

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 76175-PH

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF US\$479.0 MILLION

TO THE

REPUBLIC OF THE PHILIPPINES

FOR A

KALAHI-CIDSS NATIONAL COMMUNITY DRIVEN DEVELOPMENT PROJECT

January 24, 2014

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

CURRENCY EQUIVALENTS

(Exchange Rate Effective: February 22, 2013)

Currency Unit = Philippine Peso (PHP)
40.6 PHP = US\$1

GOVERNMENT FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

4 P's	<i>Pantawid Pamilyang Pilipino</i> Project (the National CCT program)
ACT	Area Coordination Team
ADB	The Asian Development Bank
Australian AID	The Government of Australia's Agency for International Development
<i>Barangay</i>	Village
BUB	Bottom-up-Budgeting
CAR	Cordillera Administrative Region
CAS	Country Assistance Strategy
CCT	Conditional Cash Transfer
CDD	Community Driven Development
CEAC	Community Empowerment Activity Cycle
CoA	Commission on Audits
CSOs	Civil Society Organizations
DA	Designated Account
DA	Department of Agriculture
DBM	Department of Budget and Management
DepEd	Department of Education
DILG	Department of the Interior and Local Government
DoF	Department of Finance
DoH	Department of Health
DSWD	Department of Social Welfare and Development
FM	Financial Management
GAC	Governance and Anti-Corruption
GoP	Government of the Philippines
GPBP	Grassroots Participatory Budgeting Process
GRS	Grievance Redress System
IBRD	International Bank for Reconstruction and Development
IE	Impact Evaluation
IP	Indigenous Peoples
ISF	Implementation Support Fund
KALAHI-CIDSS	<i>Kapitbisig Laban Sa Kahirapan</i> - Comprehensive and Integrated Delivery of Social Services
KC-NCDDP	KALAHI-CIDSS National Community Driven Development Project
KPI	Key Performance Indicator
LCC	Local Counterpart Contribution
LDP	Local Development Planning
LGC	Local Government Code
LGU	Local Government Unit
LPRAP	Local Poverty Reduction Action Plan
MCC	Millennium Challenge Corporation
M&E	Monitoring and Evaluation
MFA	Municipal Financial Analyst
MIS	Management Information System
MLGUs	Municipal Local Government Units
MoA	Memorandum of Agreement (project staff contract arrangement)
MT	<i>Makamasang Tugon</i> (municipality led KALAHI-CIDSS)
NAPC	National Anti-Poverty Commission
NDRRMC	National Disaster Risk Reduction and Management Council
NCIP	National Commission on Indigenous Peoples

NEDA	National Economic and Development Authority
NGAs	National Government Agencies
NPMO	National Project Management Office
NPMT	National Project Management Team
NSC	National Steering Committee
ODA	Official Development Assistance
O&M	Operations and Maintenance
OPAPP	Office of the Presidential Adviser on the Peace Process
ORAF	Operational Risk Assessment Framework
PDO	Project Development Objective
PDP	Philippine Development Plan
PSA	Participatory Situation Analysis
RPMOs	Regional Project Management Offices
RFR	Request for Funds Release
SGH	Seal of Good Housekeeping
SO	Strategic Objective
SP	Sub-Project
WA	Withdrawal Application

Regional Vice President:	Axel van Trotsenburg
Country Director:	Motoo Konishi
Sector Director:	John Roome
Sector Manager:	Ousmane Dione
Task Team Leader:	Sean Bradley

REPUBLIC OF THE PHILIPPINES

KALAHI-CIDSS National Community Driven Development Project

TABLE OF CONTENTS

	Page
I. STRATEGIC CONTEXT	1
A. Country Context.....	1
B. Sectoral and Institutional Context.....	2
C. Higher Level Objectives to which the Project Contributes	4
II. PROJECT DEVELOPMENT OBJECTIVES	4
A. Project Development Objective	4
B. Project Beneficiaries	5
C. PDO Level Results Indicators.....	5
III. PROJECT DESCRIPTION	5
A. Project Components	5
B. Project Financing	9
C. Lessons Learned and Enhancements Reflected in Project Design	10
IV. IMPLEMENTATION	13
A. Institutional and Implementation Arrangements	13
B. KC-NCDDP Results Monitoring and Evaluation	17
C. Sustainability.....	18
V. KEY RISKS AND MITIGATION MEASURES	18
A. Risk Ratings Summary Table	18
B. Overall Risk Rating Explanation	19
VI. APPRAISAL SUMMARY	19
A. Economic and Financial Analyses	19
B. Technical.....	20
C. Financial Management.....	20
D. Procurement	21
E. Social (including Safeguards and Gender)	22
F. Environment (including Safeguards)	23

Annex 1: Results Framework and Monitoring	24
Annex 2a: Detailed Project Description.....	28
Annex 2b: Summary Project Cost & Financing Tables	33
Annex 3: Implementation Arrangements	34
Annex 4: Operational Risk Assessment Framework (ORAF).....	50
Annex 5: Implementation Support Plan	59
MAP	64

PAD DATA SHEET*Philippines**Philippines National Community Driven Development Project (P127741)***PROJECT APPRAISAL DOCUMENT***EAST ASIA AND PACIFIC**EASPS*

Report No.: PAD380

Basic Information			
Project ID P127741	EA Category B - Partial Assessment	Team Leader Sean Bradley	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Jan-2014	Project Implementation End Date 30-Jun-2019		
Expected Effectiveness Date 30-Apr-2014	Expected Closing Date 31-Dec-2019		
Joint IFC No			
Sector Manager Ousmane Dione	Sector Director John A. Roome	Country Director Motoo Konishi	Regional Vice President Axel van Trotsenburg
Borrower:			
Responsible Agency: Department of Social Welfare and Development			
Contact:	Corazon Juliano-Soliman	Title:	Secretary
Telephone No.:	(63-2) 951-2239	Email:	dinky@dswd.gov.ph
Project Financing Data(in USD Million)			
[X]	Loan	[]	Grant
[]	Credit	[]	IDA Grant
[]		[]	Guarantee
[]		[]	Other
Total Project Cost:	663.90	Total Bank Financing:	479.00
Financing Gap:	0.00		
Financing Source		Amount	

Borrower	184.90
International Bank for Reconstruction and Development	479.00
Total	663.90

Expected Disbursements (in USD Million)

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	0000
Annual	0.00	25.00	75.00	125.00	125.00	80.00	40.00	9.00	0.00
Cumulative	0.00	25.00	100.00	225.00	350.00	430.00	470.00	479.00	0.00

Proposed Development Objective(s)

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

Components

Component Name	Cost (USD Millions)
Barangay (community) Sub-grants for Planning and Investment	398.00
Local capacity building and implementation support	67.50
Project administration, monitoring and evaluation	12.30

Institutional Data

Sector Board

Social Development

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Public Administration, Law, and Justice	Public administration-Other social services	50		
Transportation	Rural and Inter-Urban Roads and Highways	20		
Water, sanitation and flood protection	Water supply	20		
Education	Primary education	10		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes			
Theme (Maximum 5 and total % must equal 100)			
Major theme	Theme	%	
Rural development	Rural services and infrastructure	34	
Social dev/gender/inclusion	Participation and civic engagement	33	
Social dev/gender/inclusion	Other social development	33	
Total		100	
Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]	
Does the project require any waivers of Bank policies?	Yes []	No [X]	
Have these been approved by Bank management?	Yes []	No [X]	
Is approval for any policy waiver sought from the Board?	Yes []	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []	
Safeguard Policies Triggered by the Project	Yes	No	
Environmental Assessment OP/BP 4.01	X		
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09	X		
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10	X		
Involuntary Resettlement OP/BP 4.12	X		
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Project financing plans	X		Yearly
Description of Covenant			
Project financing plans giving details of the sources and uses of funds for the project due November 1 of each project year.			

Name	Recurrent	Due Date	Frequency
Maintenance of institutional structures as outlined in loan agreement.	X		CONTINUOUS
Description of Covenant			
Set-up and maintenance at all times during the implementation of the Project of the: National Steering Committee, National and Regional Project Management Teams, National and Regional Project Management Offices, and Area Coordination Teams (at municipal level) with functions, resources and staff numbers and qualifications as agreed between the GOP and the World Bank.			
Name	Recurrent	Due Date	Frequency
Implementation arrangements in accordance with Operations Manual	X		CONTINUOUS
Description of Covenant			
Implementation of project and sub-projects in accordance with the policies, procedures, guidelines and criteria set forth in the LA and detailed in the Project Operations Manual (which includes various sub-manuals for: Community Empowerment Activity Cycle, Project Finance Manual, Project Procurement Manual, Community Procurement and Community FM manuals, safeguards instruments, and etc.).			
Name	Recurrent	Due Date	Frequency
Value for money audit	X		Yearly
Description of Covenant			
Preparation as part of the annual financial audit due under the LA, of a value for money audit covering physical inspection, evaluation of sustainability, and adequacy of maintenance and monitoring with respect to at least 10% of sub-projects.			
Conditions			
Name			Type
Description of Condition			
Team Composition			
Bank Staff			
Name	Title	Specialization	Unit
Minhnguyet Le Khorami	Program Assistant	Administrative Support	EASER
Markus Kostner	Sector Manager	Overall Sector Coordination	LCSSO
Sean Bradley	Senior Social Development Specialist	Team Lead	EASER
Maria Theresa G. Quinones	Senior Operations Officer	Rural Sector Coordination	EASPS
Rene SD. Manuel	Senior Procurement	Procurement	EASR1

	Specialist				
Lourdes L. Anducta	Program Assistant	Administrative Support	EASER		
Manush A. Hristov	Senior Counsel	Legal aspects	LEGES		
Susan Wong	Sector Manager, Social Development	CDD quality assurance and M&E	SDV		
Matthew James Keir Stephens	Senior Social Development Specialist	Governance and conflict	EASPS		
Ngozi Blessing Obi Malife	Program Assistant	Administrative Support	EASER		
Lynnette Dela Cruz Perez	Senior Education Specialist	Education sector integration	EASHE		
Miguel-Santiago da Silva Oliveira	Senior Finance Officer	Loan and Disbursements	CTRLN		
Maricar Menchie Celestial	Program Assistant	Administrative and support	EACPF		
Roberto B. Tordecilla	Social Development Specialist	Social Safeguards and Conflict	EASPS		
Maria Loreto Padua	Senior Social Development Specialist	CDD and Institutional Arrangements	EASPS		
Roberto Antonio F. Rosadia	Health Specialist	Health sector integration	EASHH		
Tomas JR. Sta.Maria	Financial Management Specialist	FM Arrangements	EASFM		
Lawrence Tang	Urban Mgmt. Spec.	Decentralization and BUB Linkages	EASPS		
Gerardo F. Parco	Senior Operations Officer	Environment and Safeguards	EASPS		
Patricia Maria Fernandes	Social Development Specialist	CDD Enhancements and DRM	EASER		
Reinaluz A. Ona	Team Assistant	Administrative Support	EACPF		
Non Bank Staff					
Name	Title	Office Phone	City		
Julien Labonne	M & E Specialist				
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Philippines	Northern Mindanao	Northern Mindanao	X		Bukidnon, Camiguin, Lanao del Norte.

					Misamis Occidental, Misamis Oriental
Philippines	Mimaropa	Mimaropa	X		Marinduque, Occidental Mindoro, Oriental Mindoro, Palawan, Romblon
Philippines	Soccsksargen	Soccsksargen	X		Cotabato(North Cotabato) Sarangani, Sultak Kudarat
Philippines	Caraga	Caraga	X		Agusan del Norte, Agusan del Sur, Dinagat Island, Surigao del Norte, Surigao del Sur
Philippines	Cordillera Administrative Region	Cordillera Administrative Region	X		Abra, Apayao, Benguet, Ifugao, Kalinga, Mt. Province
Philippines	Ilocos	Ilocos	X		Ilocos Sur, La Union, Pangasinan
Philippines	Calabarzon	Calabarzon	X		Quezon
Philippines	Western Visayas	Western Visayas	X		Aklan, Antique, Capiz, Guimaras, Iloilo, Negros Occidental
Philippines	Central Luzon	Central Luzon	X		Nueva Ecija
Philippines	Central Visayas	Central Visayas	X		Bohol, Cebu, Negros Oriental, Siquijor
Philippines	Eastern Visayas	Eastern Visayas	X		Biliran, Eastern Samar, Leyte, Northern Samar, Samar(Western Samar), Southern Leyte
Philippines	Zamboanga Peninsula	Zamboanga Peninsula	X		Zamboanga del Norte, Zamboanga Del Sur, Zamboanga Sibugay
Philippines	Davao	Davao	X		Compostela Valley, Davao del Norte, Davao del Sur, Davao Oriental
Philippines	Bicol	Bicol	X		Albay, Camarines Norte, Camarines Sur, Catanduanes, Masbate, Sorsogon

I. STRATEGIC CONTEXT

A. Country Context

1. The Philippines is a lower middle-income country with a population of 92 million, of whom approximately 26 percent are classified as poor.¹ Although the country's economy has been growing by an average of 4.9 percent from 2000 to 2009, the incidence of poverty has stagnated or increased during that same period suggesting that growth is not sufficiently inclusive. The gini coefficient (at 43.0 percent in 2009, the most recent year for which data are available) is one of the highest in East Asia. Spatial inequality is also evident with significant differences in income and poverty levels across regions. Non-income measures of poverty, such as health and education outcomes, as well as basic service access, also indicate a high level of inequality across different parts of the country. Chronic poverty in the Philippines has been attributed to inefficient service delivery; geographic isolation; vulnerabilities owing to disaster and conflict; low spending for social protection; poor targeting of anti-poverty programs and weak governance.

2. The Aquino administration seeks to address poverty through inclusive growth and good governance as espoused in the strategic objectives of the 2011-2016 Philippine Development Plan (PDP). The PDP calls for: (i) attaining a sustained and high rate of economic growth providing productive employment opportunities; (ii) equalizing access to development opportunities for all Filipinos; and (iii) implementing effective safety nets to protect and enable those who do not have the capability to participate in the economic growth process. The PDP also highlights achieving universal coverage in health and basic education; converging social protection programs; providing direct Conditional Cash Transfers (CCT) to the poor; mainstreaming climate change objectives and the use of Community Driven Development (CDD) approaches as Government's key strategies to help improve human development outcomes and reduce poverty.²

3. On November 8, 2013, Typhoon Yolanda³—one of the strongest typhoons ever recorded worldwide-- hit central Philippines and left behind an unprecedented level of destruction affecting the people and infrastructure in 9 (of 17) administrative regions, 44 provinces and 591 municipalities.⁴ The people, towns and cities of Western, Central and Eastern Visayas, some of the poorest in the country, bore the brunt of the storm's impact, accounting for approximately 90 percent of the estimated 14.1 million people affected in terms of death, destruction and displacement. Government estimates the total (public and private) damage and loss relating to Yolanda at PHP 571.1 billion (approximately US\$12.9 billion), of which public and private "social" infrastructure dominates (including more than 1 million private homes damaged, representing PHP 325.2 billion in losses). Public infrastructure was also severely affected with almost 6,000 elementary and secondary classrooms fully damaged and an estimated 14,500 partially damaged. A partial assessment of the health sector indicates that 296

¹ National Statistical Coordination Board, 2011.

² Chapter 8 of the Philippine Development Plan (2011-2016).

³ Known internationally as Typhoon Haiyan.

⁴ Per the National Disaster Risk Reduction and Management Council Situation Report No. 57 of December 9, 2014.

community health stations, 97 rural health units and 38 hospitals were also damaged.⁵ The effects of the storm are expected to result in an increase in the number of poor in central Philippines (as a result of a contracting economy, increase in unemployment and dramatic inflation in the early emergency relief phase), as well as nationally. The Government has called upon its own citizens, the private sector and the international community, on top of its own disaster response programs and other mechanisms, to assist in the responding to this unprecedented level of destruction.

B. Sectoral and Institutional Context

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

5. Against this background, Community-Based and Community Driven Development (CDD) approaches have been widely used by several sectors, NGAs and development partners in the Philippines to support LGUs to improve the delivery of basic services and address poverty. Key programs supported by the World Bank that share core CDD principles of participatory planning and community control of investments include the Agrarian Reform Communities Development Project, the Mindanao Rural Development Project, the Mindanao Trust Fund-Reconstruction and Development Project, the Autonomous Region in Muslim Mindanao Social Fund Project, and the *Kapit bisig Laban Sa Kahirapan*⁶ - Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) project managed by the Department of Social Welfare and Development (DSWD).⁷

6. The proposed use of CDD as a core pillar of the Government's poverty reduction strategy is consistent with the President's new Social Contract that seeks to engage and empower individuals and communities in development and good governance. This approach is also reflected in the national "Bottom-up-Budgeting" (BUB) initiative (now known as the Grassroots Participatory Budgeting Process—GPBP) of the Human Development and Poverty Reduction cabinet cluster. The GPBP initiative began in 2012 in 595 municipalities and cities with approximately PhP. 8.4 billion or US\$210 million in financing. It is currently being expanded to

⁵ Per official figures of the National Disaster Risk Reduction and Management Council (NDRRMC) as sited in the document "Reconstruction Assistance on Yolanda", Government of the Philippines, December 16, 2013.

⁶ *Kapitbisig Laban Sa Kahirapan* means "Linking Arms to Fight Poverty" in Tagalog.

⁷ See <http://kalahi.dswd.gov.ph/>, www.fapsodar.org.ph, <http://www.damrdp.net/>, <http://www.armm.gov.ph/100-days/armm-social-fund-project/>.

cover all municipalities and cities starting in 2014/2015. The process mandates that fourteen key sectoral departments finance specific community level investments that are identified through a bottom-up local Poverty Reduction Action Planning (LPRAP) process. In so doing, the Government is giving significant leverage to the participatory planning and budgeting requirements of the LGC, and is seeking to embed core CDD principles in that effort.

7. The successful use of CDD approaches in poverty reduction interventions in the Philippines has been clearly demonstrated in the recent end-line Impact Evaluation (IE) of KALAHI-CIDSS.⁸ This mixed-methods analysis found that the project had a positive impact on per capita consumption, especially for households that were classified as poor before the project started, which was associated with a reduction in poverty rates. The project also had a positive impact on year-round (road) accessibility in targeted areas. In addition, community members were also more willing to contribute resources to development activities that would benefit the community as a result of the project, and community volunteers were empowered and better able to effectively engage elected officials through village assemblies. Targeted communities also felt that their village assemblies shifted from being venues for reporting by local government to becoming forums for citizen participation. Further studies have shown the program to be effective in providing public infrastructure at lower unit costs than comparable public sector providers, at targeting the poorest *barangays* (villages) in the poorest municipalities, and in responding to the will of the people by matching their demands with sub-project investments.⁹

8. The implementation of CDD programs has not been without challenges, however. Evidence from both the KALAHI-CIDSS impact evaluation and assessment of other CDD programs indicates that, in general, while household welfare improved, the positive effects the programs have had on local governance have been less pronounced and tended to be limited to the project context. In other words, the levels of participation and transparent decision-making around the planning and use of project resources is not affecting how other public resources outside of the project are managed; nor is the shift in governance practices from patronage to participation being sustained. In addition, some of the sub-projects have not been adequately maintained, thereby reducing some of the potential impacts on access to basic services. And, while CDD approaches are overwhelmingly well-received by communities and LGUs, as measured by satisfaction levels, the integration of these approaches with those of other departments and LGUs has been *ad hoc* and limited. This has led to duplication and inefficiencies in efforts to improve service delivery at the local level. Multiple CDD platforms often serving the same populations have also led to similar inefficiencies and, at times, confusion over competing models.

