMRs). During the CPS period, 773,968 (o/w 285,000 female) farmers were provided with improved agricultural assets and services through the provision of technical assistance by the Local Government Units. In addition, values of marketed outputs of farm households increased by 21 percent due to substantial cost savings such as 13% reduction in hauling costs, influx of traders to previously inaccessible areas, reduced post-harvest losses, and an increase in use of market contracts by enterprises. Travel time from farm to market was significantly reduced by 52% and transport costs was reduced by 13%, benefitting 77,000 households. In addition, rehabilitation of irrigation and drainage services significantly improved cropping intensity and rice yields¹⁴¹. Finally, 81 provinces are participating in Provincial Commodity Investment Plans (PCIPs) using climate risk and resilience criteria to prioritize investments for farming/fishing activities.

ENGAGEMENT AREA 4: CLIMATE CHANGE, ENVIRONMENT AND DISASTER RISK MANGEMENT – *Moderately Satisfactory*

22. The government has taken important strides in its approach to disaster risk management with sophisticated hazard mapping and risk assessments. The Philippines became the first country in the East Asia region of the WBG to access a Disaster Risk Management (DRM) development policy loan¹⁴² with Catastrophe Deferred Drawdown Option (CAT-DDO). A Disaster Risk Financing and Insurance (DRFI) strategy was adopted to increase the country's financial resilience at the national, local and individual levels. Progress in pollution reduction and access to clean energy have been slow due to delays in program implementation.

Outcome 4.1: Increased resilience to natural disasters and climate change - Achieved

23. The WB program through programmatic ASA and budget support operations supported government's comprehensive approach for multi-hazard resilience to climate change and natural disasters. The country made substantial progress in strengthening institutional capacity to reduce and manage natural disaster risk. The first CAT-DDO supported the government in mainstreaming disaster risk into development planning and managing the fiscal impacts of natural disasters. National and local planning

to 1,106,924 tons from 2009 to 2017.

¹⁴⁰ School attendance, peace and order, faster response of medical emergencies and improved supplies at local stores.

¹⁴¹ The Bank's support through Participatory Irrigation Development Project (P088926). The total rice productivity increased from 833,603 tons

¹⁴² 2011

capacity were strengthened where all 72 of 81 provinces had mainstreamed climate change and disaster risk reduction measures¹⁴³ into Provincial Development and Physical Framework Plans.

24. Under the Second CAT-DDO, the catastrophe risk insurance was piloted among the 25 most vulnerable provinces allowing the participating LGUs to pool their risk and access coverage in a more cost-effective way. A new Philippine Building Act (PBA) of 2018^{144} was introduced in recognition of the significance of reducing the physical drivers of disaster risk and to strengthen the building regulatory framework. The framework is expected to reduce the impacts of disasters and climate change on the built environment. A Socio-Economic Resilience Methodology to better understand the full impact of disasters on households and livelihoods was developed and will inform updates of the Philippines Development Plan in 2019.

Outcome 4.2: Reduction in pollution – *Partially Achieved*

25. The progress towards meeting the CPS objective has been very limited. The WBG program provided support to increase the coverage of wastewater collection and treatment which is expected to contribute towards pollution control in Metro Manila and surrounding areas. During the CPS period, only 45 percent of the targeted reduction in biological oxygen demand (BOD) in collected wastewater was observed, benefitting 1,058,000 (44 percent of the total number of people) out of 2.4 million targeted people from the program. This is due to the delay in the construction of major sewer system constraints, which are affected by tight restrictions of Local Government Units (LGUs) on the issuance of construction permits. The construction permit restrictions were caused by unprecedented traffic congestion in Metro Manila that escalated during the CPS period.

Outcome 4.3: Increased access to clean energy - Partially Achieved

26. WBG is facilitating private investments by supporting government's sustainable approaches to electrification and development of new, lower cost power generation capacity. Facilitating private investments is consistent with the Philippines commitments related to climate change, including the country's Nationally Determined Contributions (NDCs) for mitigating CO2 emissions. However, during the CPS, only 10,024 rural households in Mindanao received enhanced modern energy services through solar home systems, which is only 25 percent electrified and has the worst reliability in the country. This achievement is much lower than the CPS target. This progress in supply and installation of solar home systems and Rural Network Solar for select Electric Cooperatives (EC) slowed down due to uncertainties of the implementing agencies, which delayed fiduciary requirements.

ENGAGMENT AREA 5: PEACE, INSTITUTION BUILDING AND SOCIAL AND ECONOMIC OPPORTUNITIES – Satisfactory

27. The CPS supported conflict-affected communities in recovering socially and economically, and in building the capacity of their local institutions. The WBG support was also aligned with the importance of building the capacity of institutions from 2011 WDR on "Conflict, Security and Development". The Bank administered Mindanao Reconstruction and Development Trust Fund (MTF-RDP) contributed to improved collaboration between the Moro Islamic Liberation Front (MILF) and Government of the Philippines (GPH), including the Bangsamoro Development Agency (BDA), in supporting the peace process. Inclusive and transparent participatory processes helped to build social cohesion and trust within the communities, national government, local government, and ethnic groups.

Outcome 5.1: Increased access to basic services in conflict affected areas - Achieved

¹⁴³Vulnerability and Sustainability Assessment (eVSA) tool are approved by the Department of Agriculture.

¹⁴⁴ The Act is expected to supersede the National Building Code of the Philippines (NBCP).

28. **During the CPS period, access to basic infrastructure services by the poor and vulnerable communities in Mindanao and conflict affected areas improved.** The community infrastructure provided through the MTF directly contributed in improving access to basic infrastructure services and economic opportunities (e.g. roads, bridges, water systems) to 638,000 people (o/w 51 percent women) in 332 Barangays in 114 municipalities within conflict-affected communities. For example, communities in MILF Camp Rajamuda saved 40 pesos (80 US cents a day) in boat fees since the MTF-funded bridge was completed. Water systems enhanced economic welfare by reducing travel time and the cost of purchasing power. The program explicitly helped build the capacity of MILF institutions to prepare them for anticipated roles in government in a post-peace agreement scenario.

Outcome 5.2: Improved community participation in investment planning in conflict affected areas - *Achieved*

29. **Social cohesion and community participation were rebuilt**. MTF supported in building skills, capacity and development of the BDA which significantly strengthened its capacity for local peace building initiatives. The participatory development planning helped to generate confidence in BDA's peace process and in engaging communities for local investment planning. About 86 percent of beneficiaries felt that the community investments reflected their needs and were able to influence decisions on public service facilities that benefitted the community organizations and participatory development processes where People's Organization (POs) played a key role in getting community members involved in sub-project management. The program was able to provide social benefits such as building trust across various religious and ethnic groups to more than half a million people across 300 communities. In addition, BDA also provided capacity building support in local planning and financial management to MILF- affiliated personnel¹⁴⁵.

IV. WORLD BANK GROUP PERFORMANCE

30. **The overall WBG performance is rated as Good.** The design and implementation of the program contributed to the achievement of the key CPS outcomes, closely aligned with government's current and emerging development priorities. The following details this assessment.

A. Design:

31. The design of the strategy addressed important development challenges and was strongly aligned with PDP¹⁴⁶ which supported priorities of two government administrations. The five CPS engagement areas outlined earlier remained relevant even while the country context and operating environment evolved. The CPS design enabled flexibility for the WBG, which strengthened parts of the CPS, realigning to the new government's policies and programs. During the PLR, the CPS results matrix was streamlined to strengthen engagements in critical areas such as WBG's support to peace and development in Mindanao.

32. The CPS program was selective and all WBG activities were assessed through the lens of inclusive growth, poverty reduction and shared prosperity, utilizing diagnostics to assess transformational impacts for the bottom 40%. However, the original CPS program was wide-ranging with multiple priorities, which indicated insufficient selectivity given the size of the WBG interventions in the country. Changes at the PLR stage narrowed the program's focus and scope. The WBG effectively combined use of programmatic DPLs, IPF, ASA and IFC investments and Advisory Services projects. There were possible synergies between DPL and IPF in some areas (e.g., tax reform, climate change and social protection). The WBG's proposed Comprehensive Program for Regional Development in Mindanao during PLR was ambitious given the CPS timeframe and conflict sensitivity of the program. However, the CLR also acknowledges that anticipated operations in basic education, inclusive agriculture and trade

¹⁴⁵BDA grew from an organization run by a few MILF volunteers in 2001, to an agency with over 300 staff with professional systems and manuals for administration, financial management and human resources management.

¹⁴⁶ PDP (2011-2016), Midterm Update of PDP (2014) and PDP (2017-2022)

facilitation were important for broadening Bank engagement to extend to both conflict and non-conflict affected areas for reaching the poor in Mindanao.

33. The original CPS results framework had weaknesses, most of which were addressed at the time of the PLR. The original CPS results framework included several indicators that were overly ambitious and outside the scope of the WBG program. At the PLR stage, the results framework was scaled back and significantly simplified. It improved the linkages between outcome, indicators and interventions. The following key changes were made to better align and reflect the implementation status of the WBG program: (i) seven new outcomes related to public revenue mobilization, public financial management, access to basic services and transport connectivity were introduced; (ii) number of milestone indicators reduced from 125 to 43; (iii) 11 new outcome indicators were introduced increasing the total number of outcome indicators from 17 to 23. Despite these changes relevance and measurement issues in some cases (e.g. financial sector, health) persisted. For instance, outcome 2.2 which had multi-dimensional objectives only had one indicator related to coverage but not health utilization. Similarly, financial inclusion (outcome 3.3) had a broad indicator which the WB program did not monitor.

34. **Risks:** The number of risks that could significantly derail WBG's program implementation remained relevant throughout the CPS period. Political economy risks materialized and contributed to implementation delays and to polarized debates on key reforms under the WBG program. The CPS set out several mitigation measures that were strengthened in the PLR and implemented as the risks emerged.

CPS Implementation:

35. **During the CPS, IBRD delivered fewer and larger operations supporting major government programs**¹⁴⁷. Despite the political transition in 2016 the portfolio volume remained stable with a new commitment of lending of US\$3.2 billion between FY15-FY19. The new lending comprised three budget support operations¹⁴⁸, five IPFs and two packages of additional financing. This was slightly lower than originally envisaged¹⁴⁹ in the CPS, though lending delivery in the first two years of CPS was higher than originally expected (amounting to US\$1,087 million in FY15 and US\$950 million in FY16). Delays after the election led to a slowdown of new lending, resulting in the FY17 delivering only two projects, Metro Manila BRT Line US\$40.7 million¹⁵⁰ and Inclusive Partnership for Agricultural Competitiveness (US\$99 million), which was subsequently dropped after the Board approval. IBRD delivered two out of ten planned lending operations with a commitment of US\$657.6 million during FY18-19. Planned operations in Customs Modernization, Mindanao Inclusive Agriculture and Basic Education moved to FY20 delivery.

36. **IFC's program complemented the IBRD program, with a total commitment of US\$858.6 million (including US\$197.9 million in mobilization).** Some 50 percent of the IFC portfolio concentrated on financial markets, followed by 45 percent in infrastructure and 5 percent in the manufacturing, agribusiness and services sectors.

37. **MIGA had no exposure in the Philippines during the CPS period.** Demand for MIGA's risk insurance from international banks and investors was limited during the CPS given the improved investment climate and strengthening of local commercial banks. MIGA's effort to engage in potential investments in Mindanao did not materialize during the CPS.

38. **TFs were a vital complement to the WBG's program over the CPS period, supporting both lending and ASA.** Over the five-year CPS period, 87 trust funded operations were underway, totaling

¹⁴⁷ In CCT, CDD, CAT-DDP, rural development, flood management.

¹⁴⁸ Third Development Policy Loan, Second Disaster Risk Management DPC and Improving Fiscal Management DPC.

¹⁴⁹CPS envisaged the range of \$600 million to \$1 billion per year, averaging out at \$800 million per year.

¹⁵⁰ Manila Bus Rapid Transit Line 1 (SU\$40.7 mil) and Inclusive Partnership for Agriculture Competitiveness (US\$99 million).

US\$202 million. The TFs were broadly aligned with CPF strategic priorities, including co-financing operations in the areas of education, community-driven development, local service delivery, infrastructure and road management. Large trust funds such as the Mindanao Trust Fund, Australia, WB Philippines Development Trust Fund, and energy sector continues to strengthen WBG's engagement with clients for improved results in peace building support in Mindanao, fiscal management, competitiveness, social development and local service delivery.

39. **IBRD portfolio performance reflects a range of implementation challenges,** including procurement delays (Cebu BRT), delays in signing (Manila BRT), and effectiveness delays followed by cancellation (Inclusive Partnership for Agricultural Competitiveness). Disbursement rates of several projects in education, social protection, and rural development lagged. Ambitious project design, lengthy project preparation, delays in effectiveness, uneven implementation capacity, inefficient transfer of funding mechanisms from national to local government and complex government procedures are among the key factors to have impacted project disbursement delays and frequent extensions. In addition, limited intragovernment communications and lack of commitments from the Ministry of Finance in overseeing both commitments and implementation of projects also created portfolio challenges which led to restructuring of 10 projects during the CPS.

40. To improve portfolio performance and increase disbursement to deliver faster impact, the WBG Country Management Unit along with the Global Practices maintained active dialogue with implementing agencies and key counterparts at the national, regional, and local levels. Quality supervision and coordination with government agencies to address portfolio bottlenecks were key to promoting enhanced implementation. Efforts included: streamlining WBG operational procedures for faster decision making; simplifying project design over time; introducing a report-based approach for faster disbursement; restructuring projects to strengthen project results framework, implementation support and capacity building to implementing agencies.

41. **A robust ASA program along with strong policy dialogue provides a strong foundation for the WBG program going forward.** During the political transition in 2016, the WBG delivered a package of 19 "Transition Policy Notes" to the new government which provided a useful foundation for future engagement and policy dialogue. In-depth sector diagnostic work focused on the key constraints to poverty reduction and economic growth helped to strengthen the quality of ASA work, as well as influence key policy decisions in Philippines. Highlights of some of the key analytical findings are summarized below:

• **Flagship Studies:** Several analytical and diagnostic studies¹⁵¹ ranging from poverty assessments, growth and productivity, macroeconomic update, and the nutrition study underpinned broad national dialogue and advocacy in many sectors. For example, the Philippine Growth and Productivity report suggested reform options for the government to achieve the objectives envisioned in *Ambisyon Natin 2040* with a strong emphasis on sectoral and firm-level productivity in economic growth. The ongoing Nutrition Study is expected to provide evidence-based analysis to inform nutrition policy among key stakeholders. At the policy level, the Bank has been engaged with the government as an early adopter of the Human Capital Project, emphasizing nutrition as the most critical constraint for the Philippines.

• **Reform Agenda and policy dialogue**: The Game Changers ASA program continues to provide TA on fuel excise tax administration measures, sugar-sweetened beverages, and VAT tax issues. Analytical work on public financial management, including the first Reimbursable Advisory Service is providing technical support to various reforms including the Budget and Treasury Management System (BTMS) adoption, strengthening the quality of public financial management and improving the electronic procurement system. The Bank's first and second CAT-DDO was complemented by a Trust

¹⁵¹ Mindanao Jobs Report, Poverty Assessments for the Philippines, Growth and Productivity in the Philippines, Fostering Competition in the Philippines and Nutrition Study.

Funded TA to support better disaster and climate risk financing, including the issuance of parametric risk insurance to protect against earthquakes and typhoons at the subnational level.

• **Support to project preparation and implementation**: The ASA program informed government sector reform programs and complemented lending operations. Several programmatic ASA projects on universal health coverage, education, and social protection were conducted, each helping government to implement reforms to improve allocation efficiency for quality service delivery to the poor and vulnerable. ASAs were prominent in helping the government enhance the design of the CCT program and the preparation for Listahanan 2020. The Bank's technical assistance and analytical studies on the Philippines' Alternative Learning System (ALS) led to several key policy enhancements (e.g. defining beneficiaries, reducing learning group size, increasing allowances for teachers), with clear demand from and ownership within the Department of Education.

• **Peace and Development in Mindanao**: Policy recommendations from the flagship Mindanao Jobs Report (MJR) influenced the Bank's Comprehensive Program for Regional Development in Mindanao that will support sustainable peace and development, including job creation through various operations which are under preparation. A programmatic "knowledge platform" is supporting conflict sensitive projects through the development and implementation of a "Peace Lens" which would enhance WBG's operations in Mindanao.

• **Finally, IFC's transactional advisory services** helped the country to mobilize private sector resources to deliver critical infrastructure PPP projects, notably the Manila Light Rail Transit (LRT) System and the Ninoy Aquino International Airport (NAIA) expressway.

42. **Fiduciary and Safeguard**: During the CPS period, the Philippines portfolio faced several financial management issues involving delays in the submission of audit reports, ineligible expenses, an INT investigation and outstanding undocumented balance in the Designated account. While some of the ineligible expenses were eventually resolved through refund by the implementing agency involved, others remained unresolved after the projects have been closed. To mitigate delays in submission of the audit reports the financial management team conducted workshops with the project auditors to reach a shared understanding of the audit timelines, agree on strategies to prepare for a smooth conduct of yearly audit, and ensure timely compliance with financial covenants.

43. **Donor Coordination:** The WBG maintained close coordination and harmonization with development partners. The Bank and Asian Development Bank (ADB) mutually supported government 4Ps program and the NCDDP. The Bank-administered Mindanao Trust Fund created long standing partnerships with the EU, Australia, Canada, the United States, and New Zealand. The Bank and the United Nations Development Programme (UNDP) jointly administer the Facility for Advisory Support for Transition Capacities (FASTRAC) that continues to provide TA to help address key issues for the transition to the Bangsamoro. The Bank is co-financing with the Asian Infrastructure Investment Bank (AIIB) operations such as Metro Manila Flood Management Project.

V. ALIGNMENT WITH CORPORATE GOALS

44. **Explicit attention to the impacts on poverty and shared prosperity of many WBG supported activities was evident.** The Bank-supported national CCT program has played a key role in increasing human capital, with direct impacts on reducing total poverty and food poverty among 4.4 million beneficiary households. TA from the Bank supported strengthening of M&E capacities of the household targeting system, Listahanan. This has enabled the identification of poor beneficiaries of PhilHealth and other social programs. Bank support toward the government's tax reform initiatives will likely benefit the poor with enhanced social service expenditures to improve service delivery in education, health, and social assistance. The policy action on improved fiscal management to natural disasters and protection of public assets will equip government to mobilize resources to the most vulnerable communities. In the agriculture sector, targeted support to small scale agricultural, livestock, and fishery producers enhanced their productivity and incomes through rural infrastructure investments. Through support to the National CDD program and the Mindanao Trust Fund program, the Bank contributed to shared prosperity in Mindanao by allocating resources to a region and communities that had experienced multiple waves of displacement and violence yet not received any government assistance for several decades.

45. **The CPS program promoted gender mainstreaming and inclusion of vulnerable populations**. Gender access and inclusion of women were incorporated in several Bank projects with indicators for specific gender targets. They include: (i) increase access to public services and to promote gender balance in community labor; (ii) gender-balanced access in school enrollment; (iii) empowerment of women through family sessions for citizen's rights, spousal relationships or maternal health, and (iv) women's participation in community decision-making particularly in conflict-affected Mindanao. Nevertheless, gender mainstreaming can be further improved for better targeting of gender interventions beyond the traditional HD sectors.

46. The WBG is systematically focusing its efforts on citizen engagement through dialogue with state and non-state actors, supporting broad participation from targeted consultations for flagship reports to increased outreach to youth leaders and online influencers on key development topics. Partnerships with the Knowledge for Development Community $(KDC)^{152}$ helped to promote constructive dialogue with local governments, business groups, media, youth, and other stakeholders. IFC's engagement with the private sector at the local and national level is enhancing the enabling environment for business.

LESSONS LEARNED

Selectivity and Sustained Engagement:

47. A critical lesson is the importance of focusing on a selected number of areas with sustained engagements where the likely development impact is greatest. For example, the Bank's long-standing engagement in social protection, rural development, and community driven development had program sustainability, which in turn helped achieve large-scale positive results. It created capacity within the government agencies and true partnership. Moving forward, the WBG should continue to support second generation reform agendas. Therefore, the next CPF design needs to be selective in its engagements, prioritizing those with greater impact over the next four years. This will entail some difficult choices up front, and a willingness to adjust course during the CPF period.

48. **A Multi-Donor Trust Fund proved to be an effective and flexible mechanism to engage in Mindanao and ensure effective coordination of development efforts in conflict-affected areas.** Funding from six donors to the MDTF allowed the Bank to engage with MILF as well with key stakeholders in the peace process in a flexible and adaptive way. Given the nature of the implementation challenges in the country, having MTF for an extended period allowed the Bank to stay engaged and built trust within the Bangsamoro community.

Government's ownership and political economy:

49. **WBG support should be informed by a careful assessment of the evolving political economy and institutional incentives**. An important lesson from the CPS is that strong government ownership of reforms and the capability of government agencies to implement those reforms are hallmarks of successful WBG-financed operations (e.g. CAT-DDO, DPL, CDD). By contrast where operational design had overestimated the capacity to implement reforms or underestimated the organizational incentives to resist reform (e.g. transport project such as Cebu BRT), the WBG did not have the same impact. The WBG team could make explicit assumptions regarding capability, the level of government commitment, and risks related to the achievement of development objectives for future programs.

¹⁵² KDC consists of higher learning institutions, foundations and policy research institutions.

50. **Implementation of policy reforms is a big challenge for the Philippines**. While IFC Advisory services proved to be effective in pursuing various Doing Business and Trade Logistics agendas, actual impacts of the reforms are yet to be realized. The key constraints to implementation include political transitions within government agencies, weak coordination among key agencies, and low levels of commitment in agencies tasked with implementation. Coordination between multiple government agencies, often with conflicting interests, is a challenge. Programs requiring complex and large-scale coordination will take a long time to deliver on impacts and requires significant effort. The WBG program needs built-in agility to allow for adaptations in response to government political cycles, a feature that can help fix implementation bottlenecks.