9. Despite these shortcomings, the national Government has recognized the overall value of the CDD approach, as reflected in both the 2011-2016 PDP and the new National Poverty Reduction Strategy, which includes CDD as a core pillar. Building on years of support for CDD in the Philippines, the KALAHI-CIDSS National Community Driven Development Project (KC-NCDDP) will be a major step forward in the evolution of the approach, as discussed below. In addition, the proposed use of the CDD to help address the destruction caused by Typhoon

⁸ KALAHI-CIDSS Impact Evaluation: A Revised Synthesis Report, Julien Labonne, February 2013.

⁹ See Araral and Holmemo “Measuring the Costs and Benefits of Community Driven Development: The KALAHI-CIDSS Project”, World Bank, January 2007; and Labonne and Chase “Who’s at the Wheel when Communities Drive Development: The Case of the KALAHI-CIDSS Project”, World Bank, Sept. 2007.

Yolanda is aligned with the role that DSWD plays nationally as the Government's lead implementing agency responsible for post-disaster relief and recovery activities, as well as being consistent with international best practice for effectively responding to such disasters. The KC-NCDDP will also be closely aligned with the DSWD's Social Welfare and Development reform agenda, which seeks to harmonize the agency's poverty reduction efforts. The KC-NCDDP will seek closer linkages with the national conditional cash transfer program (*Pantawid Pamilyang Pilipino Program*, or "4P's"), the Sustainable Livelihoods Program (SEA-K) and DSWD's disaster risk mitigation and response efforts. In addition, and in parallel, the Government is seeking support from the Asian Development Bank (ADB) to provide complementary financial support to the KC-NCDDP. The task team has engaged closely with ADB's team during KC-NCDDP preparation and it is expected that this close working relationship will continue during implementation to ensure a harmonized approach to the support of KC-NCDDP.

C. Higher Level Objectives to which the Project Contributes

10. The KC-NCDDP will contribute to the overall goal of reducing poverty in the poorest municipalities of the Philippines and in those recently affected by Typhoon Yolanda, in accordance with the current PDP. This goal, and the related project objectives and strategies are consistent with the overall objective of the World Bank's Country Assistance Strategy (CAS) for the Philippines (2010-13) in terms of helping to achieve inclusive growth. The proposed project supports the third and fifth Strategic Objectives (SOs) of the CAS regarding better public service delivery and good governance. More specifically the project aims to enhance the Government's work in scaling up basic service delivery to poor areas (SO 3.2) and contributing to better local governance through more effective decentralization (SO 5.3). Furthermore, the project is also in line with the SOs of the new Country Partnership Strategy (2014-17), where World Bank support for the National CDD project is a key element of SO2, Improving Public Service Delivery and Protecting the Poor and Vulnerable.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective

11. The PDO for the proposed project is: **to empower communities in targeted municipalities to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation.**¹⁰ This would be achieved by (i) strengthening community groups and *barangay* level institutions to better identify and articulate development needs, and manage public resources, (ii) financing priority small-scale community sub-projects, and (iii) enhancing the capacity of municipal-level government to partner with *barangays* in responding to priority development needs, and to respond promptly and effectively to an eligible crisis or emergency.

¹⁰ The inclusion of the term 'empower' in the PDO was discussed at length with senior officials from DSWD (the Implementing Agency of the GoP). The term reflects the importance attributed to the community participation processes facilitated at the *barangay* and municipal levels. In DSWD's views, it is meant to capture communities' ability to participate in similar processes outside of the project's direct sphere of influence (i.e in regular local government planning sessions). A specific Key Performance Indicator (KPI) was introduced to assess participation in standard *barangay* meetings (outside the project intervention) in order to measure this specific element of the PDO.

B. Project Beneficiaries

12. Financing from the World Bank, as well as proportional Government and counterpart funds, would support an estimated 477 poor rural and typhoon-affected municipalities in the Philippines.¹¹ Based on the 2010 census, the project would therefore cover an estimated 16.8 million people (or approximately 18 percent of the overall population of the country). It is expected that the project will directly benefit one-half of this population, either through active engagement in project processes or through access to public infrastructure financed by the project. In addition, tens of thousands of community members will benefit from project-related training in project management and implementation. Past evaluations have shown that these trained volunteers often go on to become active community decision-makers and leaders of the communities. Lastly, municipal-level staff would also benefit from project management and public administration training provided under the project.

C. PDO Level Results Indicators

13. In addition to the number of project beneficiaries, the proposed PDO level results indicators are:

- (a) percent increase in access to and utilization of roads, education, health centers, day care centers and water supply (major KC investments) in KC-NCDDP municipalities;
- (b) percent of households in KC-NCDDP municipalities with at least one member attending regular Barangay Assemblies; and
- (c) percent of members from marginalized groups (Indigenous Peoples and women) in KC-NCDDP municipalities who attend regular Barangay Assemblies.¹²

III. PROJECT DESCRIPTION

A. Project Components

14. The proposed KC-NCDDP will draw on the successful experiences of the Government's various CDD programs, particularly the KALAHI-CIDSS program managed by DSWD. From 2002 to June 2012, KALAHI-CIDSS financed 5,949 community sub-projects in 6,167 barangays worth a total of PHP 6.4 billion (approximately US\$ 156 million). The program has benefited about 1,227,500 households in the poorest provinces and municipalities in the country. Basic social services infrastructure (water systems, school buildings, day care centers, health stations) was most commonly financed (53 percent) followed by access infrastructure such as roads and

¹¹ IBRD financing will cover an estimated 477 of the approximately 847 KC-NCDDP targeted municipalities.

¹² These KPIs were developed to capture the various components of the PDO. Indicator (a) focuses on measuring improvements in access to services. Indicator (b) focuses on measuring project impact on overall participation outside the project's direct sphere of influence, to assess whether KC-NCDDP does indeed have a positive outcome on improving participation in regular local governance processes. Indicator (c) tries explicitly to measure the reference to "inclusive" local planning, budgeting and implementation, and would be reported separately for women and Indigenous Peoples. This is in line with the findings from the KC-NCDDP preparatory analysis that there are important challenges to the participation of vulnerable groups in community planning activities.

bridges (25 percent). In the past three years, investments in schools, health stations and day care centers have increased significantly, thought to be in response to the demand created by the Government's CCT program ("4P's").¹³ As noted previously, the end-of-project impact evaluation showed improvements in measures of household per capita expenditures, year-round access, and local level trust and governance. Separate evaluations of the project have also shown that overall sub-project investments yield an average economic internal rate of return of 21 percent, and that unit costs are between 8 and 76 percent lower than similar public sector works.¹⁴ The KC-NCDDP components and core areas of investment would be closely aligned to those of KALAH-CIDSS.

15. Component 1: Barangay (Community) Sub-Grants for Planning and Investment (estimated US\$ 426.5 million total, of which US\$ 398.0 million IBRD). This component would support two types of assistance to participating *barangays*. First, planning grants will be made available to communities to support the "Community Empowerment Activity Cycle" (CEAC), which is discussed in greater detail in Annex 2. These grants would be used to support key steps in the CEAC process including the orientation, consultation, participatory priority-setting, action planning, review and approval of sub-projects at *barangay* and inter-*barangay* (municipal) levels. Planning grants would also finance technical assistance to ensure the quality of design and implementation of community infrastructure sub-projects. In addition, funding under this component would support training activities targeting community volunteers to strengthen their capacity to identify, plan and implement community sub-projects. Second, investment grants will support community sub-project investments and activities (community based public infrastructure and services such as roads, bridges, schools, day care centers, etc.) that respond to community-identified priorities. Investment grants also would be used to support sub-projects that respond to the priority needs of eligible communities in the aftermath of a disaster, and in particular in response to the effects of Typhoon Yolanda. An "open menu" approach would be used for sub-project investments, meaning that any type of sub-project would be eligible for funding as long as it does not contradict agreed restrictions on financing, as outlined in the Project Operations Manual. The component would also support efforts to strengthen the *barangay* assembly as a forum for community-local government engagement and local-level governance. Block grant financing would be shared between national government and Local level Counterpart Contributions (LCC) from municipal, *barangay* and communities themselves.¹⁵ Under KC-NCDDP, allocations of municipal block grants would be based on a formula that factors in population, poverty incidence and DOF municipal income classification (and extent of damage for Yolanda-affected municipalities).¹⁶

16. Component 2: Local Capacity Building and Implementation Support (estimated US\$ 190.9 million total, of which US\$ 67.5 million IBRD). This component supports the strengthening of municipal LGUs and staff to facilitate and oversee the planning and implementation of community infrastructure sub-projects. The component will also help to

¹³ Receipt of cash transfers under the CCT program is contingent on attendance at schools or day care centers and use of maternal and child care services.

¹⁴ See Araral and Holmemo "Measuring the Costs and Benefits of Community Driven Development: The KALAH-CIDSS Project", World Bank, January 2007; and Labonne and Chase "Who's at the Wheel when Communities Drive Development: The Case of the KALAH-CIDSS Project", World Bank, Sept. 2007.

¹⁵ However, the cash component of LCC would be waived for sub-grants in the Yolanda affected municipalities.

¹⁶ As opposed to KALAH-CIDSS where municipal allocations were based on a fixed per-*barangay* grant amount.

ensure quality of infrastructure investments and the integrity of resource management, and to monitor and report on sub-project progress and results. Additional project staff will be financed to respond to the increased requirements of the Yolanda-affected municipalities. The component will also: provide greater capacity building support to MLGUs to enhance local poverty reduction action planning, budget execution and public financial management (in collaboration with the Departments of Interior and Local Government (DILG) and Budget Management (DBM)), support national government agencies at sub-national level to enhance their own community based activities and participation in the KC-NCDDP, and assist in the review and revision of legal instruments, policies and guidelines to integrate and mainstream community-driven development principles. This component will specifically finance training, consultant services and other incidental costs.¹⁷

17. Component 3: Project Administration, Monitoring and Evaluation (estimated US\$ 45.3 million total, of which US\$ 12.3 million IBRD) to finance the overall management of the Project. This will include contracting specialized staff and the procurement of required goods and financing of incremental operating costs to assist DSWD in the execution, monitoring and reporting of the Project at national, regional and sub-regional levels; and communication and dissemination of information to sensitize stakeholders to the Project's objectives, strategies and lessons learned. This would also include costs associated with helping regional and municipal offices of DSWD in the Yolanda-affected areas to re-establish operational capacity. The component will also support enhancements and streamlining of the current KALAHI-CIDSS monitoring and reporting system to be upgraded for KC-NCDDP. This will cover the hiring of additional regional level monitoring officers, design and contracting for specialized studies, and the regular review of monitoring and evaluation data for management decisions. Specialized studies will include: (i) a review of technical quality and maintenance of infrastructure, (ii) an economic analysis of KC-NCDDP subprojects, (iii) specific household surveys to track key outcome indicators, and (iv) a detailed process evaluation of KC-NCDDP. The process evaluation is expected to cover procedural variations to be implemented in different contexts (conflict, disasters, indigenous populations), as well as the gender mainstreaming aspects of KC-NCDDP and of the links with the GPBP and regular LGU planning processes. This component will specifically finance goods, consultant services, training/workshops and operating costs.

Project Strategy

18. The KC-NCDDP will support a significant evolution in the application of CDD methods in the Philippines, which is summarized below. First, coverage will be scaled up to all "poor" municipalities in the country, as well as the non-poor Yolanda-affected municipalities.¹⁸ The project will engage with DILG to support local capacity building of municipal government units. Compliance with government's performance criteria regarding budget transparency and public financial management – known as the Seal of Good Housekeeping (SGH) – will be a condition

¹⁷ This includes the salary and related payments for "Memorandum of Agreement" workers who staff the Area Coordination Teams under the Project.

¹⁸ For the purposes of KC-NCDDP, a municipality is considered "poor" if it has a poverty incidence greater than the national average of 26.4% for class 4-6 municipalities, or above 40% for class 1-3 municipalities. This does not include an estimated 116 additional municipalities in ARMM that will be eligible for support under a parallel program referred to as "ARMM-BRIDGE" that is under preparation and will be fully financed by the Government.

for participation in the project.¹⁹ This is intended to strengthen the incentives for good governance and, in turn, improve the sustainability of governance outcomes under the project. The project will also be closely aligned with the GPBP²⁰ and more tightly integrated with the annual budgeting and implementation cycle of municipal and *barangay* LGUs and other relevant NGAs (as reflected in the updated CEAC manual as outlined in Annex 2) to rationalize local level investments.²¹ Current GPBP guidelines explicitly recommend that LGUs draw on ongoing CDD processes at barangay level to strengthen the participatory planning processes, which should serve to strengthen sustainability of KC-NCDDP. The project will also improve the inclusion of marginalized groups (indigenous peoples) and support to vulnerable areas (disaster prone and conflict affected) by improving diagnostic tools and facilitation skills and encouraging community investments that directly address disaster risks and/or conflict; and will further strengthening the project's gender sensitive design.²²

19. These enhancements, coupled with national coverage, increased levels of block grant funding, and more pro-poor allocations of these grants are expected to improve outcomes on income, access to services, employment and social capital, and support the Government's vision of promoting self-reliant and empowered communities. The cost implications of operationalizing these enhancements as part of KC-NCDDP have been factored into project design and are reflected in the detailed staffing and training plans developed by DSWD for the KC-NCDDP roll-out.

20. In addition, KC-NCDDP will apply a set of streamlined procedures for the identification, approval, financing and implementation of community sub-projects in post-disaster situations, including the Yolanda-affected municipalities. The use of CDD procedures in post-disaster and post-conflict situations has been shown to be an effective approach around the world to accelerate community reconstruction and to efficiently allocating resources to priority needs. These procedures, outlined in the Disaster Response Operations Sub-manual, have been developed as part of the project preparation process and have been reviewed and approved by the World Bank. The Bank's team is currently working with DSWD to develop and roll-out training in these new procedures for relevant Department and project staff. The National Disaster Risk Reduction and Management (NDRRM) Act guides the triggering and application of these procedures. Applying this approach under KC-NCDDP is aligned with DSWD's legal mandate to lead in the planning, coordination and monitoring of all disaster response efforts in accordance with the NDRRM Act of 2010.

21. Given the complexities of these enhancements, the urgency of response for the Yolanda-affected areas, as well as the sizeable scale-up intended, project implementation would follow a phased approach. Priority would be given first to the estimated 554 municipalities in the

¹⁹ This could be on a phased approach, however, with some municipalities in the poorer or conflict-affected regions, for instance, being given additional time to reach minimum Seal of Good Housekeeping standards.

²⁰ In CY 2014 there will be an almost 90 percent overlap between KC-NCDDP and GPBP, and by CY 2015 it would be a 100% overlap.

²¹ The Bank's social development and urban teams are assisting in the assessment of the most recent BUB/GPBP planning process and implementation experiences at the request of DBM, DILG and the National Anti-Poverty Commission to inform further adjustments in the local-level planning and investment processes.

²² These areas of enhancements were carefully analyzed during KC-NCDDP preparation and detailed operational recommendations and training materials have been produced as a result.

Yolanda-affected areas (of which the World Bank would finance an estimated 300), starting first in existing KALAHI-CIDSS municipalities.²³ Project implementation in those municipalities already familiar with the KALAHI-CIDSS procedures would engage more closely with MLGUs to facilitate the transition over to a municipal-led process, while “new” KC-NCDDP municipalities would adopt similar procedures (and staffing patterns) as is currently done under KALAHI-CIDSS with project staff at the municipal level and project funds flowing through DSWD field (regional) offices to communities. DILG would play an important role in supporting this transition to municipality-led implementation through capacity building and other support.

22. The project will have a strong system of monitoring and process evaluation to inform ongoing project management decisions, Bank-Government dialogue, and adjustments to implementation. To support this process learning approach, the task team reached agreement with DSWD to establish an Implementation Support Fund (ISF). The ISF will help finance analysis, technical assistance, advisory and supervisory support to address specific areas of need or interest for the KC-NCDDP. The specific areas of support would be agreed upon by Government, the World Bank and other development partners involved in the Project. Australian AID has agreed to finance the ISF as part of the Australian AID/World Bank Programmatic Trust Fund for the Philippines and a Bank-executed Trust Fund has been set-up for this purpose.²⁴

23. Autonomous Region in Muslim Mindanao (ARMM). The KC-NCDDP does not cover the ARMM. However, the national government has reached agreement with the ARMM Regional Government to prepare a complementary project to support the implementation of the KC-NCDDP in ARMM, with World Bank, ADB and Australian AID assistance. A project document is expected to be submitted to the national Government for financing in early 2014.

24. This project (“ARMM-BRIDGE”)²⁵ would be guided by the same principles and is expected to include the same components as the KC-NCDDP, but would be adapted to reflect the autonomous nature of governance and the reality of widespread violent conflict in the region. The project would also draw on the lessons learned through the implementation of the Mindanao Trust Fund-Rural Development Project and the ARMM Social Fund project. Implementation in ARMM is expected to be financed through national revenue. However, the Government has proposed to seek external financing for relevant institution building and management support of the project. ARMM-BRIDGE is estimated to cost an additional US\$128 million and would cover an additional estimated 116 municipalities with a population of approximately 2.8 million people.

B. Project Financing

25. Lending Instrument. It is proposed that the intended project be supported by the World Bank through Investment Project Financing from IBRD in the amount of US\$ 479.0 million (including front-end fee).

²³ Some of the 554 Yolanda-affected municipalities would be financed exclusively by the ADB.

²⁴ Agreement in principle is reflected in the minutes of the Steering Committee meeting between the World Bank and AusAID of May 8, 2013 for the AusAID/World Bank Philippines Development Trust Fund.

²⁵ ARMM-BRIDGE stands for “Autonomous Region of Muslim Mindanao – Bangsamoro Inclusive Development Program for Sustainable Growth with Equity”.

26. Project Costs and Financing. The table below presents the total summary costs and indicated IBRD financing for the KC-NCDDP. In addition to the proposed IBRD loan, the National Government would provide approximately US\$ 184.9 million, and local governments and communities US\$ 77.0 million in counterpart contributions to the financing of the project. A more detailed cost and financing table is shown in Annex 2.b.

Project Components	US\$ (millions)		percentage
	Total costs	IBRD Financing	IBRD Financing
1. Barangay Planning and Inv. grants	426.5	398.0	93.3%
2. Local Cap. Build. and Impl. Support	190.9	67.5	35.4%
3. Project Administration and M&E	45.3	12.3	27.1%
Total baseline costs	662.7	477.8	72.1%
Physical contingencies	0.0	0.0	
Price contingencies	0.0	0.0	
Total Project Costs	662.7	477.8	72.1%
Interest during implementation	0.0	0.0	
Front-end Fees	1.2	1.2	100.0%
Total Financing Required	663.9	479.0	72.2%

Peso- $\$$ exchange (2/22/2013)

40.6

C. Lessons Learned and Enhancements Reflected in Project Design

27. While the design of the KC-NCDDP is firmly based on principles and operational procedures of KALAHI-CIDSS and other CDD operations, a number of enhancements and adjustments have been added. These are based on implementation experience and lessons learned from the project's impact evaluation (IE)²⁶ and a series of studies completed during project preparation. The key lessons are summarized below. Detailed reports and summary conclusions and recommendations of the various studies are available in the project files.

(a) The KALAHI-CIDSS IE showed that greatest gains in poverty reduction were realized in the poorest areas and when social preparation was combined with capital investments. Therefore, KC-NCDDP will enhance its poverty targeting to include (i) national coverage of all "poor" municipalities, and (ii) block grant allocations based on population numbers, municipal income classification and poverty levels, with an increasing per capita allocation as the poverty incidence increases.

(b) The IE also showed that a number of gains in local level knowledge and skills (particularly of volunteers) were not being extended beyond the project participants to the community members in general. KC-NCDDP will therefore attempt to broaden its outreach at community level. A revision of the CEAC process outlined in following

²⁶ Labonne 2013, op.cit.

paragraphs (c) and (d) will include adjustments in the Participatory Situation Analysis and a greater focus on including vulnerable and marginalized groups in project identification and implementation.

(c) While available evidence suggest that the project has performed well, a number of planned enhancements to project procedures will also deal with some of the key concerns that came out of the recently concluded Policy Research Report on Participation.²⁷ The key concerns raised in that report are related to the impact on development outcomes, capture, and participation's impact on civil society. In addition, the report called for improved monitoring and evaluation of CDD programs. First, the IE results indicate that the project had positive impacts on household consumption, led to a reduction in poverty rates, along with some improvements on access to services and social capital. Impacts under KC-NCDDP are expected to be greater given KC-NCDDP improved poverty targeting and increased levels of subproject investment. Second, regarding concerns about capture, the previously cited study by Chase and Labonne indicated that the project was successful in controlling elite capture. In addition, the IE results point towards greater impacts on poorer households; further suggesting that elites are not capturing project benefits. Third, as noted, adjustments to the CEAC process and requirements, along with a closer integration with GPBP, are expected to enhance impacts on civil society. Lastly, the KC-NCDDP will include a number of studies throughout project implementation to improve the knowledge base on the project and allow for constant improvements to project procedures.

(d) Preparation studies showed that some aspects of the CEAC process were found to be too complex or time-consuming for communities to effectively fulfill their intended roles and responsibilities. Therefore, the sub-project preparation and implementation cycle is being streamlined and simple how-to notes will be developed to enhance comprehension and to support special areas and groups (see following sub-paragraph). The ratios of project staff to barangays at the municipal level (area coordinator, community facilitator, deputy area coordinator and municipal financial analyst) have been improved under KC-NCDDP to provide further inputs and support to the CEAC process.

(e) KALAHI-CIDSS teams have developed a number of adaptations in working with marginalized groups and vulnerable communities (e.g., indigenous peoples, conflict affected or disaster prone areas) as well as to improve gender mainstreaming, which if systematically applied could improve project quality. The following adjustments were therefore included in KC-NCDDP design: (i) sub-project prioritization will rely on a number of fixed criteria to give greater weight/priority to activities benefitting poorer barangay, indigenous communities and conflict affected areas; (ii) regions with enhanced CEAC modules (for IP communities, conflict affected areas, or to address significant barriers to women's participation) will be given the flexibility to further reduce the standard number of barangays per community facilitator for greater hands-on assistance; and (iii) specific facilitation modules for disaster response, conflict, IP communities and gender have been developed and will be integrated in the training of Area Coordination

²⁷ Mansuri G., and V. Rao. 2013 *Localizing Development; Does Participation Work?* Washington D.C., World Bank.

Teams. Refinements to the existing and approved KALAHI-CIDSS procedures (as reflected in the project Operations Manual) have been made to reflect these different enhancements.

(f) The study of the *Makamasang Tugon* initiative showed that most MLGUs are interested in and can take direct responsibility for the management of KALAHI-CIDSS.²⁸ However, sustaining the staff levels to support the CEAC process and the financing of additional investments could prove difficult especially for the poorest municipalities. Therefore, the KC-NCDDP will hand-over responsibility for direct management to MLGUs earlier in the four year project cycle. This will allow for more time to mentor staff and monitor the process before DSWD fully withdraws from project management responsibilities. Governance and anti-corruption considerations noted in the process risk review (see (h) below) would need to be taken into consideration, as well as lessons learned in the overly rapid transfer of management responsibilities to local government units in the similar national CDD program in Indonesia.

(g) On-going assessments of harmonization issues and opportunities point to the MLGU being the focal point for harmonization across sectoral programs, and the GPBP initiative being the key driver in this process. The KC-NCDDP is and will continue pursuing close linkages with the GPBP (management of which has been turned over the DILG) to align the CEAC and LPRAP processes, and to promote the use of proven KALAHI-CIDSS principles (of direct community management of resources) in the execution of the GPBP.²⁹ The latest Joint Memorandum Circular for 2013 BUB/GPBP execution specifically references KALAHI-CIDSS procedures for guiding implementation at the village level as noted above.

(h) Fiduciary and governance safeguards appear to be working well under KALAHI-CIDSS, however, concerns exist that the scale-up and intended transfer to MLGU-led management could expose the KC-NCDDP to greater governance risks. Therefore, KC-NCDDP will (i) ensure current levels of oversight and control by maintaining personnel levels commensurate with the project scale up; (ii) establish a standard set of criteria for project prioritization to reduce possible manipulation of sub-project selection; (iii) apply incremental eligibility criteria (linked to the SGH and other performance measures) to MLGUs to fully take over control of the KC-NCDDP, and (iv) enhance independent reviews of sub-projects through DSWD's internal audit unit and/or the Commission on Audits.

(i) A review of the Grievance Redress System (GRS) showed limited formal uptake in complaints (with relatively small overall numbers), limited awareness and knowledge of the system among communities and stakeholders, difficulties in handling the direct (albeit few) cases of corruption/embezzlement and in engaging with the legal system, and concerns regarding the hand-over to MLGUs. DSWD has agreed to increase recording of grievances presented at *Barangay* Assemblies, improve training and guidance materials

²⁸ The *Makamasang Tugon* initiative covered an initial set of 33 municipalities under KALAHI-CIDSS and tested a closer involvement of the municipality in managing project implementation by introducing an additional year to the original three-year KC cycle.

²⁹ Including clarification of the Commission on Audits' restrictions to downloading funds to community groups, etc.

(standardize and simplify GRS procedures, and translate these procedures in local languages for use by ACTs and communities), automate entry of SMS grievances in the GRS database, and to support the role of existing conflict resolution mechanisms at the village level (including the *Lupong Tagapamayapa*).

(j) The gender assessment of KALAHI-CIDSS indicates that the project, overall, performed well in terms of female participation throughout the sub-project cycle, with the exception of the paid labor component. Adjustments to project procedures being introduced include: (i) additional Participatory Social Analysis (PSA) tools; (ii) further capacity building of community volunteers and women's groups where relevant (based on PSA findings); and (iii) greater attention to women's involvement in paid labor activities (with a 25 percent female participation target by project completion). Additional training will be provided to project facilitators on how to implement the revised procedures.

(k) A number of worthwhile improvements have been made to the KALAHI-CIDSS M&E system over the past couple of years. These included simplifications of some of the forms, planned roll-out of a new Project Management Information System (MIS). However, given the increase in municipal coverage, there is a need to further streamline the systems and strengthen capacities to deal with the sizeable scale-up. Under KC-NCDDP, DSWD will further review the quantity and quality of data to be collected and inputted. The information technology structure of the databases will also be reviewed as will the way in which data is analyzed and results are disseminated in order to streamline and enhance the MIS.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

Institutional

28. The institutional and implementation arrangements and procedures for the KC-NCDDP will be based on the arrangements previously established for KALAHI-CIDSS. These will be adapted to the broader scale and scope, and the enhanced partnership arrangements, under the KC-NCDDP. These arrangements and procedures are outlined in the KC-NCDDP Operations Manual, which has been updated to include the various enhancements in project design.³⁰

29. Project Oversight and Strategic Management. Overall, and in terms of the Government's poverty reduction reform agenda, the KC-NCDDP will be monitored by the Human Development and Poverty Reduction Cabinet Cluster through the regular reporting of the Secretary of DSWD. At the project policy level, the National Steering Committee (NSC) would remain directly responsible for overseeing the KC-NCDDP and ensuring appropriate cross-departmental/institutional coordination. The NSC is chaired by the Secretary of DSWD and consists of Undersecretaries or Assistant Secretaries of the National Economic and Development

³⁰ The KALAHI-CIDSS and KC-NCDDP Operations Manual includes various "sub-manuals" that deal with specific subjects including, but not limited to: Project finances, procurement, community financial management, the CEAC process, Monitoring and Evaluation, and the Environmental and Social Management Framework.

Authority (NEDA), DBM, Department of Finance (DoF), NAPC, DILG, Department of Education (DepED), Department of Health (DoH), Office of the Presidential Advisor on the Peace Process (OPAPP); representatives of the National Commission on Indigenous Peoples (NCIP); the leagues of provinces, municipalities and *barangays*; and civil society organizations. A similar regional inter-agency coordination structure will be established at regional levels to oversee operations, which, in addition to DSWD director level and project staff, would include the mayors of participating municipalities as members.

30. Project Management. DSWD will continue to be the lead implementing agency for the KC-NCDDP, and will continue to work through national, regional and municipal level structures for project management and implementation. Both organic DSWD staff and specialized project staff (consultants) will be engaged in the overall management of the project.³¹ Similar to oversight arrangements, project management structures and processes will be enhanced under KC-NCDDP (see Appraisal section for a summary of key organizational enhancements).

31. Within DSWD, a National Project Management Team (NPMT) would ensure that the project is aligned with the Department's overall mandate and reform agenda, and would seek to integrate the project with DSWD's other flagship poverty reduction projects including 4P's and SEA-K.³² A similar regional structure (the Regional Project Management Team or RPMT) will be organized in each of the 14 participating regions to ensure operational linkages between KC-NCDDP and overall DSWD strategy.

32. The National Project Management Office (NPMO), headed by the National Project Manager, will have day-to-day responsibility for project management. The Secretary of DSWD serves as the overall Project Director, and two Deputy National Project Directors designated by the Secretary will be responsible for overseeing the technical and financial operations of the KC-NCDDP. Existing and new Regional Project Management Offices (RPMOs) will be responsible for managing KC-NCDDP activities at sub-national levels in all participating regions of the country. This regional structure will be complemented by sub-regional offices in high-volume or remote areas to better oversee and support the expanded work of the KC-NCDDP (on average a sub-regional office will be set up in areas where there are 10 or more participating municipalities). At municipal level, an Area Coordination Team (ACT) will be established (or continued to be engaged in on-going KALAHI-CIDSS municipalities) to oversee and support the main project activities at barangay level. The ACT will work closely with a municipal-designated Municipal Coordination Team (MCT) to facilitate the early transition and integration of CDD approaches in municipal activities (starting in funding cycle 3).

33. Harmonization and coordination. The KC-NCDDP will include a number of activities that would support better integration and harmonization of the national CDD project with other relevant Government initiatives. This includes closer engagement with DILG around support for MLGUs (including the adoption of the Seal of Good Housekeeping as an eligibility requirement

³¹ Project consultants include personnel hired under MOA arrangements.

³² The NPMT would be chaired by the Secretary (as National Program Director) and would consist of the two Deputy national program directors (technical and for finance), the Undersecretaries for Policy and Program Group and Institutional Development Group, the National Program Manager, the National Program Manager for 4P's, the Director of the Poverty Reduction Programs Bureau, the program manager for the National Household Targeting Survey, and heads of all offices and bureaus.

for KC-NCDDP financing), linkages with the Local Development Planning (LDP) process, and integration of the KALAH/CEAC participatory processes with the GPBP initiative. Funds have been set aside within the project to assist with training of MLGUs by DILG and to facilitate the GPBP in all KC-NCDDP municipalities. A series of inter-agency workshops were conducted to define how the CEAC process would be integrated with GPBP and LDP. Specific tools for community facilitation reflecting these integrated approaches have been reflected in the revised CEAC sub-manual. Consistent with the Government's own efforts at integrating key poverty reduction programs, the KC-NCDDP task team is also seeking closer linkages with those key national programs the Bank also supports. These include the 4P's program implemented by DSWD (and supported by the social protection team), the proposed Philippines Rural Development Project to be implemented by the Department of Agriculture (and supported by the rural development team), and the Local Government support activities to DILG for GPBP that both the urban team and PREM are supporting.

34. Partnerships. The World Bank support for KC-NCDDP will be provided in close partnership with the ADB, which will finance activities that are complementary to the KC-NCDDP. Specifically, the ADB has approved a US\$372.1 million loan in support of KC-NCDDP activities in the Typhoon Yolanda affected areas. Agreement has been reached between ADB and DSWD to coordinate closely and, to the extent possible, harmonize reporting and supervision requirements to cut down on the administrative burden on Government. In addition, the KC-NCDDP will also involve Australian AID, the Millennium Challenge Corporation and possibly the Spanish Development Corporation, particularly regarding possible adjustments to KALAH/CEAC systems that may affect the on-going operations under these bilateral projects. The Technical Support Unit of DSWD is responsible for promoting close coordination of technical support, supervisory activities and training events being supported by DSWD's different partners.

Implementation

35. Financial Management (FM), Disbursements and Procurement. Overall responsibility for project procurement and FM rests with the NPMO. The NPMO will, in turn, delegate the day-to-day management of most of the FM and procurement responsibilities to the RPMOs and recipient *barangays*/communities based on existing guidelines and procedures outlined in the KC-NCDDP Operations Manual. Procurement for the proposed project would be carried out in accordance with the Bank's "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers", dated January 2011 and "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers", dated January 2011. Procurement for Component 1 will be carried by the recipient communities with support and oversight by the ACTs and RPMOs; procurement for Components 2 and 3 will be handled by the NPMO and the respective RPMOs, as defined in the procurement plan.

36. The NPMO will manage the Designated Account and will ensure that adequate funds are transferred to the regional offices and ultimately to the beneficiaries. The regional offices will be responsible for reviewing and approving the Request for Fund Release (RFR) of sub-grants to the communities. The regional offices will be responsible for providing quarterly financial reports and statements of expenditures to the NPMO for consolidation. The NPMO will submit a

consolidated quarterly financial report to the World Bank, and disbursements from the World Bank will be report-based. The NPMO will also be responsible for the submission of annual audited project financial statements which include audits of all the regional offices. Additional staff with FM and procurement responsibilities will be added to regional and sub-regional offices. The ratio of municipal financial analysts to *barangays* will be increased to respond to the increase in volume of work anticipated under the new project.

37. Project Operational Arrangements and Implementation Plans. The KC-NCDDP will build on the existing procedures for subproject identification, review, approval and implementation; procurement of goods and services; and financial management. The proposed flow of funds arrangements are shown in Figure 1 of Annex 3. Each regional office and the central NPMO will prepare annual project financing plans and procurement plans, which will be approved by relevant Project Management Teams at regional and central levels. These plans will cover all activities to be financed under the KC-NCDDP, including complementary financing by ADB. Responsibility for approval and disbursement of sub-project funding will be devolved to regional offices (up to a proposed PhP. 2 million (approximately US\$50,000) threshold), thereby addressing one of the concerns regarding fund-flow delays under KALAHICIDSS. Local communities will remain responsible for the identification, planning and management of sub-projects, including procurement and financial management.

38. DSWD has prepared a set of streamlined sub-project processing and implementation procedures to be used for sub-project investments in post-disaster contexts and focusing on early recovery and rehabilitation, which will be applied in the targeted Yolanda-affected municipalities. Application of this different set of sub-project operational procedures would be conditional on Government formally declaring a state of emergency at national or local levels.³³ These streamlined arrangements fall within the broader parameters of the Bank's fiduciary and safeguards guidelines applicable under the project. The procedures are outlined in the Disaster Response Operations Sub-manual, and would guide the implementation of small scale infrastructure/basic service projects similar in nature and scale to those implemented in regular KALAHI-NCDDP operations using an open-menu approach.³⁴ Annex 2 provides further details of these post-disaster sub-project procedures.

39. Safeguards. The KC-NCDDP is a category B project that triggers the following safeguard policies: OP 4.01 Environmental Safeguards, OP 4.09 Pest Management, OP 4.10 Indigenous Peoples, and 4.12 Involuntary Resettlement. The project will address these safeguard policies through the application of an updated Environmental and Social Management Framework (ESMF), and related documents (an Indigenous Peoples Participation Framework and a Land Acquisition Resettlement and Rehabilitation Framework), that have been successfully applied

³³ The President of the Philippines issued the Declaration of a State of National Calamity for Typhoon Yolanda on November 11, 2013 (Proclamation No. 682).

³⁴ The main changes to project procedures for purposes of sub-project implementation in post-disaster include: (i) minor adjustments to the sub-project negative list as set out in the Operations Manual; (ii) shortening of the community planning process with additional technical assistance provided to Community Volunteers and faster sub-project approval by the RPMOs; (iii) flexible tranching to accommodate small value or fast-disbursing sub-projects (iv) TA provided to Community Facilitators to expedite community procurement activities; and (v) additional guidance on safeguards' provided in the project ESMF for the types of sub-projects (including debris clearing) likely to be implemented in post-disaster conditions.

under KALAHY-CIDSS. While no major issues or concerns have been encountered to date, the demand for a few small-scale irrigation sub-projects under KALAHY-CIDSS prompted the triggering of OP 4.09 on Pest Management. In the event of irrigation sub-projects under KC-NCDDP, the Department of Agriculture guidelines on integrated pest management (under the *KASAKALIKASAN* Program) will be incorporated into the respective Environmental and Social Management Plan. To enhance KC-NCDDP's work with IPs, DSWD will hire an IP specialist who will work closely with the NPMO's Social Development Unit that handles social safeguards and the Engineering Unit that handles environmental safeguards. In addition, regional officers, who will supervise both social and environmental safeguards, will be hired or designated to take charge of overall supervision, monitoring and reporting at regional level. In regions with a high incidence of IP communities, the designated safeguard officers will be from IP communities or with appropriate knowledge (including language capabilities) of IP issues and concerns.

B. KC-NCDDP Results Monitoring and Evaluation

40. Building on the systems established under KALAHY-CIDSS, the KC-NCDDP will have a comprehensive monitoring and evaluation (M&E) framework and system to provide stakeholders with timely data regarding the progress and results of the project. Overall project progress will be measured against the results indicators shown in the Results Framework (Annex 1). A core set of these indicators would be used to report in the Bank's Implementation Status and Results system for the project. Given the increase in municipal coverage, relevant staff at regional level will be increased and systems simplified and enhanced (including introduction of tablet or Smartphone technologies to make data collection and entry more efficient). A review to further simplify data collection tools and improve the information technology structure of the monitoring databases is currently underway. In addition, it is expected that third party monitoring be implemented in partnership with or outsourced to universities and civil society organizations.