51. **Improving performance of the Philippines portfolio requires sustained efforts over the long term.** The CPS program underestimated the complexity of relationships between the oversight agencies and implementation agencies, and among the main oversight agencies. A challenge for the Bank has been in positioning itself to help facilitate cooperation across government entities. While political economy constraints such as complexities in internal government bureaucracies cannot be controlled, the WBG could design measures to help ease portfolio bottlenecks. Some examples of such measures are: (i) continuous presence on the ground with task teams based in Manila for interventions with complex institutional arrangements; (ii) working toward strong buy-in from implementing agencies; (iii) periodic tripartite (the Bank, Ministry of Finance and implementing agency) portfolio/pipeline review meetings; (iv) facilitation of coordination among line agencies, and (v) realistic project pipeline- focusing on fewer transformative projects for long term sustained engagement.

Knowledge Development and Technical Assistance:

52. Knowledge development has been the key enabler and the most important ingredient of WBG partnership with the Philippines. Programmatic ASA in various key sectors have been influential. The future ASA work needs to be selective and strategic given the reduced level of trust fund/grant financing where the client is reluctant to pay for TA or knowledge.

53. WBG's should continue to leverage partnership with government to tackle the country's key vulnerabilities. The experience from the implementation of the first and second CAT DDO reveals that robust technical assistance can help government understand their priorities for integrating a comprehensive solution to manage risks from natural disasters and climate change. Moving forward, the creation of a Department of Disaster Resilience is a true showcase of the country's comprehensive approach to policy, financing, and implementation of risk reduction programs. As the Philippines moves towards Upper Middle-Income Country status, WBG support should increasingly target areas of vulnerability that will require global knowledge and innovative financing platforms.

54. A programmatic multi-year DPL combined with relevant analytical and technical assistance has been effective in supporting government reforms. DPLs have enabled the WBG to support key policy reforms addressing structural constraints in public finance. They have provided a platform for bringing together analytical work, technical assistance, and policy dialogue. The ASA's were used extensively in each of the reform areas of the DPL to build evidence-based reforms. The flexibility of the DPL instrument also allowed a shift from a programmatic to a standalone operation due to changes in the country context resulting from political transitions such as midterm elections in 2019. The reform areas are being expanded now with a new programmatic DPL series.

55. **Disbursement-Linked Indicators (DLI) can be effective if it is complemented with technical assistance.** Lessons from the implementation of the Education project (LEAPS) shows that having a TA component was critical for helping to sustain an engagement based on an unfamiliar instrument (Disbursement linked indicators). The Bank's long-term engagement through ASA in education positioned

the Bank to have transformational impact. An Alternative Learning System (ALS) TA allowed the Bank to respond quickly to the needs of the Department of Education, to "walk through the reform with them".

FCV Support:

56. The Bank has a comparative advantage in FCV support, and its engagement should be continued since it is central to the value addition the WBG Philippine program. The IEG evaluations of WB activities in FCVs (2016) confirmed that "The World Bank's engagement in Mindanao is a good example of active and effective long-term engagement for FCV situations in MICs". There is an urgent need to deliver quickly in BARMM, and the Bank is in a good position to lead that effort.

57. The WBG's future engagement in Mindanao needs to be integrated by building linkages between BARMM and the wider region's development agenda. The multi-year Comprehensive Regional Program in Mindanao will need to consider spatial and geographic aspects of Mindanao's growth potential, particularly in the areas of agriculture, education, and trade facilitation. At the same time, the WBG should explore opportunities with the Bangsamoro government to support the establishment of a local budget management system. Coordination between national and local government will be needed to ensure that there is a clear commitment from the national government to provide support through capacity-building which will help ensure service delivery.

Other:

58. **Key recommendations from recent IEG Country Program Evaluations in Philippines**¹⁵³ **are**: (i) Improve the overall balance of ASA to make it more demand-driven and selective, with greater emphasis on collaborative approaches; (ii) Support in Mindanao (and especially BARMM) should be a focal area for WBG's support, and potentially a model for in-depth regional engagement and local capacity building; (iii) Improve coordination and sequencing of Bank and IFC interventions for private sector development and operationalize the "One Bank" approach, and (iv) Implement successful programs such as the PRDP to expand presence and operations at the provincial and municipal levels as well as build the capacity of subnational governments.

¹⁵³ The World Bank Group Partnership with the Republic of the Philippines, 2009-2018. Country Partnership Evaluation. (Forthcoming, 2019).

CDC Outcomes or 1	**	Largens Learned and Suggestions	WDC Dreamon
CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
	Engagement Area 1: Transpare	ent and Accountable Government	
Outcome 1.1 Increased public revenue mobilization (<i>new</i>) Indicator 1: Percent increase in domestic revenue to GDP ¹⁵⁴ (<i>new</i>) Baseline: 13.6% of GDP (2014) Target: 1% increase over the baseline. (2019)	Overall Outcome Ratings: AchievedAchieved.Implementation of various tax reforms resulted in record-high tax revenue in 2018.Nominal tax revenue growth stood at 14 percent in 2018, leading to an overall government revenue growth of 15.2 percent (up from 12.6 percent in 2017). As a result, revenue to GDP increased to 16.4 percent up from 13.6 percent in 2014, creating space for greater public spending. (Source: Philippines Economic Update 2019) The government has initiated a Comprehensive Tax Reform program (CTRP), passed into law on December 19, 2017 and supported by a recently approved Improving Fiscal Management DPL.	 Programmatic DPLs have been useful for continuing the reform process. However, flexibility in the DPL process is helpful in cases where there may be need for a standalone DPL. 	 Financing: Ongoing/Closed ✓ Third Philippines Development Policy Loan (P147803)(closed) Financing: Indicative ✓ Improving Fiscal Management DPC (P167651) ✓ Customs and Trade Modernization (delayed to FY20) ASA: Ongoing/Delivered/Indicative¹⁵⁵: ✓ Just-in-Time Support for Tax Reform ✓ Programmatic Public Expenditure Review ✓ Review of Customs and Trade Modernization Challenges ✓ Economic Monitoring and Bi- annual Economic Reports
Outcome 1.2: Improved quality and transparency of public financial reporting (<i>new</i>)	Overall Outcome Ratings: Mostly Achieved		 Financing: Ongoing/Closed ✓ Third Philippines Development Policy Loan (P147803) Financing: Indicative

Attachment 1: Philippines Summary of CPS Program Evaluation

 ¹⁵⁴ Increasing Fiscal Space and Transparency DPL
 ¹⁵⁵ Partial list of ASAs which are relevant to the outcomes. See CLR-Annex 3 for complete list.

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Indicator 1: Quality and timeliness of annual financial reports (PEFA indictor P1 25) ¹⁵⁶ (<i>new</i>) Baseline: C+ (2016) Target: B (2019) Indicator 2: Public access to key fiscal information (PEFA indicator P1 10) (<i>new</i>) Baseline: C ¹⁵⁷ (2014) Target: A (2019)	 Mostly Achieved. The actual progress according to the PEFA 2016 the quality and timeliness of the financial report improved from D+ to B. While the indicator was added during the PLR, the baseline was miscalculated. Despite the difference in baseline the target was achieved. However, no further increase is expected until 2020 when BTMS will be fully operational. Achieved. Public Access to key fiscal information increased from C to A (Source: PEFA 2016 and DPL ICR). In addition, Philippines Open Budget Index (OBI) scores increased from 48 in 2012 to 67 in 2017. 	 Inter-agency coordination can be improved. Ongoing fiscal DPL include explicit commitments on IFMIS implementation. Moving to cash budgeting and reporting and IFMIS implementation included in DPLs 2019 will increase transparency of fiscal information. 	 ✓ Improving Fiscal Management DPC (P167651) ✓ Customs and Trade Modernization (Delayed to FY20) ✓ E-Government Transformation ASA: Ongoing/Delivered/Indicative ✓ Programmatic ASA on governance ✓ Support to PFM Reforms (RAS) ✓ Assessment of Capacity Building Needs in the Civil Service
	Engagement Area 2: Empower	ment of the Poor and Vulnerable	·
Outcome 2.1: Increased coverage and utilization of health services (revised)	Overall Outcome Ratings: Achieved		 Financing: Ongoing/Closed ✓ Third Philippines Development Policy Loan (P147803)

 ¹⁵⁶ Programmatic ASA on Governance and Support to PFM Reforms (RAS)
 ¹⁵⁷ The 2016 status is A and the target is to maintain the status.

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Indicator 1: Percent of poor household (quintile 1) with PhilHealth Insurance Coverage (<i>reformulated</i>) Baseline: 61.6% (2012) ¹⁵⁸ Target: 85% (2019)	Achieved. 92 percent of the identified households are covered by health insurance coverage according to the administrative data from PhilHealth. (PLR report- still waiting from Robert)		ASA: Ongoing/Delivered/Indicative ✓ Programmatic ASA for Health, Nutrition and Population
Outcome 2.2: Improved quality of basic education (revised) Indicator 1: Decrease of students who have zero scores in reading comprehension in Early Grade Reading Assessment (EGRA) ¹⁵⁹ (existing with reformulated sentence) Baseline: 79.1 percent (2015) Target: 65 percent (2019) Indicator 2: Increase of students with at least 60% scores in the Early Grade Math Assessment (EGMA) ¹⁶⁰ (existing with reformulated sentence) Baseline: 36% (2015-2016) Target: 51% (15% increase)	 Overall Outcome Ratings: Achieved Achieved. 32% of students in grade 3 had zero scores in reading comprehension in EGRA in 2018 (a 47% decrease from the baseline). Achieved. 91% of students in grade 3 had at least 60% scores in EGMA, a 54% increase over the baseline. 	The technical assistance component of the program was critical for ensuring policy development that effects change since LEAPS was the first project to use DLI instrument which the DepEd was not familiar with.	 Financing: Ongoing/Closed ✓ Learning, Equity and Accountability Program Support Project (LEAPS) (P118904) (Closed) ✓ Third Philippines Development Policy Loan (P147803) ✓ Financing: Indicative ✓ Basic Education with focus on Mindanao; ASA: Ongoing/Delivered/Indicative ✓ Programmatic ASA ✓ PER in Education ✓ Skills Development

 ¹⁵⁸Data source: National Demographic and Health Survey (NDHS). This will also be monitored through ongoing ASA
 ¹⁵⁹Learning, Equity and Accountability Program Support (LEAPS)
 ¹⁶⁰LEAPS

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Outcome 2.3: Increased social protection coverage (slightly revised) Indicator 1: Share of poor households receiving conditional cash transfer (slightly revised) Baseline: 75% (2013) Target: 90% (2019)	Overall Outcome Ratings: Mostly Achieved Mostly Achieved. 88% of beneficiary households (4.1 million household beneficiaries of which 87% are women) receiving conditional cash transfer. (Source: ISR Dec 2018)	 A well-established targeting system like Listahanan helped improved SP coverage and demonstrated impacts in increasing human capital among the beneficiaries. The recently approved CCT Law that institutionalizes the program will improve its sustainability and predictability. Other countries such as Indonesia, Lao, Nepal, Sri Lanka and Myanmar are learning from Philippine experience. WB should continue to remain engaged in second generation CCT issues and targeting agenda (e.g. financial inclusion, responsiveness to disaster shocks, dynamic updating, linkages to sustainable livelihood options) as other countries have undertaken. Programmatic ASA has been effective and allowed the WB to be fully engaged throughout the implementation of an ambitious, long term SP agenda. Sustained engagement through TA can be key to strengthening capacity within an implementing agency. The Bank provided just-in-time TA and was being responsive to client demands. The TA promoted stronger client ownership of the activities. Just-in-time policy advice, implementation support and rigorous analytical work – 	 Financing: Ongoing/Closed ✓ Social Welfare Development and Reform (P153744) ASA: Ongoing/Closed/Indicative ✓ Programmatic Analytic work on poverty and shared prosperity (ongoing) ✓ Supporting the new Philippines Statistical Authority (TF) (ongoing) ✓ Programmatic ASA for Social Protection (Delivered) ✓ Programmatic ASA for Social Protection and Labor (Delivered)

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
		comprehensive leverage of WB resources.	
Outcome 2.4: Improved access to basic services and local planning ¹⁶¹ (new) Indicator 1: Percent increase in access to roads, education, health centers and water in targeted municipalities (new) Baseline: 53% (2014) Target: 63% (a total of 10% increase over the baseline) (2019)	Overall Outcome Ratings: Mostly Achieved Mostly Achieved. As of June 2018, 61% (8% increase over the baseline of 53%) increase in access to roads, education and health centers. (Source: ISR Nov 2018)		 Financing: Ongoing/Closed: ✓ Philippines National Community Driven Development Program (P127741) ✓ Philippines Rural Development Project (PRDP)(P132317)
Indicator 2: Percent of households in targeted municipalities with at least one member attending regular Barangay Assemblies. (<i>new</i>) Baseline: 56% (2014) Target: 70% (2019)	Achieved. 80% of the households in targeted municipalities have at least one member attending regular Barangay Assemblies. 60% of female-headed households attending regular meetings. In addition, 63% of marginalized groups (women and IPs) also attend these meetings. (Source: ISR Nov 2018) Engagement Area 3: Rapid. Inclus	ive and Sustained Economic Growth	
Outcome 2.1 Immune 1			Financia et Oncoin e/Classed
Outcome 3.1 Improved transport connectivity (new)	Overall Outcome Ratings: Achieved	 WBG's engagement going forward should evolve urban transport and rural infrastructure. National roads program should be aligned with local/rural roads infrastructure 	 Financing: Ongoing/Closed ✓ Philippines Rural Development Project (PRDP)(P132317) ✓ Cebu Bus Rapid Transport (P119343)

¹⁶¹Outcome and indicators relate to National Community-Driven Development Program supported by the WB.

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Indicator 1: Percent reduction in travel times in targeted rural areas ¹⁶² (<i>reformulated</i>) Baseline: 0 % (2014) Target: 30% (2019)	Achieved. A reduction in travel time from farm to market in targeted areas is 52%.	which will help ensure funding for those projects.	 ✓ Metro Manila Bus Rapid Transit 1 (P132401) Financing: Indicative ✓ AF- PRDP ASA: Ongoing/Delivered/Indicative ✓ Transport Development
Indictor 2: National roads improved (km) ¹⁶³ Baseline: 280 (2014) Target: 295 (2016)	Achieved. 295 km of national road networks improved.		 Framework Plan TA ✓ Philippines National-Local Roads TA ✓ National and Provincial Road Program
Outcome 3.2: Simplified business regulations and trade logistics (existing/reformulated)	Overall Outcome Ratings: Partially Achieved	 The government's buy-in and ownership is crucial before starting any new program. It took a while for the government to realize the potential benefits of agri trade 	 Financing: Ongoing/Closed ✓ Third Philippines Development Policy Loan (P147803) ✓ (Closed) Financing: Indicative
Indicator 1: Increase in private sector savings ¹⁶⁴ (<i>new</i>) Baseline: US\$ 0 mil (2014) Target: US\$ 9 mil (2019)	Partially Achieved . The private sector savings as of 2019 is estimated at \$3,124,658 . This lower amount of savings is due to the delay in implementation of the quarantine reforms and the exclusion of fisheries products to be exempted from the permitting process (only plant and animal products were included). (Source: IFC Agri Trade Advisory Services)	logistics services that will promote the country's competitiveness. Any future program should continue to promote consensus and recognition within the government to support policy reforms.	 ✓ Customs and Trade Modernization ✓ Improving Fiscal Management DPC (P167651) ✓ Micro, Small and Medium Enterprise (MSME) Development Program for Results (PforR) ASA: Ongoing/Closed/Indicative ✓ Agriculture and Trade Advisory Services

 ¹⁶² Philippines Rural Development Project (PRDP) and AF-PRDP
 ¹⁶³ National Roads Improvement and Management Program. The project closed in December 2016. (P079935)
 ¹⁶⁴ Private sector savings may include reduced trade expenses and start-up costs for business

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Indicator 2: Increased new investment in shipping and logistic ¹⁶⁵ (new) Baseline: US\$ 0 mil (2014) Target: US\$ 14 mil (2019)	Partially Achieved . The investment in shipping and logistics increased substantially from, US\$203 million in 2012 to US\$499 million in 2017. However, it is still not clear how much of it is actual IFC attribution. The team is still looking into it.		 ✓ Doing Business Advisory Services
Outcome 3.3: Increased access to financial services(existing)	Overall Outcome Ratings: Partially Achieve	 While financial inclusion has made progress, the level of financial inclusion can be improved. WBG has adjusted its programmatic 	Financing: Ongoing/Closed ✓ Third Philippines Development Policy Loan (P147803) (Closed)
Indicator 1: Percent of population in lower 40 percent of income distribution with access to formal financial services ¹⁶⁶ (<i>existing</i>) Baseline: 10% (2012) Target: 17% (2019)	Partially Achieved. According to Findex 2017, 18% of the population in the lower 40 percent of income distribution has access to formal financial services.	 approach to further strengthen the focus on key challenges in Philippines financial inclusion. The new programmatic ASA and diagnostics under FSAP could further contribute to policy reforms to create a stable, deep, and inclusive financial system that would help the country move towards higher income status. 	 ✓ ✓ Micro, Small and Medium Enterprise (MSME) Development Program for Results (PforR) ASA: Ongoing/Closed/Indicative ✓ Financial Inclusion Strategy
Indicator 2: Number of SMEs that are credits secured by movable property (existing) Baseline: 0 (2014) Target: 6,930 (2019)	Not Achieved . The indicator cannot be measured but a major secured transaction legal reform was achieved. A collateral registry being set up after the passage of the Personal Property Security Act which is the governing law for the Secured Transactions reform in August 2018.		(ongoing); Developing Micro- Insurance Reporting Framework; Financial modeling for deposit insurance; IFC advisory services on Secured Transaction; IFC advisory services on credit bureau, Agri finance, Gender finance, Agri insurance

 ¹⁶⁵ Agri Trade and Doing Business Advisory Services
 ¹⁶⁶ Bank engagement through Financial Inclusion Strategy. The data is being collected through FINDEX, which is conducted every 3 years.

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Outcome 3.4: Improved agriculture productivity and incomes (<i>reformulated</i>) Indicator 1: Percentage increase in value of annual marketed output in targeted areas ¹⁶⁷ (<i>new</i>) Baseline: 0 percent ¹⁶⁸ (2014) Target: 30 percent (2019) Indicator 2: Percentage increase in incomes of farmers and fisher folk in targeted provinces ¹⁶⁹ (<i>existing</i>) Baseline: 0 percent (2014) Target: 25 percent ¹⁷⁰ (2019)	 Overall Outcome Ratings: Mostly Achieved Mostly Achieved. As of December 2018, the value of annual marketed outputs for farm households increased by 21.5% (Php 30,031). There has been substantial cost savings such as 13% reduction inhauling costs, influx of traders to previously inaccessible areas, reduced post-harvest losses and an increase in use of market contracts by enterprises. Partially achieved. Results from the household survey shows that beneficiary households gained 15.2% increase in annual household real income. 	 Modern agricultural business can attract a new generation of farmers. Digital technologies can substantially support the design, implementation, monitoring of project activities as well as provide strong transparency and governance support. 	 Financing: Ongoing/Closed ✓ Philippines Rural Development Project (PRDP) (P132317) ✓ Participatory Irrigation Development (closed) (P088926) ✓ Inclusive Partnership for Agriculture Financing: Indicative ✓ AF-PRDP
	Engagement Area 4: Climate Change, En	nvironment and Disaster Risk Manageme	ent
Outcome 4.1 Increased resilience to natural disasters and climate change	Overall Outcome Ratings: Achieved		 Financing: Ongoing/Closed: ✓ Disaster Risk Management Development Policy Loan-CAT DDO 1 (closed) ✓ Second Disaster Risk Management Development

 ¹⁶⁷ PRDP
 ¹⁶⁸ Marketable output: PhP61,966 (avg/HH) for 2014. (Source PRDP)
 ¹⁶⁹ PRDP
 ¹⁷⁰ For 2014: Real hh incomes: PhP 134,275 (Avg/HH); Income Agri-Based Enterprises: PhP 69,228 (Avg/HH); (Source: PRDP)
 ¹⁷⁰ PRDP

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Indicator 1: Number of provinces mainstreamed climate change adaptation and disaster risk reduction measures into their Provincial Development and Physical Framework plans ¹⁷¹ (existing) Baseline: 10 (2014) Target: 60 (2016)	Achieved. 72 provinces have mainstreamed climate change adaptation and disaster risk reduction measures into their Provincial Development and Physical Framework Plans, both spatial and investment planning.		 Policy Loan -CAT DDO 2 (P155656) ✓ Program for Climate Resilience (TA) ASA: Ongoing/Delivered/Indicative ✓ Reducing Vulnerability to Natural Disasters (PAAA - ongoing)
Indicator 2: Number of public facilities (schools, hospitals, heritage buildings) assessed for vulnerability to natural disaster ¹⁷² Baseline: Metro Manila less than 20 out of 3,500 building stock Target: Vulnerability assessment for 100 ¹⁷³ most vulnerable buildings completed	Achieved. 5,962 public facilities (4,046 schools, 350 hospitals, 1,164 other public buildings and 402 LGU buildings) were assessed for vulnerability to natural disasters. (source: Department of Public works and highways)		

 ¹⁷¹ CAT DDO 1 project.
 ¹⁷² ASA "Reducing Vulnerability to Natural Disasters"
 ¹⁷³ 10 hospitals+16 heritage buildings+74 schools.