41. Several studies will be undertaken during the course of the project to analyze and evaluate performance. A full-scale impact evaluation of KC-NCDDP will not be carried out given available evidence on KALAHY-CIDSS and the difficulties in finding a good control group with national coverage. However, the project presents a rich opportunity to test CDD delivery approaches and linkages with national initiatives such as 4P's, the *Makamasang Tugon* initiative and the GPBP.³⁵ Therefore, several special studies will be undertaken to enhance the understanding of key aspects of the project, including: (i) a review of technical quality and maintenance of infrastructure, (ii) an economic analysis of KC-NCDDP subprojects, (iii) specific household surveys to track key project outcome indicators, and (iv) a detailed process evaluation of KC-NCDDP. The latter will cover: (i) procedural variations that are expected to be implemented in different contexts (conflict, disasters, indigenous populations), (ii) the gender mainstreaming aspects of KC-NCDDP, (iii) the regular LGU planning processes, (iv) an analysis of fiduciary and other obstacles to integrating with public administration and financial management requirements; and (v) an analysis of the outcomes of different methodological approaches to different project implementation stages (e.g., different approaches to social preparation). The process evaluation will use qualitative research methodologies and rely heavily

³⁵ Establishing a control group will be difficult given the high level of saturation of the KC-NCDDP and the roll out of the BUB/GPBP initiative.

on consultations with KC-NCDDP beneficiaries. (Additional details on the approach are provided in Annex 2(a)).

C. Sustainability

42. Sustainability represents an important challenge for KC-NCDDP on two levels: (i) continued Operation and Maintenance (O&M) of infrastructure sub-projects, and (ii) the overall sustainability and continuity of the project once external resources are phased out. The first aspect is a specific area of analysis under the current KALAHICIDSS project through the “Sustainability Evaluation Tool” that is used to assess all sub-project investments. The latest survey indicates that more than 90 percent of investments are functioning at a satisfactory or higher level at least six months after completion. However, longer term sustainability of these investments remains a concern (as is the case with most community infrastructure projects world-wide) and will be addressed through additional training of community organizations in O&M, better engagement of line departments in identification, siting and implementation of sub-projects, in line with the enhanced guidelines incorporated in the Operations Manual.

43. Overall project sustainability presents a challenge as well, but also an opportunity in the current operating environment. The KC-NCDDP is well-positioned to influence and help to institutionalize the GPBP process. This initiative requires sectoral departments to link national budget resources with specific local level investments identified through a participatory planning process. DSWD, as a core member of the GPBP Executive Committee, is already working with DILG to integrate the GPBP planning process and the CEAC process, and to tie them more closely to the mandated local development planning procedures. DSWD is also advising on how the KALAHICIDSS approach to community-based sub-project implementation could be applied to GPBP execution. Given the significant levels of resources being considered under the initiative (up to PhP. 20 billion, or approximately US\$500 million, for 2014), KC-NCDDP influence over how these resources are programmed and executed would have a tremendous long-term impact on local level development, and would help to ensure that CDD principles are embedded in Government’s own planning, budgeting and execution of basic investments and services. The GPBP initiative also opens up the potential for sufficient resources to be made available at the local government level to truly sustain participatory development processes for the long-term outside the KALAHICIDSS/KC-NCDDP projects.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

Risk Type	Rating*
Stakeholder Risk	M
Implementing Agency Risk	
- Capacity	S
- Governance	M
Project Risk	

Risk Type	Rating*
- Design	M
- Social and Environmental	L
- Project and Donor	M
- Delivery Monitoring and Sustainability	S
Overall Implementation Risk	S

* Legend: L = Low; M = Moderate, S = Substantial

B. Overall Risk Rating Explanation

44. While the KC-NCDDP builds on an existing, and successful, program implemented by one of the better regarded institutions in the Philippines, the overall size and ambition of the proposed scale-up from KALAHI-CIDSS to the KC-NCDDP suggests that the overall implementation risk is substantial. The key challenges include a more than doubling of the number of municipalities to be covered, the proposed intention to gradually shift management responsibilities for block grants to MLGUs, while at the same time seeking to more closely coordinate with other Government agencies and initiatives (particularly the GPBP), and the demands of working in the post-disaster Yolanda-affected areas. Moreover, this will all be done in a relatively weak governance environment (though the current administration has taken a strong stance against corruption). A more detailed discussion of the project’s implementation risks is presented in the Operational Risk Assessment Framework in Annex 4.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

45. Based on the most typical set of KALAHI-CIDSS sub-projects, it is likely that KC-NCDDP will finance investments with high expected returns. Under KALAHI-CIDSS Additional Financing, access roads represented 28 percent of sub-projects, school buildings represented 23 percent, water systems 10 percent, and health stations and day care centers 8 percent each. To assess the economic benefit of the KC-NCDDP, three different analyses were undertaken. First, two ex-post economic analyses of KALAHI-CIDSS sub-projects carried out since the project started in 2002 were reviewed. Both focused on a similar set of sub-projects, and applying a number of different assumptions about costs and benefits, computed overall rates of return above the hurdle rates (of 15 percent for NEDA and 12.4 percent for MCC) for the relevant investments.³⁶ Second, these estimates were complemented by an analysis that used the positive impacts on per capita consumption from the KALAHI-CIDSS impact evaluation to estimate a conservative stream of expected benefits. When compared to the expected project costs this resulted in an overall economic rate of return of 20.6 percent. These three analyses are considered conservative as they do not factor in the likely benefits of the social preparation and

³⁶ Araral, Eduardo and C. Holmemo. 2007. Measuring the Costs and Benefits of Community Driven Development: The KALAHI-CIDSS Project, Philippines. WB: Social Development Papers-Community Driven Development. Paper No. 102/January 2007 and MCC (2010) “Note on KALAHI-CIDSS ERR”

capacity building investments under the Project. The summary economic and financial analysis for the project is contained in the project file.

B. Technical

46. The Bank found the KC-NCDDP to be technically feasible overall. The project builds on a tried and tested platform that has been shown to be effective at addressing poverty. Moreover, DSWD plans to adjust the organization structure and management systems to accommodate the significant scale-up from KALAH-CIDSS. These adjustments include: (i) a restructured NPMO with two separate divisions for field operations and technical support; both divisions falling under a Deputy Director for National Project Management, (ii) establishment of a second position for a Deputy National Project Director (for finance), (iii) enhanced human resources, financial management and communications functions under the office of the National Project Manager, (iv) an additional level of technical oversight and quality assurance at sub-regional/provincial levels, (v) delegation of sub-project and sub-grant approval to regional field office level, (vi) further streamlining and enhanced information technology for project M&E systems, and (vii) increased numbers of community facilitators and municipal financial analysts. The proposed use of the KC-NCDDP to help respond to the effects of Typhoon Yolanda are also considered appropriate based on international experiences and are consistent with DSWD mandated role in the national disaster management institutional structure of the Philippines. The proposed response also builds on the systems and structures in place (under KALAH-CIDSS) in an estimated 127 of the Yolanda-affected municipalities.

47. The new project will also seek to improve upon the impacts of KALAH-CIDSS through a number of enhancements already described. These include: better poverty targeting, improved engagement with indigenous communities and areas affected by conflict or prone to disaster, and improved gender mainstreaming. In addition, the project will increase the overall level of resources available for sub-project financing and the number of funding cycles per municipality to improve the impact of component 1, simplify the sub-project planning and approval process to better engage a wider cross-section of the community and to improve the social capital spill-over effect, and more closely integrate the project with other DSWD programs and management structures to increase synergies. Finally, the project intends to strengthen and deepen linkages with Government subnational systems, procedures and institutional structures (by working more closely with DILG and on the GPBP initiative) thus improving the likelihood of sustaining project interventions once external financing ends. The Bank reviewed and found acceptable detailed staffing, training and implementation plans for both national and field offices. These plans can be found in the project files. Moreover, the updated KALAH-CIDSS Operations Manual (OM), and related sub-manuals for the CEAC, Project Procurement, Community Procurement, Community Financial Management, GRS, M&E and Disaster Response Operations have been reviewed and found acceptable to the Bank for the purposes of the KC-NCDDP.

C. Financial Management

48. A Financial Management Assessment of DSWD was carried out in accordance with World Bank guidelines to ensure that an adequate financial management system is in place that satisfies the Bank's OP/BP10.00 requirements for the proposed project loan. The assessment identified the main significant inherent risks of the Project to be: (i) the wide geographic reach of

project activities, including hard-to-access areas with some safety and security risks in which makes effective supervision difficult in some areas; and (ii) new communities who will be responsible for managing sub-grants initially having minimal financial management experience. There is also a risk associated with DSWD Central and Regional Offices' financial management capacity in view of the other large programs that DSWD manages (particularly 4P's and disaster response efforts). To reduce these risks to acceptable levels, the World Bank reached agreement with DSWD (i) to formally link the project's overall FM functions to DSWD's Administrative Support Services Group, (ii) to increase the numbers of FM staff at municipal and sub-regional levels to enhance oversight of community management of funds, (iii) to increase independent audit review of project activities and sub-project investments,³⁷ and (iv) to continue existing mitigating measures including the Grievance Redress System and the training of community facilitators on basic financial management procedures including simple record keeping. DSWD has prepared and will implement a staffing plan to address the specific FM needs of all the regional offices taking into consideration the required level of personnel to execute proper approval of transactions.

D. Procurement

49. The procurement arrangements for this project will be essentially the same as those under the KALAHI-CIDSS project currently under implementation. An assessment of the procurement capacity of the DSWD Central Office and Regional Offices was conducted during the pre-appraisal stage of the project that showed both systems and current staff to be adequate and expected to continue under the KC-NCDDP. Similarly, the recipient communities are expected to be able to handle the required procurement activities based on the experiences that have been generated under the existing project. Overall, the World Bank concludes that the project procurement risk is low. Nonetheless, some constraints that require attention do exist, including: (i) possible turnover of trained staff, (ii) limited availability of qualified individuals in the various project sites, and (iii) the need to hire qualified procurement staff at the regional and sub-regional level to oversee the procurement process for the expanded numbers of community sub-projects. In addition, there have been occasional bid failures experienced in the implementation of sub-projects due to limited number of bidders and to bidder's failure to comply with the basic bidding requirements. To address these and other identified constraints, the project will support broader government efforts to (i) train and certify relevant procurement personnel of DSWD in accordance with RA 9184, (ii) train CoA auditors involved in the review of community subproject expenditures and procurement, and (iii) registration and engagement of CSOs to support procurement transparency and monitoring,

50. The World Bank reviewed and found acceptable the KC-NCDDP procurement plan (dated May 16, 2013) for the first 18-months of the project. Procurement by the NPMO and the RPMOs will mainly involve hiring of individual consultants by comparing at least three CVs, and procurement of various goods such as IT equipment, vehicles, office furniture and office equipment, using Shopping procedures or National Competitive Bidding (NCB). In relation, the World Bank was satisfied with the version of the Project Procurement Manual submitted by

³⁷ The internal audit unit of DSWD will be tasked with enhancing review of KC-NCDDP operations and discussions are on-going with the Commission on Audits as to how best to increase annual audit coverage (from the current 10% of subprojects) using a risk-based approach to focus on areas of higher potential risk.

DSWD on June 11, 2013. Procurement by recipient communities, which is described in the Community-based Procurement sub-manual, will generally be in accordance with the Bank's Community Participation in Procurement provisions of the Procurement Guidelines. The existing KALAHI-CIDSS community-based procurement sub-manual has been updated by DSWD. The Bank agreed with DSWD to proposed changes and increases to thresholds for different procurement methods and for Bank prior review (see Annex 3).

E. Social (including Safeguards and Gender)

51. The project triggers the following social safeguard policies: OP 4.10 Indigenous Peoples, and OP 4.12 on Involuntary Resettlement. To address these safeguard issues, an Environmental and Social Management Framework (ESMF) document, that includes an Indigenous Peoples Policy Framework (IPPF) and a Land Acquisition, Resettlement and Rehabilitation Framework (LARRF), would be used to ensure appropriate actions or mitigating measures are taken on individual sub-project investments. The existing ESMF for KALAHI-CIDSS was revised and updated for KC-NCDDP based on lessons learned in implementing the project to date. In accordance with World Bank guidelines, the draft ESMF (including annexes for the IPPF and LARRF) was disclosed by the Government and the World Bank prior to project appraisal. Following appraisal, the final, revised, ESMF was re-disclosed by Government on April 12, 2013, and by the World Bank, through the InfoShop, on April 9, 2013.

52. With regards to IP communities, the NCIP has endorsed the project proposal, the draft ESMF, and the related IPPF annex in its letter to DSWD of May 3, 2013. Further, free, prior and informed consultations with specific IP communities potentially affected by the project will take place as part of the social preparation and participatory social assessment phase of the KC-NCDDP subproject identification and prioritization process. The KC-NCDDP also includes specific enhancements to improve the consultation process with IP communities and enhance responsiveness to OP 4.12. These include specific facilitation tools and guidance for ACT working in IP areas, increased numbers of community facilitators in areas where there are a larger number of IP communities or where the communities are harder to reach, improved training of community facilitators working in these areas, and the recruitment of regional or sub-regional IP focal persons. Resulting sub-project plans, including related social investigation and PSA documents, would include the relevant elements of an IP Plan.

53. Based on experience under KALAHI-CIDSS, the appraisal concluded that nearly all land required for sub-project implementation would be either Government owned or acquired through voluntary donation. Therefore, involuntary resettlement is not expected. Nonetheless, the LARRF is designed to ensure the proper application of voluntary land donation protocols and to guide relevant support and compensation in the event land is not donated.

54. In terms of gender, DSWD has effectively addressed the areas that were highlighted as requiring strengthening in terms of gender mainstreaming in the KC-NCDDP design. In particular, the project will: (i) put in place additional diagnostic tools for gender analysis during the PSA; (ii) provide additional guidance for community facilitators on how to implement further capacity building activities that may be required in communities where there are significant barriers to women's participation; and (iii) increase women's participation in paid labor activities to at least 25 percent by the end of the project. Female participation in paid labor activities,

barangay assemblies and in positions of leadership in community committees will be regularly monitored through the project's MIS. Lastly, it is noted that current KALAHI technical designs conform with the Accessibility Law of the Philippines, which will be continued under the KC-NCDDP (the National Commission on the Welfare of Disabled Persons is an affiliated agency attached to DSWD).

F. Environment (including Safeguards)

55. The project will also trigger OP 4.01 and OP 4.09 on Environmental Assessment and Pest Management. As noted above, a revised KALAHI-CIDSS ESMF would be used to respond to these safeguard issues. In particular, regarding environmental issues, a review of the implementation of KALAHI-CIDSS identified an increased risk of pesticide use related to investments in small-scale irrigation.³⁸ Therefore, the promotion and practice of Integrated Pest Management (IPM), under the DA's *KASAKALIKASAN* Program, will be included as part of the safeguards compliance for KC-NCDDP. The ESMF Screening Instrument will also be revised and tightened to increase the practicality and efficiency of this tool. The revised ESMF will reflect four thematic environmental systems guides prepared with the support of MCC under KALAHI-CIDSS. The KC-NCDDP would include additional training for regional and sub-regional safeguard staff, and community facilitators, to improve the implementation of these new requirements and technical guidelines.

³⁸ Fifty such sub-projects were financed under KALAHI-CIDSS.

Annex 1: Results Framework and Monitoring
PHILIPPINES: KALAHI-CIDSS National Community Driven Development Project

Arrangements for KC-NCDDP Results Monitoring³⁹

KC-NCDDP Outcomes and Indicators	Target/Project Years						Data Collection and Reporting		
	Yr 1 2013	Yr 2 2014	Yr 3 2015	Yr 4 2016	Yr 5 2017	Yr 6 2018	Reports and Frequency	Data Collection Instrument	Responsible for Data Collection and Analysis
Overall Project Development Objective (PDO) Communities in targeted poor municipalities empowered to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation									
• Nos. Project beneficiaries [CORE]			4 million			8.4 million	mid-term and end-line studies	Specialized household survey	External consultant team
• % increase in access to and utilization of roads, education, health centers and water (major KC investments) in KC-NCDDP municipalities			5% across various sectors			10% across various sectors	mid-term and end-line studies	Specialized household survey	External consultant team
• % of households in KC-NCDDP municipalities with at least one member attending regular Barangay Assemblies			60%			70%	mid-term and end-line studies	Specialized household survey	External consultant team
• % of members from marginalized groups ⁴⁰ in KC-NCDDP municipalities who attend regular Barangay Assemblies [CORE]			30%			40%	KC-NCDDP MIS Data mid-term and end-line studies	Data capture from BA mtg minutes and attendance complemented with specialized household survey	Local KC-NCDDP staff, LGUs and CSOs, KC-NCDDP PMOs External consultant team

³⁹ Baseline data will be obtained from a large-scale household survey carried out by the MCC in 2012 in a sample of 198 municipalities as a baseline for the impact evaluation of KALAHI-CIDSS. When appropriate the data will be disaggregated by gender.

⁴⁰ This indicator will be reported separately for IPs and women.

KC-NCDDP Outcomes and Indicators	Target/Project Years						Data Collection and Reporting		
	Yr 1 2013	Yr 2 2014	Yr 3 2015	Yr 4 2016	Yr 5 2017	Yr 6 2018	Reports and Frequency	Data Collection Instrument	Responsible for Data Collection and Analysis
Intermediate/Component Outcomes and Indicators									
Component 1: Barangay (Community) Sub-Grants for Planning and Investment: ⁴¹ Communities plan and use barangay grants effectively									
<ul style="list-style-type: none"> % of KC-NCDDP barangays with poverty reduction action plans prepared in accordance with the KC-NCDDP participatory process 		70%		80%		85%	Quarterly KC-NCDDP progress reports	Copies of BAPs/BLPRAPs and BLGU resolutions	Local KC-NCDDP staff, LGUs and CSOs, KC-NCDDP PMOs
<ul style="list-style-type: none"> % of KC-NCDDP community sub-projects completed in accordance with technical plans, schedule and budget⁴² 		70%		80%		85%	Quarterly KC-NCDDP progress reports	Data capture from KC-NCDDP community projects completion reports	Local KC-NCDDP and LGU staff , KC-NCDDP PMOs
<ul style="list-style-type: none"> Nos. of reconstructed or repaired shelters for disaster-affected households 	Annual targets to be determined						Quarterly KC-NCDDP progress reports	KC-NCDDP MIS	Local KC-NCDDP and LGU staff , KC-NCDDP PMOs
<ul style="list-style-type: none"> % of completed KC-NCDDP sub-projects that have satisfactory or better sustainability evaluation rating 			70%		80%		Annual KC-NCDDP Reports	SP sustainability evaluation reports of bgy and municipalities (using KC SET)	Local KC-NCDDP and LGU staff with communities, KC-NCDDP PMOs
<ul style="list-style-type: none"> % of female participation in KC-NCDDP paid labor component during sub-project implementation 	8%	10%	15%	20%	25%	25%	Quarterly KC-NCDDP progress reports	Data capture from KC-NCDDP community projects completion	Local KC-NCDDP and LGU staff , KC-NCDDP PMOs

⁴² To include an assessment of emergency sub-project processing in line with the Post-disaster Response guidelines.