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program
Outcome 4.2: Reduction in pollution (<i>new</i>) Indicator 1: Reduce the pollution in targeted areas ¹⁷⁴ of Manila Bay(<i>existing</i>) Baseline: 519 tons per year (2016) Target: 3556 tons per year (2019)	Overall Outcome Ratings: Partially Achieved Partially Achieved 1,611 tons/year (45% as of February 2019) of Biological Oxygen Demand (BOD) was reduced in collected wastewater.		 Financing: Ongoing/Closed: ✓ Metro Manila Waste Water Management (P113844) ✓ LISCOP Financing: Indicative ✓ Metro Manila Flood Management (P153814) ASA: Ongoing/Delivered/Indicative ✓ Programmatic Wealth Accounting and Valuation of Eco System (WAVES) (closed) ✓ Metro Manila Water Security Study ✓ Integrated POPs management
Outcome 4.3: Increased access to clean energy (<i>new</i>) Indicator 1: Number of households provided with access to electricity (Off- grid) ¹⁷⁵ (<i>new</i>) Baseline: 0 (2016) Target: 40,500 ¹⁷⁶ (2019)	Overall Outcome Ratings: Partially Achieved Partially Achieved. As of November 2018, 25,040 households provided with electricity.	 The government needs to be part of the legal agreement when designing projects, particularly if the private sector is the implementing agency. It ensures accountability and commitment from the government. In the case of the Energy project, the Bank's program faced serious challenges in installing solar home systems in remote parts of Mindanao, after the dissolution of the implementing agency. It created uncertainties 	 Financing: Ongoing ✓ Access to Sustainable Energy Project (ASEP) (P153268) ✓ Renewable Energy Development (P147646)

 ¹⁷⁴ Metro Manila Waste Water Management
 ¹⁷⁵ Access to Sustainable Energy Project
 ¹⁷⁶ Reflects "10 percent of 400,000 population who are located in remote areas without access to electricity now and are unlikely to be connected to the power grid in the future."

CPS Outcomes and Indicators	Summary of Progress at CLR	Lessons Learned and Suggestions for the New CPF	WBG Program	
		within the government due to lack of ownership of the program. The future WBG program should be demand driven where there is interest and buy-in within government agencies.		
	Engagement Area 5: Peace, Institution Bui	lding and Social and Economic Opportu	nities	
Outcome 5.1: Increased access to basic services in conflict affected areas (<i>new</i>) Indicator 1: Number of people benefiting from access to roads, water systems and post-harvest facilities ¹⁷⁷ (<i>new</i>) Baseline: 0 (2014) Target: Total 550,000 o/w female : 275,000 (2019)	Overall Outcome Ratings: Achieved Achieved. 638,000 (o/w 330738 female) benefitted from improved access to basic infrastructure services in the conflict affected areas of Mindanao. (Source: ICR Mindanao MTF P095173; Report No: ICR00004389)	 A Multi-donor trust fund proved to be an effective mechanism to engage in Mindanao. Funding from six donors to the MDTF allowed the Bank to have continuous engagements with communities in Mindanao, as well as stakeholders. 	 Financing: Ongoing/Closed: ✓ MTF- Reconstruction & Development Project (P132238) Financing: Indicative: ✓ Supporting Resilient Communities and Responsive Local Governance ASA: Ongoing/Delivered/Indicative: ✓ NCDDP: ARMM Component and Peace Lens 	
Outcome 5.2: Improved community participation in investment planning in conflict affected areas Indicator 1: Percent of beneficiaries feel local investments reflected their needs(new) Baseline: 0% Target: 60% (2019)	Overall Outcome Ratings: Achieved Achieved . 86% are satisfied with the community investments which reflected their needs. (Source: ICR Mindanao MTF P095173; Report No: ICR00004389)	 Continuous learning and adaptation during implementation kept the project relevant in a rapidly changing context. The program made a concerted effort to get regular and independent feedback from beneficiaries regarding what was working and what was not. 	 Financing: Ongoing/Closed: ✓ MTF- Reconstruction & Development Project (P132238) Financing: Indicative: ✓ Supporting Resilient Communities and Responsive Local Governance in Mindanao ASA: Ongoing/Delivered/Indicative ✓ Land Conflict in Mindanao ✓ MILF Ex-Combatants Needs Assessments 	

¹⁷⁷ Baseline of zero indicates that there were no beneficiaries of the MTF Reconstruction Project prior to the start of the project.

FY	CPS Planned		CPS Actual	
	Project	US\$ mil	Project	US\$ mil
FY15	Philippine Rural Development Program	501	Third Development Policy Loan	300
	Third Development Policy Loan	200-300	Philippines Rural Development	671.2
		200 200	Program (PRDP)	0,112
			Cebu Bas Rapid Transit (BRT)	116
			Total FY15	1087
FY16-	Annual programmatic DPL plus 1-2	600-	Access to Sustainable Energy	23.8
17	multi-sectoral programs per year in	1000/year	(P153268)	(Non-
	areas: climate change,	1000, jeu	(1100200)	(IRRD)
	agriculture/agribusiness, urban			12112)
	transport, public health/water and			
	sanitation, flood control.			
			Social Welfare Development	450
			and Reform (P153744)	
			Second Disaster Risk	500
			Management DPC CAT-DDO	500
			(P155656)	
			Total FY16	950
FY17			Metro Manila BRT Line	40
			(P132401)	
			Inclusive Partnership for	99
			Agricultural Competitiveness	
			(dropped)	
			Total FY 17	139
FY18	Increasing Fiscal Space for and	300	Metro Manila Floor Management	207.6
	Transparency DPL		(P153814)	
	Metro Manila Flood Management	210	AF- Philippines Rural	180
			Development Program	
	Philippine Rural Development Project	150		
	Additional Financing			
	Supporting Resilient Communities and			
	Responsive Local Governance in			
	Mindanao (Grant Funded)			
			Total FY18	450.6
FY19	Customs and Trade Modernization	200	Improving Fiscal Management	450
	Project		DPC	
	E-Government Transformation	50	AF- Social Welfare Development	300
			and Reform (P153744)	
	Competitiveness DPL 1	300		
	Mindanao Inclusive Agriculture	100		
	Basic Education with a Focus on	100		
	Mindanao			
	Promoting Citizen Security and Justice	0		
	in Mindanao (grant funded)			
			Total FY19	750
	Tot	tal FY15-19		3,277

Attachment 2: IBRD Planned and Actual Lending

Planned ASA	ry Services and Analytics (Planned and Actual) FY15-19 Actual ASA
Planned ASA	Actual ASA
Engagement Are	a 1: Transparent and Accountable Government
Programmatic AAA on Public Sector	Philippines Public Sector Governance (PSG) Reform (P132063)
Governance Reform	r implines r ubic Sector Governance (r SG) Reform (r 152005)
Programmatic AAA on	Philippines: Improving Bureaucratic Performance
Decentralization and Local	(P144558)
Government	(11++550)
Support to PFM Reforms	eGovernment Transformation (P145127)
(Reimbursable Advisory Services,	
(RAS)	
Assessment of Capacity Building	Philippines Autonomous Muslim Region of Mindanao (PH-ARMM)
Needs in the Civil Service	Public Expenditure and Institutional Review (P144796)
Programmatic Public Expenditure	Strengthening Oversight (P152707)
Review	
Just in Time Support to Tax Reform	PFM Strategy Implementation Support (P145123)
Economic Monitoring and Bi-annual	Tax Policy and Admin. Reform Support (P145121)
Economic Reports	
	Philippines Open Government Support, Phase II (P154297)
	Supporting Reform Coalitions and Inclusive Institutions for
	Sustainable Change in the Philippines (P154860)
	Program Spending Assessments/Drill-downs (P145122)
	Programmatic AAA on Decentralization and Local Governance
	(P146277)
	Philippines Sub-national Debt Policy Technical Assistance (P132318)
	PDF Working Group on Decentralization and DIALOG Trust Fund
	Supervision (P147466)
	Strengthening Grassroots Participatory Budgeting M&E Systems (P147463)
	Strengthening Grassroots Participatory Planning and Budgeting (P147464)
	Philippines: Strengthening Public Finances (P126760)
	Report on the Observance of Standards and Codes, Accounting and Auditing (A&A ROSC), Philippines (P161117)
	Support to identify and develop strategies to scale up budget execution
	and provide front-line service delivery (P161353)
	Strengthening Human Resources in the Public Sector - Landscape and
	Options (P165839)
	powerment of the Poor and Vulnerable
Programmatic AAA on Poverty Analysis	Poverty analysis, policies, and programs (P159405)
Programmatic AAA for Universal	Improving Poverty Measurement Methodology
Health Care	(P159407)
Programmatic AAA for Education	Philippine Poverty Assessment (P162923)
Programmatic AAA for Social	Programmatic AAA for Universal Health Care (P133115)
Protection	
Statistics TA	Measuring equity in progress toward UHC (P149399)
Skills Development	Strengthening primary care delivery (P149398)
Health Service Delivery and Finance	Enhancing financial protection for the poor through Philhealth (P149397)
Poverty Analytical Work	Policy dialogue and on-demand TA (P149400)
Multi-Sector Nutrition	Programmatic AAA for Education (P143024)
Social Protection	Alternative Learning System Study (P146307)
	Improving Education Service Delivery (P147302)
	Basic Education PETS-QSDS (P146303)

Attachment 3: IBRD Advisory Services and Analytics (Planned and Actual) FY15-19

Planned ASA	Actual ASA
	Philippines STEP Skills Report (P146306)
	Programmatic AAA for Social Protection and Labor (P148753)
	Technical Assistance for the CCT Expansion to Secondary Education
	Children P150516
	SP and disaster preparedness (P150530)
	NHTS-PR2: Updating and improving National Household Targeting
	System (P150527)
	Labor Market Review (P150535)
	Social insurance issues note (P150534)
	CCT business processes, GRS and MIS (P150519)
	Impact Evaluation of the Philippines CCT Program (P150532)
	Support to Rural Sanitation Scale Up under the Philippine National Sustainable Sanitation Plan (P132174)
	Programmatic AAA for Water and Sanitation (P146186)
EA 3: Rapid	Inclusive and Sustained Economic Growth
Philippines Economic Update	Philippine Economic Update FY 2017 (P161565)
Policy Analysis for More Inclusive Growth	Philippines Economic Update FY 2018 (P165002)
Programmatic AAA for Financial	Financial Sector Development Programmatic ASA
Sector Development	(P132497)
Philippines Power Sector Strategy	Philippines #10291 Financial Modeling for Deposit Insurance
Advice	(P144061)
Programmatic AAA for Agriculture and Agribusiness	Philippines Financial Education and Consumer Protection (P144143)
Programmatic AAA Transport	Philippines #A019 Crisis Preparedness Framework II
	(P147156)
Technical Assistance Support to the	Policy Analysis for More Inclusive Growth Programmatic ASA
Priority PPP Projects	(P144809)
SBA/A2F: Philippines Agri Finance	Inclusive economic institutions (P149094)
A2F: Women in Business Project	Philippine economic update (P149001)
IC: Agri Trade Competitiveness	Supporting the PSA and SEC (P149002)
A2F: Credit Bureau Project	Mindanao Jobs Report (P149004)
IC: Doing Business Plus	Programmatic AAA for Water and Sanitation (P146186)
A2F: Secured Transactions Project	Water Sector Financing Framework (P149961)
PPP: NAIA Expressway	NWRB Permit Management Process (P154540)
PPP: Metro Clark Bulk Water Project	Programmatic AAA on Decentralization and Local Governance (P146277)
PPP: Manila Light Rail 1	Philippines Sub-national Debt Policy Technical Assistance (P132318)
PPP: Manila Light Rail 2	PDF Working Group on Decentralization and DIALOG Trust Fund Supervision (P147466)
PPP: Davao Sasa Port	Strengthening Grassroots Participatory Budgeting M&E Systems (P147463)
PPP: Grains Central	Strengthening Grassroots Participatory Planning and Budgeting (P147464)
A2F: PSEF II	Islamic Finance and Financial Inclusion (P153163)
National and Provincial Road Program	Programmatic AAA for Transport (P147106)
Water Supply and Sanitation	PHILIPPINE TRANSPORT INFRASTRUCTURE DEVELOPMENT ROADMAP FRAMEWORK PLAN (P145329)
Local Infrastructure for Tourism	Supporting Business Innovations in DPWH (P152292)
MSME Development	Towards a More Sustainable Local Roads Program
monte Development	(P145440)