KC-NCDDP Outcomes and Indicators	Target/Project Years						Data Collection and Reporting		
	Yr 1 2013	Yr 2 2014	Yr 3 2015	Yr 4 2016	Yr 5 2017	Yr 6 2018	Reports and Frequency	Data Collection Instrument	Responsible for Data Collection and Analysis
								reports	
Component 2: Capacity-building and Implementation Support: Support more inclusive and transparent planning and budgeting at the municipal level.									
<ul style="list-style-type: none"> % of KC-NCDDP municipalities with municipal poverty reduction plans prepared in accordance with KC-NCDDP participatory process 		80%		85%		85%	Quarterly KC-NCDDP progress reports	Copies of Municipal LPRAPs and LGU resolutions	Local KC-NCDDP staff, LGUs and CSOs, KC-NCDDP PMOs
<ul style="list-style-type: none"> % of KC-NCDDP municipalities with increased membership of POs and CSOs in local development councils and special bodies (e.g., BDC, PTCAs, local school boards, local health boards, peace and order councils) 		50%		70%		85%	Annual KC-NCDDP Reports	MLGU and BLGU reports	Local KC-NCDDP staff, LGUs and CSOs, KC-NCDDP PMOs
<ul style="list-style-type: none"> Number of KC-NCDDP municipalities w/ staff trained by DILG using the Local Governance modules. 		150		350		477	Annual KC-NCDDP Reports	Data capture from KC-NCDDP-DILG and LGU reports	KC-NCDDP PMOs, DILG, LGUs
Component 3: Project Management: Effective project management undertaken									
<ul style="list-style-type: none"> % of registered grievances satisfactorily resolved in line with the Grievance Redress System [CORE] 		80%		80%		80%	Quarterly KC-NCDDP progress reports	Monthly recording of grievances and resolutions at community, municipal and KC-NCDDP PMO levels	Communities, Local KC-NCDDP staff, LGUs and KC-NCDDP PMOs
<ul style="list-style-type: none"> MIS providing necessary information in a timely fashion to measure project effectiveness and results (Yes/No based on bi-annual assessment) 		Y		Y		Y	Special bi-annual assessment	Study	External evaluator
<ul style="list-style-type: none"> No. KC-NCDDP studies regarding effectiveness and outcomes 		1	2		1	2	Annual KC-NCDDP	Progress report	KC-NCDDP National PMO, M&E

KC-NCDDP Outcomes and Indicators	Target/Project Years						Data Collection and Reporting		
	Yr 1 2013	Yr 2 2014	Yr 3 2015	Yr 4 2016	Yr 5 2017	Yr 6 2018	Reports and Frequency	Data Collection Instrument	Responsible for Data Collection and Analysis
completed (e.g., process evaluation, household survey, econ/fin analysis, technical quality/sustainability survey)							Reports		Unit

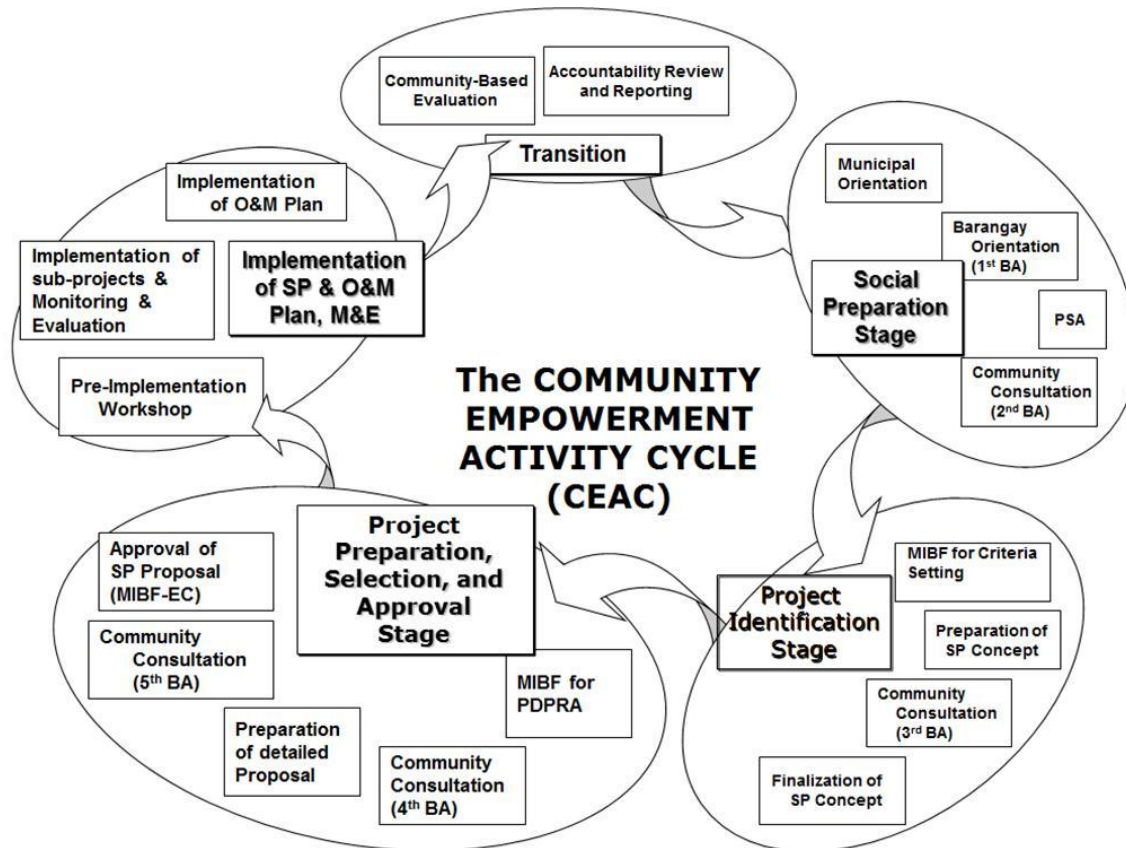
Annex 2a: Detailed Project Description

PHILIPPINES: KALAHI-CIDSS National Community Driven Development Project

1. In order to achieve the project development objective: **to empower communities in targeted poor municipalities to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation**, the KC-NCDDP will have three components: (i) barangay (community) sub-grants for planning and investment, (ii) local capacity building and implementation support, and (iii) project administration, monitoring and evaluation.
2. **Component 1: Barangay (Community) Sub-Grants for Planning and Investment** (estimated US\$ 426.5 million total of which US\$ 398.0 million IBRD). This component would support two types of assistance to participating barangays. First, planning grants will be made available to support the so called “Community Empowerment Activity Cycle” (CEAC) (please see Figure 1). These grants would be used for the orientation, consultation, participatory priority-setting, action planning, review and approval processes at *barangay* and inter-*barangay* (municipal) levels. Planning grants would also support technical assistance inputs to ensure the quality of design and implementation of community infrastructure “sub-projects”. Second, investment grants will support proposals made by barangays to finance community sub-projects and activities that respond to community-identified priorities; the menu of eligible investments would be “open”. This component would also help establish or strengthen the *barangay* assembly as a forum for community-LGU engagement and local-level governance. This component will serve to directly increase access or utilization of key services that will be supported under sub-project grants. The component will also serve to empower community members to better participate in local level development planning and implementation. The CEAC cycle presented in the figure below indicates the process whereby communities identify, prioritize, implement, report on and monitor their subproject investments.
3. DSWD has developed a set of streamlined sub-project processing and implementation procedures to be used for sub-project investments in post-disaster contexts and focusing on early recovery and rehabilitation, which have been reviewed and agreed to by the Bank. These procedures would be immediately applied for the Yolanda-affected municipalities under the project. Allowing for post-disaster sub-projects and procedures under the KC-NCDDP will provide DSWD greater flexibility to respond quickly to national or local emergencies using existing project resources and to draw on KC-NCDDP systems (including a network of trained facilitators, community committees and volunteers) to speed-up community response and recovery. Application of this different set of sub-project operational procedures would be conditional on Government formally declaring a state of emergency (at national or local levels). More specifically, according to the GoP DRRM Act, the National DRRM Council shall recommend to the President of the Philippines the declaration of the geographic area to be considered in a state of calamity, and the lifting thereof, based on the criteria set by the National Council; these criteria comprise the scale and magnitude of the event, the geographic coverage, and the related potential social and economic impacts. The declaration is valid for one year by default. The declaration and lifting of the state of calamity may also be issued by the local legislative council (*Sanggunian*), upon the recommendation of the Local Disaster Risk Reduction and Management Coordinating Council (LDRRMC), based on the results of the damage

assessment and needs analysis. In the case of Typhoon Yolanda, this has been done through Presidential Proclamation No. 682 that declared a State of National Calamity relating to the typhoon on November 11, 2013.

Figure 1: Community Empowerment Activity Cycle



4. These streamlined arrangements fall within the broader parameters of the Bank’s fiduciary and safeguards guidelines applicable under the project. The procedures are outlined in the Disaster Response Operations Sub-manual, and would guide the implementation of small scale infrastructure/basic service projects similar in nature and scale to those implemented in regular KALAH-I-NCDDP operations using an open-menu approach. The main adjustments to project procedures for purposes of post-disaster sub-projects are outlined below.

- (a) Reconstruction or repair of public buildings facilities as well as housing reconstruction would be allowed under a revised list of "negative activities" included in the sub-manual mentioned above;
- (b) The CEAC process that guides community facilitation in post-disaster contexts is shortened to 2-3 months. The participatory social assessment will be replaced by a short community-based Post Disaster Needs Assessment. In addition, the municipal competition

process will be modified with the criteria-setting process that guides the selection of sub-projects giving additional weight to the proposals from the most disaster affected barangays/ communities. The sub-project development step in the project cycle has also be slightly modified to ensure more direct Technical Assistance is provided by the DAC and RPMO who would develop sub-project proposals with communities. The review and approval process would therefore be considerably shortened to ensure that funds are released to affected communities within a shorter time-frame.

(c) The allocation of funds to communities would be made more flexible (fewer and larger tranches) to accommodate small value or fast-disbursing sub-projects.

(d) While the open-menu approach to sub-project design will remain the same (with the modifications noted in (a) above) it is expected that communities will have a larger proportion of sub-projects involving debris removal and clean-up operations. To provide additional/complementary guidance to Community Volunteers on sub-project implementation, additional environmental safeguards screening tools have been included in the Safeguards and Disaster Response Operations Sub-manual).

(e) Existing procurement procedures these were found to provide sufficient flexibility to accommodate post-disaster reconstruction activities. As with sub-project proposal development additional technical assistance from the ACT and RPMO to Community Volunteers will be critical to ensure effective/timely implementation.

5. **Component 2: Local capacity building and implementation support** (estimated US\$ 190.9 million total, of which US\$ 67.5 million IBRD). This component supports the strengthening of municipal LGUs and staff to facilitate, support and oversee the participatory assessments, planning and subproject implementation of community infrastructure; to ensure quality of infrastructure investments and the integrity of sub-grant management; and to monitor and report on subproject implementation progress and results. The component would also provide training and capacity building support of MLGUs to enhance local poverty reduction action planning (as part of the GPBP), budget execution and public financial management (in collaboration with DILG and DBM), and to national government agencies at sub-national level to enhance their own community based activities and participation in the KC-NCDDP. This component specifically would finance training, consultant services and other incidental costs.⁴³

6. Component 2 will specifically support the hiring and training of the ACT installed in each of the participating KC-NCDDP municipalities. The ACT is made up of one area coordinator, a Deputy Area Coordinator (DAC), generally an engineer, a Municipal Financial Analyst (MFA) and community facilitators. The deputy coordinator and the MFA are staffed at an average ratio of 1 per 25 barangays, while on average there will be 1 facilitator for every 4 barangays. These ratios are an improvement over those of KALAHI where DACs and MFAs were 1 to 35 barangays, and facilitators were 1 to 5 barangays. The ACT has two main responsibilities that evolve over time. First, they provide the training and support to the community volunteers in the implementation of the CEAC, and ensure that subproject resources are used as proposed and in accordance with the project's operational procedures. The ACT is

⁴³ This would include the cost of "Memorandum of Agreement" project staff hired at Municipal level (i.e., ACTs).

also responsible for supporting the Municipal Coordination Team (MCT) and for training them to take over greater responsibility for project management as of the third block grant cycle.

7. Component 2 also includes the specific training of ACT and MCT members in the following areas: (i) basic project orientation, (ii) financial management systems, (iii) construction management, (iv) community finance and procurement, (v) gender sensitivity, (vi) monitoring and grievance redress systems, and (vi) environmental and social safeguards. Specific additional training newly incorporated into the KC-NCDDP (to be delivered in specific areas) will include conflict sensitivity, disaster risk mitigation and response, and sensitivity training to work with indigenous communities. Lastly, training will be provided for MLGU staff and other NGA staff at municipal level to support the roll-out of the GPBP. Regional field offices will have the main responsibility for ensuring that these trainings take place. Depending on the type of training, the units within the central support services division will ensure overall quality of training and will be responsible for the development and updating of training materials. Annual work financing and procurement plans will specify which of the indicated activities and costs would be funded by which sources of project financing.

8. **Component 3: Project administration, monitoring and evaluation** (estimated US\$ 45.3 total, of which US\$ 12.3 million IBRD) to finance the oversight, coordination and overall management of the project. This would include contracting specialized staff and the procurement of required goods. This component will also finance incremental operating costs to assist DSWD in the execution, monitoring and reporting of the project at national, regional and sub-regional levels. The organizational structure and fund flows for the project are shown in the figures on the following page. This component will also support enhancements and streamlining of the current KALAHI-CIDSS monitoring and reporting system, the hiring of additional regional level monitoring officers, design and contracting for specialized studies, and to regular reviews of monitoring and evaluation data for management decisions.

9. Component 3 will also support a process and program of learning from both project management (monitoring) data and from the results of specialized studies. Such studies will include: (i) a review of technical quality and maintenance of infrastructure, (ii) an economic analysis of KC-NCDDP subprojects, (iii) specific household surveys to track key monitoring indicators; and (iv) a detailed process evaluation of KC-NCDDP. The latter will cover procedural variations that are expected to be implemented in different contexts (conflict, disasters, indigenous populations), the gender mainstreaming elements of KC-NCDDP and of the links with the BUB and regular LGU planning processes. The process evaluation will be implemented using qualitative research methodologies and drawing extensively on consultations with project beneficiaries. The approach has been piloted on other DSWD implemented programs and relies on direct observation of project implementation (by an independent local research institution) to collect more specific information on community participation and the implementation of new design features that might require further adjustments. Insights generated by the assessment will be discussed regularly with the KC-NCDDP implementation team so that corrective action can be taken where needed. This component would also support the dissemination of lessons learned and relevant training events for different stakeholders. The World Bank will assist DSWD with the implementation of this component through an “Implementation Support Fund (ISF)”, established as a Bank executed Trust Fund financed by Australian AID. The ISF will finance specialized technical assistance and provide inputs to ensure the quality of analytical work and

learning activities associated with the KC-NCDDP. The component will specifically finance consultant services, training/workshops and operating costs (including project-specific staff).

Annex 2b: Summary Project Cost & Financing Tables

PHILIPPINES: KALAHI-CIDSS National Community Driven Development Project

KC -- NATIONAL COMMUNITY DRIVEN DEVELOPMENT PROJECT				
TOTAL REVISED FINANCING PLAN (Project Life)				
PROJECT COMPONENT	TOTAL COST (US \$)			WB % of
	WB	GOP	TOTAL	Total
COMPONENT1: COMMUNITY GRANTS	397,975,857	28,512,809	426,488,666	93.3%
INVESTMENT GRANTS				
<i>SUBPROJECT GRANTS</i>	370,011,683	15,994,519	386,006,202	
PLANNING GRANTS	27,964,175	12,518,289	40,482,464	
<i>TECHNICAL ASSISTANCE FUND</i>				
<i>SOCIAL PREPARATION</i>				
<i>COMMUNITY TRAININGS OUTSIDE CEAC</i>				
COMPONENT2: TECHNICAL ASSISTANCE	67,536,301	123,319,304	190,855,606	35.4%
ACT COST	66,183,512	122,656,837	188,840,349	
<i>SALARIES</i>	49,182,390	108,815,097	157,997,487	
<i>OTHER INCIDENTAL COST</i>	10,458,653	17,747,062	28,205,714	
<i>TRAININGS</i>	6,542,469	2,605,584	9,148,053	
TRAININGS FOR LGU/BUB IMPLEMENTERS	1,352,789	662,467	2,015,256	
COMPONENT3: PROJECT ADMIN/ ME	12,290,341	33,039,763	45,330,104	27.1%
SALARIES	4,162,693	26,501,572	30,664,265	
<i>NPMO</i>	1,000,438	4,001,752	5,002,190	
<i>RPMO</i>	3,162,255	22,499,821	25,662,075	
ADMINISTRATIVE COST	1,146,319	4,585,277	5,731,596	
<i>NPMO</i>	104,433	417,730	522,163	
<i>RPMO</i>	1,041,887	4,167,547	5,209,433	
TRAININGS	680,339	139,085	819,424	
<i>NPMO</i>	217,241	24,138	241,379	
<i>RPMO</i>	463,098	115,514	578,612	
ADVOCACY	443,350	110,837	554,187	
GOODS	1,365,517	151,724	1,517,241	
MONITORING AND EVALUATION	4,492,123	1,551,267	6,043,390	
<i>INTERNAL PROJECT MONITORING, REVIEW</i>	3,962,468	1,406,783	5,369,250	
<i>EXTERNAL MONITORING (MISSIONS, AUDIT</i>	198,621	49,655	248,276	
<i>EVALUATION STUDIES</i>	331,034	82,759	413,793	
FRONT-END FEE	1,197,500	-	1,197,500	100.0%
TOTAL	479,000,000	184,871,876	663,871,876	72.2%
USD EQUIV @ P40.60				

Annex 3: Implementation Arrangements

PHILIPPINES: KALAHI-CIDSS National Community Driven Development Project

Project Institutional and Implementation Arrangements

1. The institutional and implementation arrangements for KC-NCDDP would be based on the arrangements previously put in place for KALAHI-CIDSS, but adapted to the broader scope of the KC-NCDDP. Adaptations will address a deepening partnership among different government agencies at national and local levels to promote convergence; gradual transfer of sub-project management responsibilities to MLGUs; strengthening the linkages with existing oversight structures (DBM, NEDA, NAPC) to ensure policy support; and broadening constructive engagement with civil society organizations.

Oversight and Coordination

2. The KC-NCDDP will build and improve on the existing oversight structures of KALAHI-CIDSS. Overall, and in terms of the Government's poverty reduction reform agenda, the KC-NCDDP will be monitored by the Human Development and Poverty Reduction Cabinet Cluster, through the regular reporting of the Secretary of DSWD. At the project policy level, the National Steering Committee, chaired by the Secretary of DSWD and consisting of Undersecretaries or Assistant Secretaries of NEDA, DBM, DoF, NAPC, DILG, DepED, DoH, OPAPP; representatives of NCIP; the leagues of provinces, municipalities and barangays; civil society organizations and the development partners, would remain directly responsible for overseeing the KC-NCDDP and ensuring appropriate cross-departmental/institutional coordination. Within DSWD, a National Project Management Team will ensure that the project is aligned with the Department's overall mandate and reform agenda, and would seek convergence with DSWD's other flagship poverty reduction programs including 4P's and SEA-K.⁴⁴

3. Similar coordination and oversight structures will be established at regional level to oversee and manage the project. The KC-NCDDP would maintain links with the counterpart coordination bodies such as the Regional Social Development Committee (RSDC) and the local development councils at various levels (provincial and municipal). A Regional Project Management Team will be formed in each region where the project will operate, and will include as members, in addition to DSWD director level and project staff, municipal mayors.

Project Management

4. Building on the existing structures for the management of KALAHI-CIDSS, DSWD will continue to be the lead implementing agency for the KC-NCDDP, and will continue to work through a national-regional-municipal level structure for project management and implementation. Both organic DSWD staff and specialized project staff (consultants) will be engaged in the overall management of the project. Similar to oversight arrangements, project

⁴⁴ The NPMT would be chaired by the Secretary (as National Program Director) and would consist of the two Deputy national program directors (technical and finance), the Undersecretaries for Policy and Program Group and Institutional Development Group, the National Program Manager, the National Program Manager for 4P's, the Director of the Poverty Reduction Programs Bureau, the program manager for the NHTS-PR, and all heads of offices and bureaus.

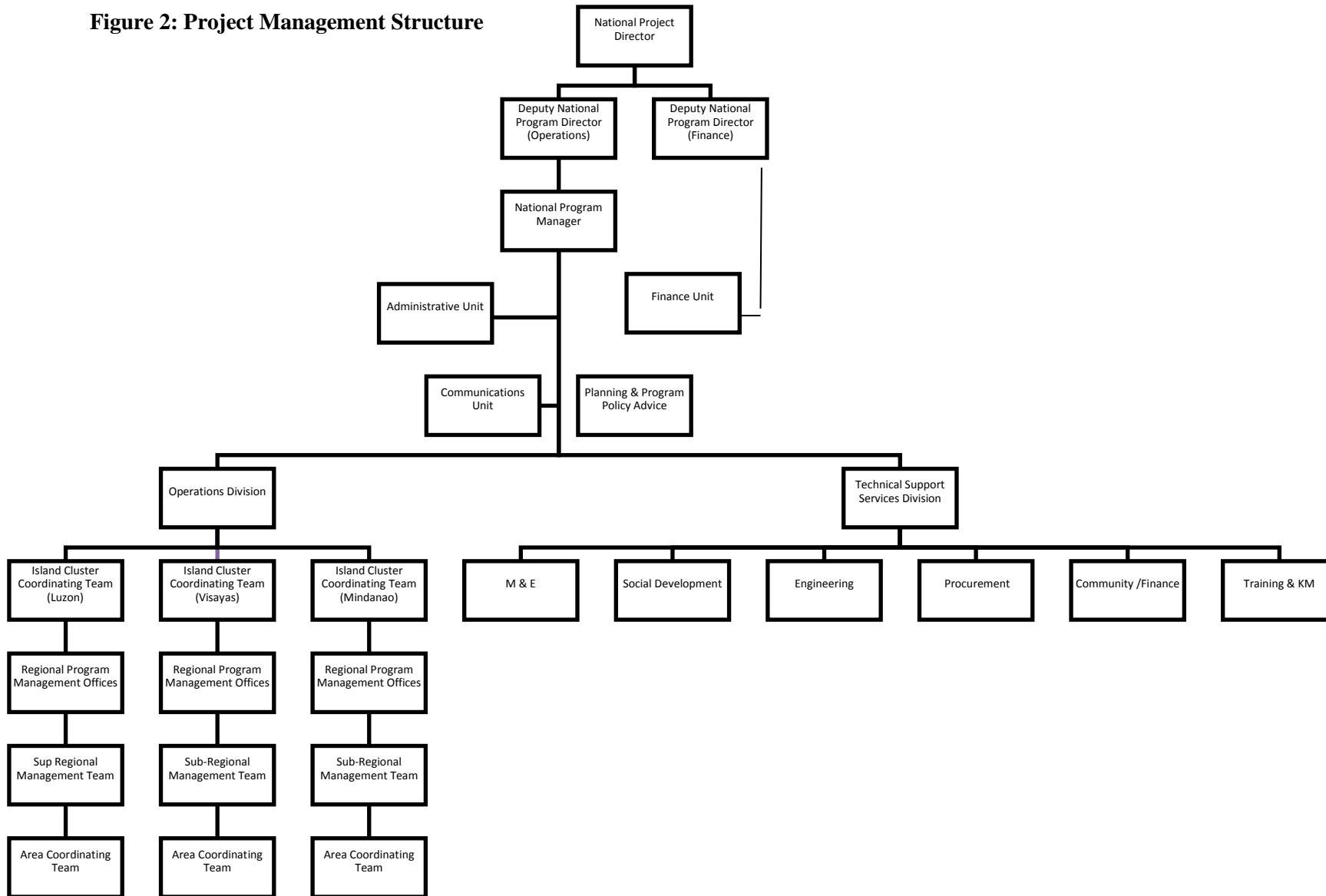
management structures and processes will be enhanced under KC-NCDDP (see proposed organizational chart below). The key enhancements are:

- (a) Formalized link between the KC-NCDDP and the General Administrative Services Support Group of DSWD to oversee Project finances and financial management.
- (b) A restructured National Project Management Office (NPMO) with two separate divisions for field operations and technical support; both divisions falling under a Deputy Director for National Project Management. The field operations division will have exclusive responsibility for monitoring and coordinating the work of the field offices, while the technical support division would provide technical assistance and quality assurance support for all major areas of project implementation such as training, community procurement and financial management, social preparation, monitoring and evaluation, etc. In addition, the NPMO will have enhanced human resources, financial management, communications and project planning functions attached to the project manager's office (who is a Director level staff member of DSWD). The current NPMO Governance Specialist Position established under KALAHI-CIDSS will be maintained under KC-NCDDP. The NPMO will consist of 60-70 technical and support staff and consultants.
- (c) Regional field offices would be constituted (within existing DSWD regional offices) in all regions of the country, except the National Capital Region, to oversee the project. RPMOs will be headed up by the DSWD Assistant Field Director as the regional Project Manager. The RPMO will consist of an estimated 15 technical and support staff and consultants. In addition, sub-regional offices will be established (at provincial level) where, on average, the number of participating municipalities exceeds 10 per province/sub-regional area. Staffing of sub-regional offices would range from 5 to 8 technical staff, with regional offices given flexibility to adjust staffing to specific local needs.
- (d) A provincial LGU initiative is being piloted (with complementary support from ADB) that will help to further expand the role of these sub-regional/provincial offices in terms of technical and quality assurance support, monitoring, sectoral coordination and resource mobilization.
- (e) The responsibility for approval of sub-project block grants and disbursement of funding for sub-projects will be devolved to regional offices.
- (f) Ratios of municipal-level staff have been improved to, on average, 1 facilitator to 4 barangays (vs. 5),⁴⁵ and 1 deputy area coordinator and 1 municipal financial analyst to 25 barangays (vs. 35).

5. The Project will deploy an Area Coordination Team in each new municipality, which will be composed of an Area Coordinator (community process and local coordination specialist), a Deputy Area Coordinator (community infrastructure specialist); Municipal Financial Analyst

⁴⁵ In the case of Yolanda-affected municipalities, initially the ratio of community facilitators to municipalities will be one to three (vs. one to four) given the expected additional support needs required.

Figure 2: Project Management Structure



and Community Facilitators (CFs), the number of which will depend on the number of *barangays* or villages with each CF being assigned to a maximum of 4 *barangays*. In line with the proposal to progressively transition the roles of the ACT to MLGU staff, a municipal coordination team will be organized/designated by the LGUs as part of the commitment to the Project. CFs are responsible for working directly with community groups at *barangay* level to facilitate the CEAC process and to monitor the implementation of the subproject activities. The MFAs would assist and oversee community financial management activities while the DAC monitors and provides quality assurances relating to construction and procurement procedures.

6. The role proposed for DSWD in responding to the post-Yolanda efforts through the KC-NCDDP is perfectly aligned with national institutional disaster management arrangements. In line with its mandate to provide social protection and poverty reduction interventions for the poor, vulnerable and disadvantaged, DSWD leads in the planning, coordination and monitoring of all disaster response efforts in accordance with the National Disaster Risk Reduction and Management Act of 2010. The Department's major functions for DRM include developing operational guidelines on disaster management and special concerns; translating international/global standards as applied to local disaster management situations; monitoring and providing technical assistance for the management of disaster and special concerns; managing the implementation of disaster management programs/projects and fast tracking nationwide implementation; coordinating inter-agency, inter-cluster, inter country efforts along disaster management and special concerns; and maintaining a database of all disaster management and special concerns-related projects and activities. Relevant DSWD programs include the community-based Core Shelter Program; as well as the family-based and community-based disaster preparedness sessions; and crisis debriefing. It has also integrated DRM responses in its major programs including KALAHYON-CIDSS, 4-P's and SEA-K.

Project Partnerships

7. At national level, the KC-NCDDP will involve close partnership arrangements with a number of different stakeholders. As noted above, the Project is closely aligned with the Government's poverty reduction and good governance initiatives (including the BUB and the SGH). As such, the KC-NCDDP counts on all relevant oversight and line departments equally engaged in these efforts, as reflected in and promoted by the national and regional oversight arrangements for the Project. In addition, the Project will involve close collaboration with other development partners, and in particular the ADB, who will be financing activities that are complementary to the KC-NCDDP. Other development partners including Australian AID, the MCC and possibly the Spanish Development Corporation would be involved in the KC-NCDDP as appropriate (especially regarding possible adjustments to KALAHYON systems that may affect the on-going operations under both bilateral projects).

8. In line with the objective to mainstream CDD in LGU operations, the KC-NCDDP will systematically engage LGUs at provincial, municipal and barangay levels to assume project roles/functions that fit within their official mandates as outlined in the Local Government Code.

9. The engagement with the Provincial LGU (PLGU) will focus on strengthening their role in relation to monitoring, quality assurance (technical standards of sub-projects); technical

assistance and resource mobilization. For this purpose, the KC-NCDDP will continue to organize Provincial Inter-Agency Committees and/or establish functional linkages with the Provincial Development Council. The ADB is supporting the pilot-testing of the PLGU engagement in KALAHICIDSS, the results of which would inform the enhanced partnership arrangements at this level.

10. At the municipal level, the Project will also continue to organize Municipal Inter-Agency Committee and/or establish functional linkages with the Municipal Development Council as well as the expanded Municipal Local Poverty Reduction Action Team (MLPRAT) as provided for in the Joint Memorandum Circular of the GPBP. This partnership arrangement will amplify the coordination with the GPBP and ensure the effective and efficient transition of the KC-NCDDP to the municipal coordination team as earlier mentioned. The box on the following page provides some further information about the specific linkages between KC-NCDDP and GPBP.

11. At the *barangay* or village level, the Project will continue to coordinate with the Barangay Development Council as well as organize various community-based committees or organizations that are defined in the community mobilization sub-manuals.

12. The emergence of the BUB/GPBP process in 2012 provides a tremendous opportunity to further integrate CDD principles into local level service planning and delivery. This is particularly true given: (i) the sizeable overlap between GPBP municipalities and KC-NCDDP target areas; and (ii) the significant level of resources invested by DSWD to expand the CDD platform.⁴⁶ The GPBP process may serve as a powerful force for the long-term sustainability of the KC-NCDDP through the integration of CDD approaches into core government systems, procedures and financing at the municipal level. The GPBP is still in an initial phase with approaches and procedures being developed. These procedures are expected to be detailed and tested over the next one to two years under the leadership of DILG, DBM, DSWD and the National Anti-Poverty Commission (NAPC), which make up the Executive Committee of the BUB. Currently, the Joint Memorandum Circulars issued by this Executive Committee that provide guidance on the implementation of the GPBP make specific reference to linkages with the KALAHICIDSS and to the upcoming KC-NCDDP. Guidance on GPBP explicitly recommends that LGUs draw on ongoing CDD processes, at barangay level to strengthen the participatory planning processes. KC-NCDDP will contribute to the GPBP in two complementary ways: (i) by testing the use of a single platform for community participation in LGU planning and implementation in a sub-set of GPBP/KC-NCDDP target areas during the first two years of project implementation; and (ii) by putting in place a system through which targeted LGUs progressively take over responsibilities for project implementation. World Bank-supported assessments of the process and early results of project implementation in GPBP areas is generating lessons-learned that would inform the roll-out of the KC-NCDDP and the transition to MLGU-led models of project management. This approach would enable DSWD and

⁴⁶ The BUB will cover 595 municipalities and cities in 2013 and has programmed approximately Php. 8.4 billion (US\$207 million). For 2014, the proposed coverage is 1,233 municipalities and cities (with Php. 20 billion of investments projected), and it is expected that for 2015 all municipalities and cities will be covered.

KC-NCDDP to contribute to this important element of the overall GoP decentralization agenda and the further refinement of BUB guidelines and procedures.⁴⁷

Box 1: Parameters for Harmonization of KC-NCDDP with the Grassroots Participatory Budgeting Process

The parameters for harmonizing the KC-NCDDP with the GPBP as well as the local development planning process (as defined by the Local Government Code-- LGC) is based on several pieces of analytical work undertaken as part of the KC-NCDDP preparation process, including the *Makamasang Tugon* review. It also draws on a series of preparatory workshops/meetings among the various stakeholders, particularly DILG, NAPC and DBM who, with DSWD, constitute the Executive Committee for the GPBP.

Background

The Aquino Administration is committed to empowering people in pursuit of anti-poverty programs, as well as building capacity or opportunities among the poor and marginalized. To achieve this goal, the government adopted the Bottom-Up Planning and Budgeting (BUB) process; a collaborative initiative between government and civil society organizations to ensure good governance in the budget process (and now referred to as the “Grassroots Participatory Budgeting Process”). As noted in the Joint Memorandum Circular signed by the Secretaries of DBM, DILG, DSWD and NAPC, the BUB seeks to "... make the planning and budgeting processes of both local and national governments more participatory through the genuine involvement of grassroots organizations and communities. It shall also strengthen the convergence of the delivery of national services in the community".

For calendar year 2013, the GPBP covered 609 poor municipalities, and programmed approximately Php. 10 billion (US\$250 million) for local level development activities as identified in municipal level Local Poverty Reduction Action Plans (LPRAPs), which were the result of the participatory planning outlined in the JMC. Of these 609 municipalities, 208 were KALAHI-CIDSS (KC) areas. In these sites, DSWD/KC staff were designated to facilitate the preparation of the LPRAPs. Investments identified for financing under BUB in these 208 municipalities drew from the previous participatory work done under KC—the CEAC process. GPBP coverage for 2014 is Php. 20 billion and 1,362 municipalities/cities, of which more than 80% will overlap with KC-NCDDP.

Operationalizing Harmonization

In principle, there is agreement among the GPBP oversight agencies that in those municipalities where there is overlap, a harmonized participatory process at the *barangay*-level will be adopted using the enhanced CEAC Sub-Manual. . As the lead implementing agency for KC-NCDDP, DSWD will facilitate and oversee the harmonized KC-NCDDP-GPBP process for the next planning cycle (2015 national budget). For cities and municipalities that will be not be covered by KC-NCDDP, the GPBP oversight agencies are pursuing enhancements to the current GPBP participatory process, which was implemented at the municipal/city-level in the initial GPBP planning cycles (2013 and 2014 national budgets). Implementation in these two cycles deepened the participatory process to ensure citizen engagement at the *barangay*-level. In terms of the facilitation of the GPBP process at the *barangay*-level, there have been initial discussions suggesting that DSWD should take the lead role in the process but the final decision will be determined once the enhancements to the process have been finalized. For cities and municipalities not covered by KC-NCDDP, the Bank is supporting TA to provide the GPBP oversight agencies with policy recommendations for enhancing the current GPBP process to deepen the participatory process to the *barangay*-level.

Moreover, recognizing that the initial GPBP planning cycles for the 2013 and 2014 national budgets were not fully implemented in harmonization with LGU budgeting and planning processes, the GPBP oversight agencies are seeking to adopt policy reforms to the JMC No. 1 of 2007 that integrate the GPBP process into LGU planning and budgeting guidelines. Even as studies to strengthen *barangay*-level participatory planning for both KC-NCDDP and non-KC-NCDDP areas are on-going, the GPBP oversight agencies have set clear expectations that the enhanced processes will be integrated into a single reformed LGU planning and budgeting process. The World Bank is

⁴⁷ The social development and urban teams are assisting in the assessment of the most recent BUB planning process and have put forward a program of analytical work (at the request of NAPC, DBM and DILG) to study the early implementation experience to inform future adjustments.

providing TA to GPBP oversight agencies with policy recommendations for integrating the GPBP process into existing LGU planning and budgeting processes. The GPBP and KC-NCDDP will also apply the Seal of Good Housekeeping to promote transparency and accountability in local governance. Under KC-NCDDP, the SGH will be one of the MLGU eligibility requirements starting in the 2nd cycle of CEAC in order not to unduly exclude poor municipalities which usually have less capacity.

13. Finally, KC-NCDDP will maintain its engagement with CSOs in varying capacities including: (i) representation in all inter-agency structures of the project at national and local levels; (ii) external monitoring in the form of spot checking; and (iii) out-sourcing for training or facilitation of the CEAC process, or other specific components or activities of the project. DSWD is currently undertaking consultations with CSOs to assess the different modalities of engagement under KC-NCDDP.

Financial Management, Disbursements and Procurement

Financial Management

14. The General Administrative Support Services Group of DSWD will oversee the financial management (FM) functions of the KC-NCDDP. The head of the Finance Unit of the NPMO will have direct responsibility for ensuring that all FM requirements of the project are met and that appropriate documentation and reports are submitted, through the National Project Manager and the Deputy National Project Director (finance), to Government and the World Bank. The NPMO will also be responsible for training participating regional, sub-regional and recipient barangays /communities in FM requirements as defined in the existing, guidelines and procedures outlined in the NCDDP Operations Manual.

15. The NPMO will manage the Designated Account (DA) and will ensure that adequate funds are transferred to the regional offices and ultimately to the beneficiaries. The regional offices will be responsible for reviewing and approving the Request for Fund Release of sub-grants to the communities through streamlined procedures (as defined in the Community FM sub-manual). The regional offices will be responsible for providing quarterly financial reports to the NPMO for consolidation and NPMO will submit the consolidated financial report to the Bank. NPMO will also be responsible for the submission of an annual audited project financial statement which includes audit of all the regional offices and 10 percent of sub-projects annually.

16. Funds Flow. The funds from the loan proceeds will flow from the World Bank through the Bureau of Treasury account at the Central Bank of the Philippines to the Land Bank of the Philippines.⁴⁸ Specifically, the financing for subprojects will be disbursed (by regional offices) to communities (*barangays*) on a lump-sum basis and will be categorized as sub-grants. The World Bank will account for the eligible expenditures (i.e., record that the eligible expenditures are documented) when the amounts are paid to communities, as there are mechanism and procedures in place, overseen by the NPMO (together with World Bank oversight), to ensure that grants are being implemented as planned and are being used for the purposes intended. The funds flow for loan proceeds is depicted in Figure 3 below.

⁴⁸ The account at the Land Bank of the Philippines will be considered as the commercial bank holding the Designated Account, although funds will flow through the Bureau of Treasury account at the Central Bank of the Philippines.

17. Budgeting and Accounting. DSWD will prepare annual budget proposals and submit these to DBM for review and incorporation into the General Appropriations Act each year. The project shall prepare an annual financial plan together with disbursement projections to be submitted to the World Bank before the start of each fiscal year (following Government of the Philippines fiscal year calendar). Accounting records will be maintained by DSWD Central Office and the respective regional offices using the electronic National Government Accounting System (NGAS), as applicable, supplemented by spreadsheets where required, in accordance with the country accounting procedures and policies. DSWD Central Office shall be responsible for maintaining and monitoring the Designated Account, and shall prepare the project financial reports and withdrawal applications. Peso-denominated project accounts will be opened at regional level to finance the majority of project-related activities.