Planned ASA	Actual ASA			
Competition Policy Support	Programmatic AAA on Metro Manila Development (P147330)			
Rural Development and Agriculture	Metro Manila Bay Initiative (P123163)			
Agriculture Finance	Metro Manila Green Print for Addressing Slum Challenges (P130344)			
	Sustainable Housing Solutions for ISFs (P149905)			
	Housing and Urban Development Summit (P155561)			
	Metro Manila Citywide Development Approach to Informal Settlement			
	Upgrading Project (P151920)			
	Programmatic AAA on Agriculture and Agribusiness for Inclusive Growth (P149000)			
	Philippines - Agriculture and Agribusiness AAA (P143504)			
	Philippines Agriculture and Fisheries Situation Analysis (P150837)			
	Improving Energy Efficiency in Public Buildings (P163822)			
	Power Sector Strategy Advice (P123636)			
	Technical Assistance Support to the Priority PPP Projects in the Philippines (P127147)			
	Philippines Growth and Productivity Report (P165526)			
	Philippine Financial Development and Inclusion Programmatic (P157969)			
	Philippines: Developing a National Competition Policy for Increased			
	Competitiveness and Growth (P161438)			
	Philippines Urbanization Review (P156898)			
	Philippines Urbanization Review Ph.2: Improving Local Infrastructure			
	and Service Delivery (P162265)			
	Philippines National Informal Settlement Upgrading			
	(P162606)			
	The Philippines: Local Infrastructure and Economic Development for Sustainable and Inclusive Tourism Growth (P162991)			
	Local Enterprise Development IE (P151106)			
	Transport Crowd-Source ICT Demonstration (P126116)			
	PH: Building Blocks for E-Services (P133408)			
	Technical Assistance Support to DOTC for PPP Capacity-Building (P160521)			
	Technical Assistance on Local Roads Management (P162622)			
	Philippines Integrated Water Sector Development (P161383)			
	Towards an Integrated and Unified Water Sector Plan			
EA 4. Climata Cha-	(P166368) nge, Environment and Disaster Risk Management			
Programmatic AAA for Disaster Risk Management	Mainstream Climate Change in the Budget and Investment Programing Process (P148455)			
Programmatic AAA for Climate	Aligning Plans and Strengthening Implementation of Climate Change			
Change	PAPs (P149161)			
Philippines Wealth Accounting and the Valuation of Ecosystem Services	Mainstreaming Climate Change Priorities in the Budgeting Process (P149160)			
IC: Green Building Development	Support to the Philippine Disaster Risk Reduction and Management (DRRM) Agenda (P128655)			
Risk Resilience and Sustainability Program	Philippines Yolanda Recovery Case Study (P149758)			
Disaster Risk Management and	Support to the Development of a Post-Disaster Shelter Recovery			
Financing	Policy Framework (P153853)			
Following the Carbon for Clean Energy	Philippines: Disaster Risk Financing (P153218)			
in Asia				
	•			

Planned ASA	Planned ASA Actual ASA			
Agrifood Resilience to El Nino Southern Oscillation (ENSO) in East Asia	Programmatic Support to the Government of Philippines to Address Climate Change (P144021)			
Emergency Cash Transfer	Philippine Wealth Accounting and the Valuation of Ecosystem Services (P133810)			
Integration Water Resource Management	Reducing Vulnerability to Natural Disasters (P148631)			
	Support to Post-Yolanda (Haiyan) Reconstruction and Recovery Planning (P148999)			
	Assessment of the Post-Yolanda Short and Medium-term Recovery and Rehabilitation Interventions of the Government (Philippines) (P161372)			
	Establishing an Integrated Water Resource Management (IWRM) Planning Tools and Guidelines; and Capacity Building (P145982)			
	Expanded Small Water Utilities Improvement and Financing Phase 2 (P132305)			
	Flood Management Master Plan for Metro Manila (P123332)			
EA 5: Peace, Institu	tion Building and Social and Economic Opportunity			
Programmatic AAA for Conflict, Security and Development	Mindanao Strategy Communication and Dissemination (P166421)			
Supportive Inclusive Peace in the Bangsamoro	Programmatic AAA on Conflict, Security and Development in the Philippines (P146397)			
	National CDD Program: Autonomous Region in Muslim Mindanao Component & Peace Lens (P157107)			
	ARMM/Bangsamoro Open Data Initiative (P149851)			
	Moro Islamic Liberation Front Ex-Combatants Skills, Needs & Aspirations Assessment (P157106)			
	Land Conflict in Mindanao (P15/106)			
	Philippines: Supporting Inclusive Peace in the Bangsamoro (P148822)			

Project Name		Amount (US\$m)	
FY20			
Promoting Competitiveness and Improving Resilience to Natural Disasters I		400	
Third Disaster Risk Management Development Policy Loan with CAT-DDO	DPL	500	
Philippine Customs Modernization Project	IPF	80	
Teacher Effectiveness and Competencies Enhancement Project		100 (standby)	
Support to Parcelization of Land for Individual Titling Project (SPLIT)		260 (standby)	
		1,340.0	
FY21- FY22			
Promoting Competitiveness and Improving Resilience to Natural Disasters II		400	
Promoting Competitiveness and Improving Resilience to Nat. Disasters III	DPL	400	
Seismic Resilience and Emergency Management Project		300	
Philippine Rural Development Project (PRDP) Additional Financing		280	
Sustainable Tourism Project		300	
Mindanao Inclusive Agriculture Development Project		100	
Civil Service Modernization and Human Resources Management Project		100	
Marawi Reconstruction and Rehabilitation Project	IPF	100	
National Community Driven Development Project Additional Financing		300	
Marikina Dam Project		400 to 500 TBD	
Agus Pulangi Hydro Rehabilitation Project		200 to 300 TBD	
		2,880 to 3,080	

Annex 3 Philippines Portfolio (FY20-21)

Grant No.	Grant Name	Grant Closing	Grant Allocation Amt (\$M)	Undisb. Amt. (\$M)	Project. ID
TF095839	PH-Integrated Persistent Organic Pollutants (POPs) Management Project	30-Sep-2017	8.64	2.60	P106885
TF017736	Studies for Sustainable Flood Management	31-Dec-2018	3.20	0.11	P145391
TF0A2761	Second Philippines Extractive Industries Transparency Initiative (EITI) Support Project	30-Jun-2019	1.50	0.00	P157976
TF0A7281	MTF-Reconstruction and Development Phase 2 - Parallel TF 2	31-Aug-2019	0.55	0.00	P164019
TF0A7280	MTF- Reconstruction and Development Project Phase 2 - Parallel TF	31-Aug-2019	2.65	0.00	P164019
TF0A2497	W3 - GPOBA Access to Sustainable Energy Project - PV Mainstreaming	31-Dec-2018	3.00	0.17	P153268
TF0A2379	Philippines - Access to Sustainable Energy Project (ASEP) - Recipient-Executed (RE) Activities	30-Sep-2019	2.86	1.87	P153268
TF0A3248	Pilot Program for Climate Resilience: Technical Assistance for Risk Resiliency and Sustainability Program	29-Nov-2019	0.15	0.05	P157325
TF018611	PHRD Pillar IV - Preparation of a Program towards Sustainable Flood Management in the Greater Metro Manila Area	31-Jan-2020	2.73	2.24	P145237
TF019049	CADF Support to the LBP Carbon Finance Support Facility	30-Apr-2021	0.41	0.15	P152805
TF017788	PH-Rural Development Project (PRDP)	31-May-2021	5.00	0.74	P132424
TF017646	Philippines Cebu Bus Rapid Transit Project - CTF Loan TF	30-Jun-2021	5.07	5.07	P119343
TF0A0254	Philippines Methane Recovery and Combustion with Renewable Energy Generation from Anaerobic Animal Manure Management System	30-Jun-2022	0.08	0.00	P115080
TF0A2867	Quezon City Controlled Disposal Facility Biogas Emission Reduction Project	31-Dec-2021	0.91	0.01	P115080
TF0A1705	Landfill Gas Recovery and Combustion with Renewable Energy Generation from Sanitary Landfill Sites under the Land Bank of the Philippines Carbon Finance Support Facility in the Philippines	30-Jun-2022	0.00	0.00	P115080
TF0A2129	Metro Manila BRT Line 1 - CTF Loan TF	30-Nov-2022	0.00	0.00	P132401
TF0A2618	Philippines - Renewable Energy Development - CTF Guarantee	31-Aug-2021	0.00	0.00	P147646

Annex 5: Background on the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM)

As we enter the transition period, I ask everyone to work towards building lasting peace and inclusive progress that will benefit all Mindanaoans and the entire country as well... As we mark a new chapter in our history, I call upon Bangsamoro to take advantage of this opportunity and finally correct the historical injustices and forget the bitterness of the past so that we may embrace each other as Filipinos.

- President Duterte, BARMM Inauguration.¹⁷⁸ 29 March 2019

The Signing and Ratification of the Bangsamoro Organic Law

1. Rodrigo Roa Duterte, the first Philippine President from the country's South, promised to help the Moro people resolve their grievances, many of which stem from disputes on ancestral land and decades of neglect. He joined a long line of Philippine leaders to attempt to put an end to the long-standing conflict in the region. Numerous administrations have conducted peace negotiations with rebel groups such as the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF). After multiple rounds of talks that spanned almost two decades, the government and the MILF signed the Framework Agreement on the Bangsamoro (FAB) in 2012. In 2014, the two parties signed the Comprehensive Agreement on the Bangsamoro (CAB), which consolidated the FAB and its annexes on transitional arrangements and modalities, normalization, wealth-sharing, power-sharing, and water territories. It served as the basis of the original draft Bangsamoro Basic Law (BBL), which was aimed at legally entrenching the political commitments contained in the peace agreement. Several versions of the BBL were proposed by lawmakers, including the first version submitted by President Benigno Aquino III to Congress in 2014. The 16th Congress eventually failed to pass the measure before it adjourned in June 2016.

2. Passage of the 2018 Organic Law for the Bangsamoro Autonomous Region in Muslim Mindanao (OLBARMM), more popularly known as the Bangsamoro Organic Law or "BOL"—the successor to the BBL—is a significant breakthrough for the Philippines, fruit of long peace negotiations between the rebel groups in Mindanao, mainly the MILF, and the Philippine Government. Signed into law by President Duterte on June 26, 2018, the BOL reconciles versions of the proposed measure acceptable to both the government and the rebel groups. In the Annex on Normalization of the FAB, which the parties signed in January 2014, the MILF promised to decommission 30 percent of its troops the national government delivers its commitment of a new Bangsamoro region and eventually end the decades-long rebellion once all political commitments have been delivered. The MILF will then lead the transitional administration of the new region while at the same time create its own political party to compete in open elections for governance of the new entity after the transition period.

3. The BOL abolishes the Autonomous Region in Muslim Mindanao (ARMM), established in 1989 through Republic Act No. 6734 and strengthened in 2001 through Republic Act No. 9054. The establishment of an autonomous region in Muslim Mindanao was first envisaged in the Tripoli Agreement on Peace of 1976 between the Ferdinand Marcos administration and the Moro National Liberation Front (MNLF), the original secessionist group from which the MILF emerged in 1984. President Marcos, however, failed to create the region and only 4 out of the 13 Provinces voted for autonomy when the region was finally established in 1989, after the restoration of democratic rule by his successor, President Corazon Aquino. The new Philippine Constitution created by President Aquino's government in 1987 also provided for the creation of an autonomous region for Muslim Mindanao. The MNLF was given the reigns of power

 $^{^{178}\} https://pcoo.gov.ph/presidential-speech/speech-of-president-rodrigo-roa-duterte-during-the-inauguration-of-the-bangasamoro-autonomous-region-in-muslim-mindanao-barmm/$

in the early days of the ARMM after the administration of President Fidel Ramos reached a peace agreement with the group in 1996. The region would later be expanded to a total of 5 Provinces and 2 Cities in 2001 during the administration of President Gloria Macapagal-Arroyo. President Ramos started the negotiations with the MILF in 1997, which lasted until the Benigno Aquino III administration in 2014 with the signing of the CAB. Marred by corruption and mismanagement, the ARMM has been dubbed by both the MILF and the Aquino administration as a "failed experiment". The BOL, which creates the BARMM, is thus an attempt to correct such failure with provisions granting the new region with broader autonomy, more powers and resources, and larger territory than its predecessor. The Bangsamoro plebiscites in January and February 2019 saw most residents in the Autonomous Region in Muslim Mindanao (ARMM) and Cotabato City vote in favor of this law and, thus, the appointment of the Bangsamoro Transition Authority (BTA) led by the Interim Chief Minister Murad Ebrahim, the Chairman of the MILF's Central Committee.

Differences between the ARMM and the BARMM

4. *Political structure and justice system:* While the ARMM had a unitary form of government, the BARMM government will have a parliamentary-democratic system. In the ARMM, residents directly elected a regional governor and vice governor, and the regional governor had his own Cabinet and advisory council. Legislative power resided with the regional legislative assembly, whose 24 members were also elected directly by the people. In the BARMM, the residents will elect an 80-member parliament representing different parties, districts, and sectors, including indigenous peoples. The members of the parliament will then elect a Chief Minister and two Deputy Chief Ministers among themselves. The Chief Minister will also appoint Cabinet members. For the judiciary, the BOL gives Shari'ah courts jurisdiction over cases exclusively involving Muslims in the region alongside the regular courts under the Philippine judicial system. The BOL gives the Supreme Court the authority to grant the incumbent Shari'ah District and Court judges who are not regular members of the Philippine Bar a period to qualify. Tribal laws will still apply to disputes among indigenous peoples within the region.

5. *Fiscal autonomy and Special Development Fund*: Regional government officials under the ARMM had to justify their funding before Congress like other agencies, creating reliance of the autonomous region on the national government for its annual budget. By contrast, the BARMM will have an automatic allocation of an annual block grant, equivalent to five percent of the net national internal revenue of the Bureau of Internal Revenue and the Bureau of Customs. The region's share in government tax revenues, fees, charges, and taxes imposed on natural resources will increase to 75 percent from the current 70 percent. The national government will also allocate the Bangsamoro P5 billion annually for a period of ten years, which will be used as a Special Development Fund for the rehabilitation of conflict-affected areas.

6. *Territory*: The ARMM covered the provinces of Basilan, Lanao del Sur, Maguindanao, Sulu, and Tawi-Tawi and the city of Marawi. The same area also comprises the BARMM. However, the plebiscite in the early part of 2019 resulted in the addition of 39 barangays from the Province of North Cotabato contiguous to the BARMM, and the city of Cotabato into the expanded Bangsamoro territory. In relation to territorial waters, existing laws define only municipal waters nationwide, including those in the ARMM. These cover 15 kilometers from the low-water mark of coasts that are part of the territory. The Organic Law, meanwhile, introduces regional waters for the BARMM extending up to 19 kilometers from the low-water mark. The administrative code of the ARMM held that inland bodies of water in the region like Lake Lanao remain an "integral part of the national territory" of the country. For the BARMM, all inland waters will be preserved and managed by the Bangsamoro government. However, those that are utilized for energy in areas outside the BARMM will be co-managed by the Bangsamoro government and the Department of Energy. All government revenues from the development and usage of natural resources within the BARMM will go to the Bangsamoro government while revenues from fossil fuels and uranium will be equally shared with the national government.

7. *Defense and security*: Like the ARMM, the national government will be responsible for the defense and security of the BARMM. The Philippine National Police will also organize, maintain, and supervise a Police Regional Office to enforce the law. Members of the MNLF and MILF may be admitted to the police force.

8. *Bangsamoro identity*: Republic Act 9054, which strengthened the ARMM, provided an allencompassing definition of the Bangsamoro people. Section 3(b), Article X of the law states that they are "citizens who are believers of Islam and who have retained some or all of their own social, economic, cultural, and political institutions." The BOL, meanwhile, recognizes and retains the historical and geographical identity of the Bangsamoro people: Section 1, Article II of the Organic Law states that Bangsamoro People are "those who, at the advent of the Spanish colonization, were considered natives or original inhabitants of Mindanao and the Sulu archipelago and its adjacent islands, whether of mixed or of full blood," including their spouses and descendants.

Transition from ARMM to BARMM

9. President Duterte appointed 80 members to the Bangsamoro Transition Authority (BTA), which included representatives for non-Moro indigenous communities, youth, women, settler communities, traditional leaders, and other sectors. Duterte appointed an interim Chief Minister among the BTA members, who organized an interim Cabinet. Government personnel in education, health, and social welfare agencies are to be retained during this time. The BTA now holds legislative and executive powers and is considered the Bangsamoro government during the transition. The first local elections will be held in 2022, and the BTA will be dissolved once elected officials assume office.

10. There are high expectations for the normalization process. The Institute of Bangsamoro Studies (IBS) produced a *Needs and Skills Assessment of Bangsamoro Islamic Armed Forces (BIAF) members* in 2016 to gather data on the characteristics, assets, skills, needs and aspirations of a sample of MILF combatants.¹⁷⁹ The assessment found that BIAF combatants – 93 percent male and 91 percent over 25 years of age – had average self-reported monthly incomes of PHP 4,904. This represented one-quarter of the national average income, one-third of the average in Mindanao and less than half the average income in the former ARMM. As reflected in the "word cloud" below, BIAF combatants expect the normalization process to deliver peace, livelihoods and development – aspirations that are shared by many Filipinos across the country.

What do you think you (the combatant) will get from the normalization process?



¹⁷⁹ Needs and Skills Assessment of Bangsamoro Islamic Armed Forces (BIAF) Members, May 2016. The assessment was undertaken by the Institute of Bangsamoro Studies (IBS), with assistance from the Facility for Advisory Support for Transition Capacities (FASTRAC).

Annex 6: Overview on Gender, Vulnerable Populations, and the Philippine Portfolio

By Regional and Global standards, the Philippines has attained relatively high standards of gender equality. The World Economic Forum (WEF) Gender Gap Index ranks the Philippines 10th out of 144 countries. However, there is limited emphasis on school-to-work transition, large differences between male and female labor force participation, and women earn less than men for every level of education they attain. These issues present obstacles for inclusive growth, hamper competitiveness, and reduce opportunities to enhance women's voice and agency. The key gender gaps are summarized below.

1. Education and labor market. The government has carried out a series of ambitious basic education sector reforms in the past decade with large increases in public spending in education. Enrollment and completion rates at all levels have improved, with women's enrollment at all levels exceeding that of male enrollment. Primary and tertiary enrollment is close to the regional average but secondary enrollment lags. Drop-out rates in secondary school remained high, particularly for boys (15.7 percent) compared with girls (9.6 percent) in 2018. Higher returns accrue for educational attainment among females: an additional year of education for a woman offers a 16 percent rate of return, compared to 9 percent for men. Education attainment is higher for the female labor force than for males. As there has been a larger improvement in education among female workers and a higher increase for employed women taking more well-paying jobs, the average wage for women increased at a faster rate and recently surpassed that for men.

2. **Female labor force participation**. Nevertheless, existing social norms remain significant barriers to women's advancement. Women have much lower levels of labor force participation than men (one out of two versus three out of four), and earn less than men for every single level of education. While more women entered the higher paid sectors, such as science and business, and were employed in the public sector, a significant share of women remained in the low-end services jobs. With the manufacturing sector lagging behind that of countries like Cambodia and Vietnam, where thousands of women find well-paying jobs, employer demand for unskilled labor is limited in the Philippines. Labor participation for males in ARMM is similar to that of other regions (76.8 percent on average), but women's labor force participation rate in ARMM (28.6 percent) is lower compared to other regions (50.6 percent on average).

3. **Health.** The government has upgraded national and local government health facilities to support the provision of maternal health care services and has expanded coverage of the Philippine Health Insurance, especially to poor households. Still, household spending on health remains high, and the quality of service is uneven. Recent data indicate that rates of maternal mortality, infant mortality, and malnutrition among children remain elevated. Access to family planning is limited. The country's high fertility rate continues to drive high population growth relative to the regional average (1.7 percent per year compared to 0.7 percent). Adolescent pregnancy is high (57 births per 100,000, up from 46 births per 100,000 in 1998). In part the fertility trends are due to challenges related to access to family planning. The average poor Philippine woman has more than five children to care for and one in ten teenage girls is either pregnant or has children already. These situations tend to keep women's labor force participation low.

4. **Voice and agency.** Women's agency has steadily improved in Philippine society. Filipino women have good control over their own resources and spending, regardless of their level of household wealth. Women's participation in business ownership is high—69 percent of firms. The proportions of seats held by women in the national Congress increased rapidly in recent decades, reaching nearly 30 percent in 2017, compared to the world average of 24 percent. However, while violence against women tends not as prevalent as in other countries, still, almost 5 percent of Filipinas surveyed concurred that wife beating was justified for arguing with the husband, refusing to have sex, or burning food (World Development Report 2012). Women continue to have limited power in the workplace and tend not to occupy middle to high management positions, with 30 percent of firms reporting women in top management positions. The role of women in business leadership remains a challenge

^{5.} **Conflict**. Gender issues are particularly challenging in conflict-affected areas. Reported violence against women is not high on average, but remained a challenge in some areas, particularly conflict-affected Mindanao. Gender-based violence, including violence against women such as spousal or partner abuse, assault, and rape, continued to be among the leading sources of violence in Muslim Mindanao (International Alert, 2018).¹⁸⁰ For example, Lanao del Sur saw not only an explosion in extremist violence in Marawi but also gender-based violence in recent years. Compared to the national average, the conflict regions have higher percentages of women that have experienced physical violence.¹⁸¹

6. **Vulnerable groups.** Lesbian, gay, bisexual, transgender and intersex (LGBTI) people face challenges in education, employment, health care, access to justice and other government services, and are subject to violence. LGBTI Filipinos report common experiences of sexual harassment in the workplace (UNDP and USAID 2014). The Philippine Congress in 2013 passed an anti-bullying law and the Department of Education issued regulations prohibiting bullying in schools on the basis of sexual orientation and gender identity. The Department of Education also issued in 2017 a Gender-Responsive Basic Education Policy which expands the definition of gender to encompass relations between same-sex partners, gender awareness, gender-based violence, gender-based discrimination, gender expression, and gender identity.