18. Internal Control and Internal Auditing. The project will follow the internal controls and policies of the NGAs, Government Audit and Accounting Manual, CoA and DBM memoranda and circulars, and other laws and regulations. The specific relevant requirements are outlined in the project's Operations Manual and financial management sub-manual.

19. Financial Reporting/Financial Covenants. For the purposes of reporting on the status of project finances, DSWD shall prepare a Quarterly Interim Financial Report (IFR) no later than 60 days after the end of each calendar quarter, and an annual project audited financial statement no later than six months after the end of each fiscal year of the Government. The audit of the financial statements of the Project shall be carried out by the Government's Commission on Audits (COA). CoA reviews will also include a "value for money" audit, which would cover physical inspection and evaluation of the sustainability of sub-projects, (including adequacy of maintenance operations) covering at least 10 percent of subprojects. This subproject "value for money" report would be submitted together with the annual project audited financial statements.

Disbursements

20. The disbursement methods allowed under the project will be: (a) advance, (b) direct payments, and (c) reimbursements. The project will be granted a four-month grace period after the closing date to submit final Withdrawal Applications (WA) for eligible expenditures incurred prior to closing date. The proposed minimum value of application for direct payments and reimbursements is US\$1,000,000, equivalent. The segregated DA shall be maintained in US Dollars by DSWD Central Office at the Land Bank of the Philippines (LBP) with a Variable Ceiling. The frequency for reporting eligible expenditures paid from the DA is quarterly. The DSWD Central Office shall also open a peso-denominated project account at LBP as a pass through account. Peso project bank accounts shall also be opened at DSWD Regional Offices to receive funds for grants for the subprojects and operating costs. Funds will be transferred to the Regional Offices from the Central Office based on quarterly forecasts, and will be treated as an advance. Regional Offices will report back on a monthly basis to the Central Office on the use of funds. Disbursements to communities will be made on a lump-sum basis, in tranches, based on, among other things, an approved sub-project proposal for the 1st tranche; and documentation of physical and financial progress for succeeding tranches. Fund flow and disbursement arrangements are shown in Figure 3 below.

21. As the ADB will also finance grants for sub-projects (SP) under KC-NCDDP, to avoid possible double-charging of these sub-grant expenditures, the source of financing for each SP will be determined by the DSWD Central Office after SP approval, and will be assigned a unique Identification Number (SPID). The SPID, which is computer generated, will be associated with a specific funding source and will serve as a control mechanism to ensure that correct funding is applied through-out SP implementation. A database will be maintained to store the SPID and other related information about the sub-project location and costs.

22. The project will use a report-based documentation method for disbursements. Funds will be withdrawn from the World Bank through the submission of a WA supported by the following: (i) Advance Method: for the initial deposit the project's expenditure forecast for the next two reporting periods is required; for subsequent WAs, (a) an IFR for the period just ended, and (b) List of payments against contracts subject to the Bank's Prior Review, and (c) Designated Account Reconciliation/ Activity Statement; (ii) Direct Payments: relevant records (e.g., invoices and receipts); and (iii) Reimbursements: IFRs and the list of payments against contracts subject to the Bank's Prior Review. During project implementation, the Project must: (i) submit IFR consistent with the form and content agreed at the time of negotiations within 60 days of the end of each reporting period, (ii) sustain satisfactory financial management rating during project supervision; and (iii) submit a Project Audited Financial Statements by the due date, to be able to continue using the report-based documentation method.

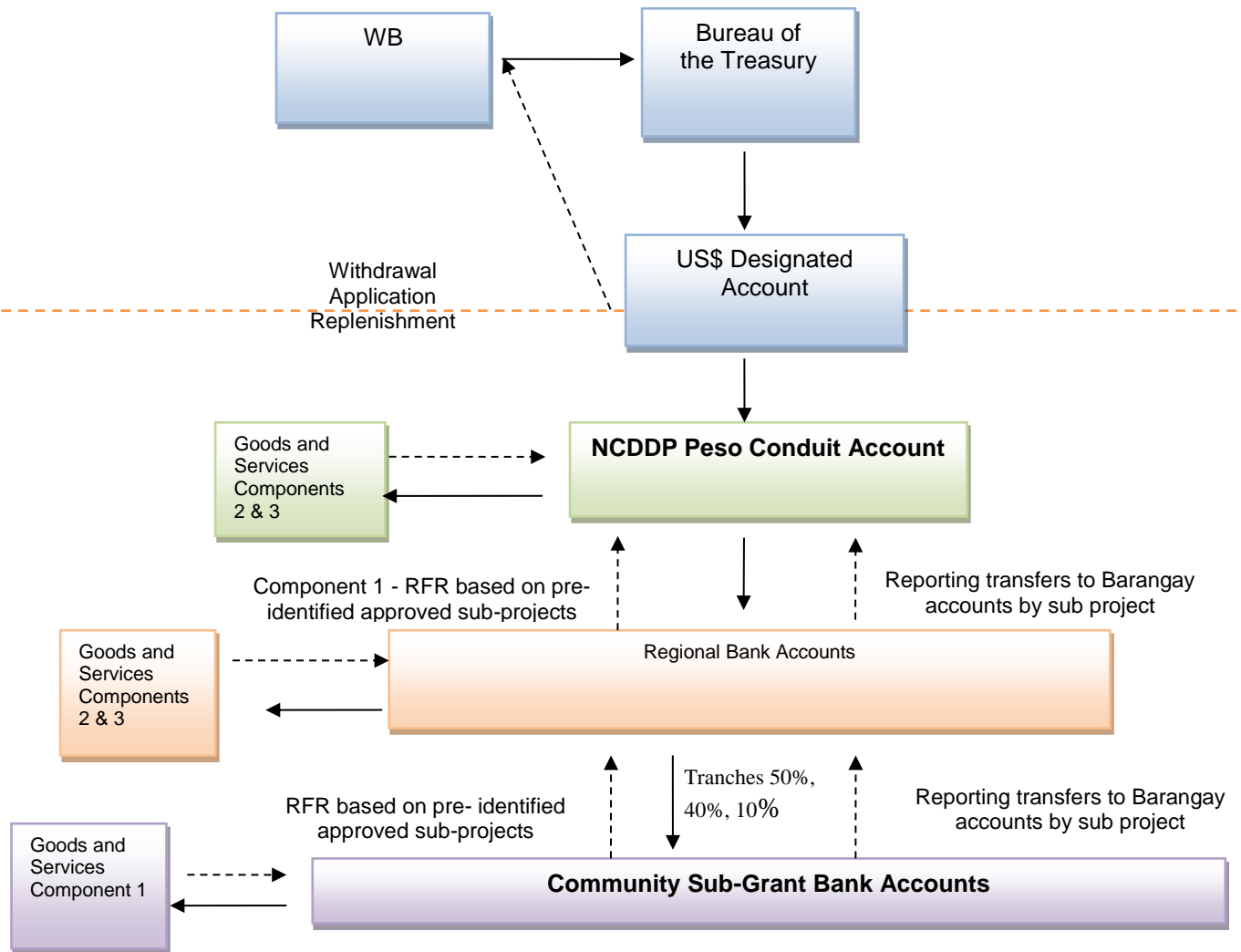
23. Retroactive financing. Expenditures paid prior to the date of the loan signing but after January 1, 2014, shall be eligible for retroactive financing in the aggregate amount not to exceed US\$ 25 million.

24. The loan shall be disbursed over a period of six years based on the following categories of expenditures:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Operating Costs	97,610,000	100%
(2) Sub-grants under Part 1(a) of the Project	380,192,500	100% of amounts disbursed
(3) Front-end Fee	1,197,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
TOTAL AMOUNT	479,000,000	

Figure 3: NCDDP Funds Flow for Loan Proceeds

Funds Flow Diagram



Procurement

25. Procurement of goods and services for the KC-NCDDP, which are financed by the World Bank loan, would be carried out in accordance with the Bank’s “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers”, dated January 2011 and “Guidelines: Selection and Employment of

Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers”, dated January 2011. The procurement for Component 1 will be carried by the recipient communities with support and oversight by municipal and regional (RPMO) offices and project staff. Procurement for Components 2 and 3 will be handled by the both the NPMO and the respective RPMOs, as the case may be.

26. Procurement of Goods and Works. Goods and works procured under the sub-projects shall be in accordance with the Community Participation procedures acceptable to the Bank as set forth in the Project Operations Manual. Acceptable procedures include: a) shopping for goods, works and non-consulting services, b) local bidding for goods and works, c) direct contracting, and d) community force account. For goods procured by the NPMO and RPMO, International Competitive Bidding (ICB) shall be used for contracts estimated to cost US\$ 1,000,000 or more. National Competitive Bidding (NCB) shall be used for contracts below the ICB threshold, and carried out in accordance with the Philippines’ Procurement Law (RA9184). The loan agreement notes the few aspects of GoP NCB procedures that are in conflict with general World Bank guidelines so these issues can be reflected in project NCB documents and procedures. Off-the-shelf goods of very small value (less than US\$ 200,000) may be procured through Shopping procedures, by comparing quotations obtained from at least three suppliers, as defined in paragraph 3.5 of the Procurement Guidelines. Direct Contracting may also be used, but only in exceptional circumstances as stated in paragraph 3.7 of the Procurement Guidelines. Bidding documents shall be prepared using the Bank’s up-to-date Standard Bidding Documents for ICB procurement, and the 4th Edition of the Harmonized Philippine Bidding Documents for NCB procurement. Publication of all bidding opportunities in PhilGEPS will be encouraged.

27. Selection of Consultants. With regards to consulting services financed by the loan, Quality- and Cost-Based Selection (QCBS) would be used as the preferred method. Where QCBS is not suitable, consulting services would be procured using other methods, including Quality-Based Selection (QBS), Selection under a Fixed Budget (FBS), Least-Cost Selection (LCS), Selection Based on Consultants’ Qualifications (CQS), specifically for contracts estimated to cost less than US\$ 200,000 each, or Individual Consultants depending on their specific nature, value and complexity. Single-source Selection (SSS) may be used but only in exceptional circumstances described in paragraphs 3.9 and 5.6 of the Consultant Guidelines. Request for proposal (RFP) documentation shall be prepared using the Bank’s up-to-date Standard RFP documents. Short-lists of consultants for services estimated to cost the equivalent of less than US\$ 500,000 per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

28. Prior review by Bank. The following contracts would be subject to Prior Review by the World Bank: (a) all ICB contracts; (b) the first contract for goods procured through NCB procedures; (c) each contract for goods procured through Direct Contracting; (d) each contract for consulting firms estimated to cost the equivalent of US\$100,000 or more; (e) each contract for consulting services procured through single-source selection; and (f) the first three contracts for subprojects in year 1 in each of the three new Regions (I, II and III), regardless of cost, and to be adjusted in the following years based on the findings of the post review and the assessment of performance and risk analysis for the whole of Component 1. Contracts below these prior review thresholds shall be subject to World Bank Post Review, which would be conducted every

six months on at least 10 percent of those contracts not “prior reviewed”. The table below summarizes these overall and prior review thresholds applied under the KC-NCDDP.

COMMUNITY-BASED PROCUREMENT METHOD	THRESHOLD (PhP.)	PRIOR REVIEW (PhP.)		
		RPMO	NPMO	WB*
Local Bidding				
- Works	2.0 M & above		2.0 M & above	
- Goods	1.0 M & above	< 1.5 M but > 500 K	1.5 M & above	
Local Shopping				
- Works	Below 2.0 M	≥ 500 K but < 2.0 M		
- Goods	Below 1.0 M	≥ 500 K but < 1.5 M		
Direct Contracting				
- Works	Below 500,000	All		
- Goods	Below 250,000	All		
Aggregated contracts		1.5 M to 2.0 M	2.0 M & above	N.A.
* WB prior review requirement: the first three contracts for the first year subprojects in each of the three new Regions (I, II and III), regardless of cost. To be adjusted in the following years based on the findings of the post review and the assessment of performance and risk analysis for the whole of Component 1				

29. Advance Procurement and Retroactive Financing. Prior to loan effectiveness, procurement estimated to cost approximately US\$ 25 million is anticipated for goods, works, services and sub-projects to be finance by the IBRD loan. Such procurement, including advertising and advance prior review, should be carried out in accordance with Bank’s Procurement and Consultant Guidelines.

30. Procurement Plan. The procurement plan for the first 18 months of project implementation, dated May 16, 2013, has been reviewed and approved by the World Bank. The plan will be updated annually, or as required. The plan will be available on the DSWD website and the Bank’s external website.

Environmental and Social Safeguards (including Gender)

31. Safeguards. Under KALAHICIDSS, DSWD has effectively ensured the application of World Bank (and Government) safeguard policies through the use of an Environmental and Social Management Framework (ESMF) and related documents (an Indigenous Peoples Policy Framework and a Land Acquisition, Resettlement and Rehabilitation Framework) that are incorporated as annexes to the ESMF. While no major safeguards issues or concerns were encountered during the implementation of KALAHICIDSS, some changes have been made to this project’s ESMF. The demand for some small-scale irrigation sub-projects prompted the triggering of OP 4.09 on Pest Management, and Department of Agriculture guidelines (under the *KASAKALIKASAN* Program) will be incorporated into the revised ESMF to address this new area of possible investment. In addition, to enhance KC-NCDDP’s work with IPs, DSWD has

agreed to hire an IP specialist. The IP specialist will work closely with DSWD's Social Development Unit that handles social safeguards and the Engineering Unit, which handles environmental safeguards. In addition, regional safeguards officers will also be hired/designated to take charge of overall supervision, monitoring and reporting at the regional level. In regions with high presence of IP communities, the NPMO will ensure that the safeguard officers are members of a local IP group or with sufficient knowledge (including language capabilities) of IP issues and concerns.

32. Gender Mainstreaming. A preparatory gender analysis was carried out for KC-NCDDP with a focus on generating lessons-learned from the KALAH-CIDSS experience. The review of KALAH-CIDSS' performance was based on an initial desk review and review of MIS data available for the key gender-disaggregated indicators regularly monitored. In addition, qualitative analysis (participant observation, Key Informant Interviews and Focus Group Discussions) was carried out in two Regions to help identify both innovative approaches developed during KALAH-CIDSS implementation and areas where further improvement may be needed.

33. Overall, MIS data indicated a strong performance on gender mainstreaming by KALAH-CIDSS and good progress in achieving the project's overall objectives of social inclusive and gender-balanced participation. Impact Evaluation data also indicated good outcomes in terms of women labor force participation. The analysis highlighted, however, the need for: (i) more systematic training of AC and CFs in particular in the use of simple gender analysis tools and on how to effectively use findings in subsequent planning; (ii) reviewing volunteers' current workload which likely to have a negative impact on women's ability to engage in project activities (particularly those from vulnerable and marginalized groups in the community); (iii) greater emphasis on women's participation in paid labor during sub-project construction. Establishing quotas for women's participation in these activities and setting aside "lighter" tasks for women and part of the sub-project implementation plan will be included in the revised CEAC facilitation manuals to be development for project implementation.

Monitoring & Evaluation

34. M&E System. Building on the systems established under KALAH-CIDSS, the KC-NCDDP will have a comprehensive monitoring and evaluation (M&E) framework and system to provide stakeholders with timely data regarding the progress and results of the project. The results framework that will guide this system is presented in Annex 1 to the PAD.⁴⁹ The system will operate at the *barangay*, municipal, regional and national levels. To enhance municipal LGU capacity, some of the responsibilities for data collection and inputting will continue to be the responsibility of LGU-hired project staff. Given the sizable increase in municipal coverage, staffing levels at the regional and sub-regional levels will be increased. In addition, a number of external studies will be carried out, with World Bank assistance, to enhance the understanding of key aspects of the project.

⁴⁹ Baseline data will be obtained from a large-scale household survey carried out by the MCC in 2012 in a sample of 198 municipalities as a baseline for the impact evaluation of KALAH-CIDSS. When appropriate the data will be disaggregated by gender.

35. Monitoring and MIS. Current experience with KALALHI-CIDSS indicates that the increase in project coverage will strain DSWD's ability to gather quality data in a timely fashion. In most regions, the number of municipalities will more than double. Therefore, the World Bank has agreed with DSWD to increase the number of M&E officers at the regional level (by allocating them as a function of the number of eligible municipalities) and to transfer some monitoring responsibilities to sub-regional offices (where established). In addition, to reduce the workload by project staff, the M&E forms currently used under KALAHICIDSS will be further streamlined to ensure that only necessary information is inputted in the database. The implementation experience under KALAHICIDSS has demonstrated some of the challenges for the DSWD to simultaneously manage the development and implementation of an MIS for such a large project and to also manage participatory monitoring directly with targeted communities. With the significant scale-up proposed under KC-NCDDP it is expected that third party monitoring be implemented in partnership with or outsourced to universities and civil society organizations. In addition, DSWD has agreed to a pilot test of an MIS module that would allow data, including GIS coordinates of all the subprojects, to be collected either through text messages or dedicated smartphone applications. If successful, it will be rolled out across all project areas and the data will be made available online.

36. Evaluation and Specific Studies. While a full-scale impact evaluation of KC-NCDDP would not be carried out (given the challenges in finding a good control group), the project presents a rich opportunity to test CDD delivery approaches and linkages with national initiatives such as 4P's, the *Makamasang Tugon* initiative and the GPBP. Additional areas of analysis also include: fiduciary and other obstacles to integrating with public administration and financial management requirements, process monitoring of procedural variations in different contexts (conflict, disasters, indigenous populations), or analyzing outcomes of different methodological approaches (e.g., social preparation). Several special studies, described below, will be undertaken to enhance the understanding of key aspects of the project.

(a) *Economic Analysis.* An economic analysis of completed sub-projects will be carried out. It will rely on ex-post data collection on a number of sub-projects for the main subproject types (including roads, post-harvest facilities, school buildings, health centers.). This will be carried out in early 2015 so that results are available for the project's mid-term review.

(b) *Technical and Maintenance Reviews.* The quality of infrastructure works and maintenance arrangements for subproject financed by KC-NCDDP will be reviewed. After clear guidelines are developed, a sample of completed sub-projects will be visited by teams of engineers to assess the quality of construction and identify issues with maintenance. Two rounds of data collection are expected: one in 2015 and on in 2018. Some of the field work in 2015 might be done in conjunction with field work for the economic analysis. Findings from these Technical Evaluations will be disseminated at regional workshops, with recommendations being developed to strengthen implementation.

(c) *Process Evaluation.* A detailed process evaluation will be implemented. Teams of qualitative researchers will spend extended periods of time in a small sample of municipalities to document the process and identify both good practices that can be shared

across and potential bottlenecks that need to be dealt with by management. The sample will tentatively include one municipality per region, with half of the municipalities where KC-AF or MCC is currently implemented and the other new municipalities. The sample will be designed to cover the contexts where procedural variations will be tested (IPs, conflict-affected, disaster-prone). An initial round of fieldwork will take place in 2014. Two other rounds will be implemented in the same municipalities in 2016 and 2018. Topics covered in the final round will likely be expanded to cover changes in local planning and budgeting.

(d) *Household surveys.* Two large-scale household surveys will be carried out to collect data to compute some of the key outcome indicators for which data will not be available from the MIS. Data will be collected on the same households in the two rounds. The first wave will be implemented in early 2015 and the second one in early 2019.