7. **Gender in the PH portfolio and the Country Gender Action Plan (CGAP).** A review of the active and pipeline portfolio confirms that the majority of projects (twelve out of the sixteen projects with established PDO's) have identified gaps in outcomes between females and males and have incorporated (or plan to incorporate) actions and indicators to address and measure changes in these gaps. The summary of gender gaps and actions from the portfolio forms the basis for the CGAP for the priority areas identified. The overarching goal of the CGAP is to maintain a portfolio that focuses on the strategic inclusion of gender issues to identify and analyze gaps between women and men in the targeted sectors and incorporate actions and indicators to address these gaps. Therefore, the CGAP sets forth the following four priority categories that are aligned with the CPF thematic areas and aimed at ensuring that the primary causes of gender gaps in the priority areas are addressed.

- i. Access to economic opportunities: Supporting government, community, and private sector organizations to improve females' access to services and enhance productivity in key sectors of the economy, including agriculture and rural space
- ii. **Human Capital endowments:** Prioritizing initiatives that focus on school completion, learning outcomes, and school to work transition for males and females alike.
- iii. **Agency:** Delivering programs through a gender-informed conflict lens and assisting the government in strengthening the policy framework to reduce female vulnerability in disaster risk management.
- iv. Voice and agency: Supporting government efforts, policies, and programs to increase women's involvement in paid labor and enable women to attain management and community leadership.

¹⁸⁰ Source: War and Identity. Conflict Alert 2018; International Alert.

¹⁸¹ The numbers in conflict-affected regions are likely to be under-estimated due to under coverage and under reporting.

Annex 7: Mapping of Official Development Assistance by CPF Focus Area

Following is a broad description of the loans and grants of development partners, grouped according to the Philippines CPF FY20-December 2023 Focus Areas.

CPF Focus Area #1: Investing in Filipinos

World Bank and ADB provide complementary support for increasing the quality of basic and secondary education. The loan financed by IBRD aims to improve the reading and math skills of primary school students, while the ADB-financed loan is for a support program for senior high school that prepares students for employment, further education and training. Australia, the UN System, and the US provide grants that aim to improve the quality, access, and governance in basic education. They also provide grants for building the capacity of teachers in the ARMM and for improving the school performance of children in the BARMM.

Canada, Korea, and the US have grants for improving maternal and child health services. The EU, US, and the UN System support planning and capacity building for reproductive health services in isolated and disadvantaged areas and in humanitarian situations. The UN's World Food Programme helps reduce malnutrition and builds the resilience of vulnerable populations. The US has programs to control tuberculosis in the country; while Japan strengthens the medical treatment system for drug users and the corresponding policies on illegal drugs.

The country's KALAHI-CIDSS, supported by IBRD financing, expands community-driven development in 847 targeted municipalities. ADB provides additional financing for social protection, which gives health and education grants to poor households. Grants from development partners are provided by Australia to combat human trafficking; Canada to stop violence against women; ADB through a technical assistance for KALAHI-CIDDS implementation; and the UN System for capacity building, technical assistance and other support for the Department of Social Welfare and Development.

CPF Focus Area #2: Competitiveness and Economic Opportunity for Job Creation

Infrastructure projects account for the largest share in the ODA loan portfolio, with funds provided by ADB, China, France, Japan, Korea, and WB for the following: construction of bridges; upgrade and rehabilitation of roads and transit systems; deployment of energy-efficient vehicles; improvement of maritime safety capability; flood risk management; wastewater management; construction of airports; and systems development in communication, navigation, and surveillance traffic.

On agricultural productivity, most programs support institutional capacity building, climate change adaptation and mitigation, and resilience to disaster risks, with a focus on agricultural workers. In addition, there are projects in support of agricultural production. WBG engagement includes the Philippine Rural Development Project and the Participatory Irrigation Development Project. Grants are provided by Australia for the expansion and diversification of production and management of agricultural products; ADB and Korea for watershed management project; the UN System for rice production sustainability, food and livelihood security, aquaculture promotion, and restoration of agricultural livelihoods; the US for sustainable programs in fishery ecosystems and management; and WB on methane recovery from waste and support for the Extractive Industries Transparency Initiative (EITI).

CPF Focus Area #3: Addressing Core Vulnerabilities by Building Peace and Resilience

ADB, China, Japan, Korea, and WB provide loan financing for disaster risk reduction and management. This includes support for flood risk management project in three major rivers from Japan; an infrastructure and preparation innovation facility of the ADB; and WB support for the construction and modernization of flood management systems. Grants from ADB, Australia, New Zealand, and the UN System include support for enhancing the capacity of local and national governments in integrating climate action in local and national strategies. The UN System also supports climate-smart agriculture; climate change adaptation and mitigation in agriculture-based livelihood; and sustainable land management practices to mitigate the impact of drought.

Germany, Spain, the UN System, and the US provide training and support to strengthen community-based disaster risk reduction and improve the capacity of local governments to plan and implement disaster risk reduction and management programs. Germany supports the Climate Change Commission and other agencies in coordinating and implementing the national climate change policy. A number of grants from ADB, EU, Canada, Germany, Korea, Japan, New Zealand and the UN System have been provided in areas affected by typhoons Mangkhut in 2018, Tembin in 2017, and Haiyan in 2013. The UN System supports disaster risk reduction and resilience building in vulnerable cities in Metro Manila. The UN System is active in a number of programs in Marawi, including the enhancement of agri-based livelihood of internally displaced farmers and community-driven shelter and livelihood projects. US provides support for the Mindanao Youth for Development project to communities affected by the Marawi siege, including grants for the restoration and improvement of electricity in Marawi; urban resilience for growth and productivity; and microgrants for small businesses. Japan provides a grant for social infrastructure, recovery and restoration; while Spain supports peace and stability in Bangsamoro.

Cross-Cutting Areas: Governance and Digital Transformation

The EU, ADB, Australia, UN System, USA, and WB are engaged in helping to improve governance and implementation capacity. This includes grant financing from the EU and other development partners to help build the institutional and technical capacity of local governments for disaster risk reduction and management. ADB provides technical assistance to the Public-Private Partnership Center to increase the efficiency and transparency of governance and financial management systems. The US supports the E-PESO project that promotes efficiency in financial transactions and boosts transparency and accountability in government finance and operations. WB provides a grant to support the Commission on Audit and technical assistance for the risk resiliency and sustainability program.

Annex 8 : Philippines Country Partnership Framework Consultations – Highlights

The Philippines has a robust and vibrant set of communities in the development space. To validate key CPF themes, the WBG team consulted a wide range of stakeholders from government, academia, civil society, private sector, youth, as well as development actors, thus capturing the aspirations, concerns, and ideas of a broad cross-section of Filipinos. Following are highlights of the CPF Consultations, main takeaways and University student voices.

I. Participation: Between May-September 2019, the Bank held CPF consultations among small and large groups in the capital, across regions, in conflict-affected and in disaster-prone areas. This was followed by a set of detailed meetings with the national government, development partners including the private sector, key civil society leaders, and a digital campaign targeting the general public to validate priority engagement areas within the new CPF. Locations for these meetings include Cebu, Davao, Naga, Cotabato, Metro Manila, Laguna, and Palawan. A total of 804 people physically attended consultation events and meetings, another 1,134 young Filipinos provided written comments during university outreach, and over 700,000 people were reached through the CPF's digital campaign.

II. Main Takeaways:

High priority is placed on education and skills development at all levels to prepare Filipinos for quality employment domestically and abroad. There is concern about the availability of employment in different parts of the country and whether new generations have the appropriate skills in a dynamic labor market. Among government agencies working on sectors related to human capital development, priorities include curbing teenage pregnancies and improving learning outcomes in basic education, which they mentioned could be complemented by expanding attention on technical and vocational skills development. Enhancing social equity by linking labor market demands with skills development is also a priority for the sector for the government, especially as the workforce continues to grow and demand for higher quality jobs is evident. There is also a continued and strong focus on social protection.

Strengthening governance and institutions remains a key priority. Participants in the regions view regional and local development as stymied by a lack of continuity of policies, priorities, and programs across administrations—particularly at the local level (three-year election cycle). Corruption, as well as the politicization of government services, were often mentioned as significant constraints. In Metro Manila, stakeholders raised concerns over the weakening of institutions, viewing strong institutions as a precondition for stable development. Another key obstacle for development mentioned was the extreme and entrenched concentration of economic and political influence in the country. Private sector representatives believe business can flourish with dependable, quality regulations, while noting that current uncertainty around tax reforms needs to be urgently addressed.

Concerns about the environment and infrastructure development are present in urban and rural areas. The youth, even in urban areas, keep the agriculture sector top of mind, pointing often to the plight of farmers in their struggle to lift themselves out of poverty. They also demonstrated a high regard for environmental protection and conservation as a goal in itself, regardless of the economic benefits or the disaster and climate change mitigation impact that may yield. Government stakeholders, on the other hand, stressed the protection of natural resources as critical to building resilience. Climate change and its impacts are being felt and acknowledged in the regions. Participants in Metro Manila stressed the need for greater attention to rapidly escalating challenges in urban development. In BARMM, infrastructure is a top priority. Facing a tight timeframe for the BARMM transition where capacity building will be key for success, some in government view service delivery as a critical area for World Bank involvement, which can help improve quality of life in conflict areas. In BARMM as well as Mindanao, government agencies believe improved basic infrastructure can help bring in tourism and private investment.

III. Feedback from University students across the Philippines included:

• *"The government should start from the root of the problem, which is the lack of quality of education..."*

• "I believe that we should strongly support our local SMEs. By doing this, we help raise their incomes and at the same time promote patriotism or nationalism. We should support our local farmers and continually take care of our land."

• *"The Philippines will achieve"*



progress if the Filipino people are progressing. The government must invest more to the health, education, and skills of the Filipino. Having citizens that are achieving their full potentials will lead to the progress of the nation while having security at the same time."

• "Provide livelihood for the poor, educate the youth. No discrimination."

• "Let the voices of the various indigenous groups of the Philippines be heard. Though their culture may differ from ours, this should not be an excuse to treat them unfairly. This may be done by educating the public about their culture, what struggles they face, and debunk misconceptions that paint them in a negative [life]. Through proper education this may help foster a new-found appreciation for our indigenous peoples."

• "As a student from Mindanao specifically from South Cotabato, I can say that the Philippines still has long way to go in achieving (sustaining) peace. We have achieved peace at some point but the challenge is how to sustain it. As long as we are still Luzon, Visayas, and Mindanao, pace is just a faint light in the darkness. We are the PHILIPPINES."

• *"We should strive to make sure that services can reach remote areas and that progress and development are inclusive. I think that we should provide better health care services and we should make use of local knowledge and resources in doing so..."*

• "Our country can be more resilient if the people would be actually involved in the process of planning and constructing the best survival strategies and to be more prepared in all aspects when calamities hit the Philippines."