37. Based on lessons learned under KALAHICIDSS, in order to reduce burden on national and regional offices to focus on project management and monitoring, specific evaluations and studies would be out-sourced to local firms and institutions such as local universities. However, further lessons from the series of analytical pieces carried out under KALAHICIDSS and for the preparation of the KC-NCDDP show that the capacities of local institutions to undertake and deliver on sound and robust analytical efforts varies widely. Moreover, DSWD's ability to fully oversee and ensure quality of such efforts are constrained by the high demand on M&E staff to maintain and implement the existing monitoring system. Therefore, it is proposed that the World Bank closely cooperate with and accompany DSWD and the KC-NCDDP in the execution of these analytical pieces. As standard supervision resources would not allow for this necessary level of support, the task team has established an ISF for the project, which DSWD has endorsed and AusAID has agreed to finance. Among the four studies described above, it is expected that the economic analysis and the technical and maintenance reviews will be implemented by DSWD using project funding. The other two studies will be financed under the ISF and executed by the World Bank.

38. Grievance Redress System (GRS). The existing KALAHICIDSS includes grievance focal persons from the national down to the municipal level to capture and resolve complaints, queries and suggestions from the public. Complaints are classified and consolidated in a grievance database for tracking purposes. The database is also used as a management tool to identify possible weaknesses in project design or implementation. Since KALAHICIDSS began, the GRS has received over 200 grievances per year through email, fax, SMS, telephone, post and suggestion boxes placed at the *barangay* level. Drawing on the results of a 2012 review of the system, the GRS under KC-NCDDP will be enhanced by (i) by recording verbal grievances captured in *Barangay Assemblies* in the GRS database, (ii) translating the GRS procedures into local languages, (iii) automating the entry into the GRS database of grievances sent by SMS, (iv) strengthening and standardizing training for project staff working on grievances, (v) supporting the role of existing local conflict resolution mechanisms, including the *Lupong Tagapamayapa*, and (vi) intensifying awareness of GRS through popular media formats. Further analysis and agreement with DSWD is required to clarify how the project will (i) specifically address cases of embezzlement or corruption, (ii) support "after" investment complaints (e.g., for failure to deliver on O&M commitments), and (iii) the management of the GRS as LGUs take on more direct responsibility for project management.

Role of Partners

39. The World Bank will work closely with the ADB in supporting the KC-NCDDP, and the task teams from the two development banks have achieved reasonable success in harmonizing implementation and supervision requirements of their complementary support to the project. Most importantly, the current KALAHI-CIDSS operational procedures for the identification, approval and financing of sub-projects/grants will also be used for the ADB funding. In addition, it was agreed that formal semi-annual implementation support missions would be conducted jointly, the same format would be used for periodic progress reporting and the teams would strive to apply a common technical assistance framework.

40. Australian AID will also be a close partner in the implementation of the KC-NCDDP through a complementary US\$ 15 million grant for school and day-care subprojects investments. As the source of funding for the World Bank-executed ISF, they will also be a partner in identifying and supporting the delivery of analytical and advisory activities. Finally, the KC-NCDDP will also involve the engagement of other partners including MCC and possibly the Spanish Development Corporation regarding possible adjustments to existing KALAHI systems under KC-NCDDP that may affect the on-going operations under both bilateral programs. Coordination of technical support, supervisory activities and training events will also be facilitated by the Technical Support Unit of DSWD.

Annex 4: Operational Risk Assessment Framework (ORAF)
PHILIPPINES: KALAHI-CIDSS National Community Driven Development Project

Stage: Appraisal

Project Stakeholder Risks						
Stakeholder Risk	Rating	Moderate				
<p>Risk Description:</p> <p>The Bank enjoys a strong and constructive relationship with the Government of the Philippines (GoP), particularly in this broad sectoral area and with the current implementing agency, the Department of Social Welfare and Development (DSWD). DSWD’s role in the broader sectoral debate about basic service delivery is consistent with its mandate and has been reinforced through the Human Development and Poverty Reduction (HDPR) cabinet cluster and the “Bottom-up-Budgeting” (BUB) initiative. While this will help to more closely engage other sectoral and National Government Agencies (NGAs) in participatory development processes, the full commitment of these stakeholders to the KC-NCDDP remains to be confirmed. Certain sectoral tensions with DSWD and the KC-NCDDP are conceivable. However, the strong link that is emerging between the KC-NCDDP and the BUB provides genuine prospects for better multi-agency engagement and for stronger alignment between the KC-NCDDP and GoP broader plans for community-based development approaches. Should the BUB initiative not be sustained beyond the current</p>	Risk Management:					
	Ensure set-up of the National Inter-agency Steering Committee (NSC) and substantive review of project and inputs from sectoral and other stakeholders. Additionally, ensure regular reporting of NSC deliberations and project progress through the Secretary to the HDPR cluster.					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
	Both	In Progress	Implementation	<input checked="" type="checkbox"/>		Quarterly
Risk Management:						
Embed project coordination structures at sub-national levels (region, province and municipality) within existing Government structures to enhance harmonization efforts. Fully integrate the KC-NCDDP processes into the BUB initiative.						
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	
Client	In Progress	Implementation	<input checked="" type="checkbox"/>		CONTINUOUS	
Risk Management:						
Participate as member of DSWD Technical Support Facility and CDD working group to ensure close coordination of technical assistance and analytical work with other key partners.						
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	

<p>Administration, the KC-NCDDP still builds on a tried and tested CDD approach so can be expected to continue to meet the project development objective. Besides the link with the BUB. Municipal Local Government Units (MLGUs) form an important and supportive group of stakeholders – approximately 150 mayors have created a forum to advocate for the KC-NCDDP. Lastly, Development Partners are in general supportive—with specific and strong indications coming from the ADB and AusAID, who have committed to providing complementary financing for the KC-NCDDP, and the US Millennium Challenge Corp (MCC) and the Spanish Development Corporation, who currently support KALAHİ-CİDSS. Stakeholders at community (barangay) level are broadly supportive as shown by the KALAHİ impact evaluation.</p>	Bank	In Progress	Both	<input checked="" type="checkbox"/>		Quarterly												
Implementing Agency (IA) Risks (including Fiduciary Risks)																		
Capacity	Rating Substantial																	
<p>Risk Description:</p> <p>DSWD has adequately managed the KALAHİ project and has been shown to be capable of rapidly scaling-up a sizeable national program (the “4P’s”/national CCT program). Fiduciary systems are well established and known and no significant problems have arisen under KALAHİ. However, the combination of increased geographic coverage, evolving institutional and implementation arrangements for the KC-NCDDP, and the fact that the project will begin to roll-out as KALAHİ is still under implementation suggest that the process will</p>	<p>Risk Management:</p> <p>Three key strategies will be put in place to help enhance DSWD’s capacity: (i) greater deconcentration of management responsibility (including elevated approval responsibility and possible regional-level designated account management) to regions and sub-regions (provinces), (ii) establishment of a specialized unit supporting the Nat’l Prog. Mgmt Office to diagnose bottlenecks and constraints and plan for the detailed roll-out of the KC-NCDDP, and (iii) increase in the numbers of municipal level staff (community facilitators, deputy area coordinators and municipal finance analysts) as a ratio to barangays to support social preparation and subproject implementation.</p> <table border="1" data-bbox="888 1312 1940 1421"> <tr> <td data-bbox="888 1312 1031 1365">Resp:</td> <td data-bbox="1031 1312 1205 1365">Status:</td> <td data-bbox="1205 1312 1432 1365">Stage:</td> <td data-bbox="1432 1312 1591 1365">Recurrent:</td> <td data-bbox="1591 1312 1766 1365">Due Date:</td> <td data-bbox="1766 1312 1940 1365">Frequency:</td> </tr> <tr> <td data-bbox="888 1365 1031 1421">Client</td> <td data-bbox="1031 1365 1205 1421">In Progress</td> <td data-bbox="1205 1365 1432 1421">Both</td> <td data-bbox="1432 1365 1591 1421" style="text-align: center;"> <input checked="" type="checkbox"/> </td> <td data-bbox="1591 1365 1766 1421"></td> <td data-bbox="1766 1365 1940 1421">CONTINUO</td> </tr> </table>						Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	Client	In Progress	Both	<input checked="" type="checkbox"/>		CONTINUO
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:													
Client	In Progress	Both	<input checked="" type="checkbox"/>		CONTINUO													

<p>present certain challenges. Further capacity challenges are posed by the shift in focus on the areas affected by Typhoon Haiyan, where significant damage to human and physical capital has occurred. Particular capacity challenges will include maintaining the quality of community facilitation as the project scales up. The roll out of the BUB initiative at the same time could also limit the time DSWD staff can apply to the KC-NCDDP.</p>						US
	<p>Risk Management:</p> <p>In terms of working in the Haiyan affected areas, the project will prioritize the training and support of the teams working in these areas, which will include posting of existing DSWD staff from other non-affected areas in the typhoon affected region initially. The project will also apply the agreed-upon streamlined sub-project processing procedures to ensure more rapid and appropriate response</p>					
	<p>Resp: Both</p>	<p>Status: In Progress</p>	<p>Stage: Implementation</p>	<p>Recurrent: <input checked="" type="checkbox"/></p>	<p>Due Date:</p>	<p>Frequency: CONTINUOUS</p>
	<p>Risk Management:</p> <p>Out-sourcing of some project elements (e.g., capacity building, facilitation, third party monitoring) will be done. The transfer of some responsibility for general capacity building of MLGUs to DILG (as part of its BUB implementation responsibilities) will also take place. Finally, MLGUs would be more quickly engaged and empowered to take over project management at that level. A gradual transitioning of functions based on clear and minimum criteria would be applied.</p>					
	<p>Resp: Client</p>	<p>Status: In Progress</p>	<p>Stage: Implementation</p>	<p>Recurrent: <input checked="" type="checkbox"/></p>	<p>Due Date:</p>	<p>Frequency: CONTINUOUS</p>
Governance	Rating	Moderate				
<p>Risk Description:</p> <p>Ownership on the part of government policy-makers, DSWD and LGUs is high. It remains uncertain among other potential key stakeholders such as DILG and sector line agencies, but this is building and has been strengthened by the launch of the BUB program. The lack</p>	<p>Risk Management:</p> <p>In addition to the relevant actions discussed under stakeholder risks (establishment of a National Inter-agency Steering Committee, close links to the HDPR cabinet cluster, and integration with standing sub-national coordination bodies), Governance would also be enhanced by entering into Memoranda of Understanding between DSWD and key stakeholders (DILG, PLGUs, MLGUs) and placing oversight of their implementation</p>					

of a focal agency to oversee the decentralization agenda and inter-sectoral rivalries could create challenges for project governance. Whether the BUB will be maintained once a new government comes into power in 2016 is another uncertainty. However, the main responsibility for project execution remains with DSWD and is based primarily on an existing governance structure.

Decision-making structures between the different government agencies involved in the KC-NCDDP will need to be established, with a clear delineation of roles and responsibilities for each institution.

with the NISC.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	Not Yet Due	Implementation	<input type="checkbox"/>	30-Jun-2014	

Risk Management:

Ensure implementation of GAC review recommendations: (i) maintain at least current levels of supervision and oversight staff , (ii) increase percentage of sub-project audits by COA, (iii) standardize sub-project prioritization criteria to reduce opportunity for manipulation, (iv) transfer over responsibilities for MLGU management gradually and based on performance criteria (which would also be used to allocate project “incentive” funds); and (v) strengthen the grievance redress system.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Both	In Progress	Implementation	<input checked="" type="checkbox"/>		CONTINUOUS

Risk Management:

Review options to unify KC-NCDDP and CCT project grievance redress systems.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Both	In Progress	Implementation	<input type="checkbox"/>	31-Dec-2014	

Design	Rating	Moderate				
<p>Risk Description:</p> <p>After 10 years of implementation, the basic KALAHI-CIDSS model is well tested. Therefore, design risks should be reasonably low. However, the KC-NCDDP will introduce a number of new features that will add to the effectiveness of the project but also its complexity. These new features include special procedures for areas with high numbers of Indigenous Peoples, for conflict-affected areas and for locations hit by natural disaster. The design will also see a clear policy for engagement with LGUs that aligns with DILGs Seal of Good Housekeeping/Performance Challenge Fund. Links to the BUB process will present some challenges and need to adjust some aspects of KALAHI. In addition, while the transition to an MLGU-led model has been tested, and there is clear demand for this new approach, project design adjustments will be required to properly address the capacity and governance challenges.</p>	Risk Management:					
	<p>Close engagement (through an MOU) with DILG on capacity building for MLGUs, and on performance measures and incentives for the proposed transition to a MLGU-led model.</p>					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
	Client	In Progress	Implementation	<input type="checkbox"/>	30-Jun-2014	
Social and Environmental	Rating	Low				
<p>Risk Description:</p> <p>CDD programs in general, including KALAHI-CIDSS, have traditionally generated minimal, temporary and easily mitigated/managed social and environmental issues. DSWD is experienced in handling these issues and has put in place well-tested social and environmental safeguards instruments, which have been updated as part of preparation.</p>	Risk Management:					
	<p>Appoint safeguards focal points within the project staff and regular monitor and provide World Bank TA.</p>					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
	Client	Not Yet Due	Implementation	<input type="checkbox"/>	30-Jun-2014	
Program and Donor	Rating	Moderate				

<p>Risk Description:</p> <p>The project is not overly dependent on other development programs or donor activities. Approximately 20% of the total project cost would be borne by the Government (from both national and local government, and community, resources), and the project is closely aligned with the much larger BUB process that would help ensure longer term sustainability. DSWD counterpart funding is now planned given the NEDA approval (and formally committed through a “Forward Obligation Authority”), local c/part funds are mandated to be able to access project sub-grants, and BUB funding is both budgeted and mandated for 2014 as part of the General Appropriations Act, and considered reasonably certain through at least 2016.</p> <p>In terms of donor financing, ADB and AusAID have committed to provide complementary financing of the KC-NCDDP, while the US Millennium Challenge Corp (MCC) and the Spanish Development Corporation both remain supportive of KALAH-CIDSS and the general approach. Overall, the engagement of a larger group of DPs is considered a positive development, however, the prospect of different systems, demands and expectations could make implementation more complex and difficult to manage.</p>	<p>Risk Management:</p> <p>Reach agreement with ADB and AusAID to harmonize to the extent possible project appraisal, supervision, reporting and disbursement requirements so as to reduce administrative burden on Government</p>					
	Resp: Bank	Status: Completed	Stage: Preparation	Recurrent: <input type="checkbox"/>	Due Date: 30-Jun-2013	Frequency:
	<p>Risk Management:</p> <p>As noted above under stakeholder risks, participate as member of DSWD Technical Support Facility and CDD working group to ensure close coordination of technical assistance and analytical work with other key partners.</p>					
	Resp: Bank	Status: In Progress	Stage: Implementation	Recurrent: <input checked="" type="checkbox"/>	Due Date:	Frequency: Quarterly
<p>Delivery Monitoring and Sustainability</p>	Rating	Substantial				
<p>Risk Description:</p>	<p>Risk Management:</p> <p>A. Phased approach to the roll-out of the KC-NCDDP in the first two years so that</p>					

<p>A. Delivery risks under the current DSWD-managed project are considered to be minimal in view of the years of relatively successful implementation. There have been minimal issues regarding contract management, payments, and delivery of goods/services/works under the existing project and similar systems are the basis for the new project. However, some systems will change (financial, M&E and capacity building) given the sizeable increase in coverage. Extensive work with new streamlined procedures in response to Typhoon Haiyan may also cause some delays and challenges initially. Lastly, the shift over to the MLGU-led model will present some additional challenges.</p> <p>B. Monitoring and Evaluation (M&E): DSWD has an existing system and experience with M&E that will serve as the basis for the KC-NCDDP. There are, however, three concerns moving forward in this area. First, the monitoring/MIS of KALAH I proved to be ineffective in providing useful and timely data. This problem has been diagnosed and efforts are underway to correct the issues and simplify the system, with the support of MCC and World Bank. Second, the regional level capacity to consolidate and analyze monitoring data is already strained and the scale-up, with sizeable increases in some regions municipal coverage, will strain this level, further causing bottlenecks in data processing and transmission. Third, it has proven difficult for DSWD to simultaneously manage regular project monitoring and third party monitoring.</p>	<p>expanded systems can be tested and de-bugged, and lessons learned, before sizeable scale-up. Strong training program for Regional and municipal staff on the streamlined procedures is also planned pre-effectiveness.</p>					
	Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
	Both	In Progress	Implementation	<input type="checkbox"/>	30-Jun-2014	
	Risk Management:					
<p>A. Set up Bank-executed Implementation Support Fund to analyze and advise on key project policy, management and systems issues.</p>						
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	
Both	Completed	Both	<input type="checkbox"/>	20-Dec-2013		
Risk Management:						
<p>B. Streamlining of M&E activities (simplification of data collection forms and further enhancing MIS) and increased staffing for M&E functions (at regional and sub-regional levels) have been agreed on. Third party monitoring to be implemented in partnership with or outsourced to universities and civil society organizations. Agreement reached to implement Bank's SDV model MIS system (community connect) to improve timeliness and reduce processing time of key monitoring data.</p>						
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	
Client	In Progress	Implementation	<input type="checkbox"/>	31-Dec-2014		
Risk Management:						
<p>B. Bank-executed Implementation Support Fund with AusAID support envisaged to strengthen M&E function and carry out targeted analysis/studies under KC-NCDDP.</p>						
Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:	
Bank	Completed	Both	<input type="checkbox"/>	30-Sep-2013		
Risk Management:						

Regarding evaluation, KALAH I has already had a rigorous impact evaluation during its first phase with WB and MCC support; and for the current AF phase, MCC is providing assistance to DSWD for another round of impact evaluation for the expansion areas. In the future, KC will look into conducting studies and evaluations needed to inform various modes of engagement, e.g., local government support and coordination, technical quality and O&M of infrastructure etc.

C. Sustainability represents an important risk to the KC-NCDDP on two levels; continued operation and maintenance (O&M) of infrastructure financed by project sub-grants, and overall sustainability and continuity of the project once external resources are phased out. The first aspect is a specific area of analysis under the current KALAH I-CIDSS project through the “Sustainability Evaluation” surveys that are used to assess all sub-project investments. The latest survey indicates that more than 90 percent of investments are functioning at a satisfactory or higher level at least six months after completion. However, longer term sustainability of these investments remains a concern (as is the case with most CDD projects world-wide).

Overall project sustainability presents a challenge as well, but also an opportunity in the current operating environment. The KC-NCDDP is well-positioned to influence and institutionalize the BUB process that the Government launched in 2012, which requires sectoral

C. Additional emphasis on O&M and training for community organizations to be incorporated into the Operations Manual and better engagement of line departments in identification, siting and implementation of sub-projects, and incorporation of enhanced guidelines in the Operations Manual.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Client	In Progress	Implementation	<input type="checkbox"/>	30-Jun-2015	

Risk Management:

C. Project to maintain close institutional linkages with DILG and on the roll-out of the BUB through NISC and HDPR cluster. Bank to support analytical efforts local level public administrative functions, performance incentive efforts, and project results through the Implementation Support Fund to help support integration and institutionalization of KC-NCDDP principles.

Resp:	Status:	Stage:	Recurrent:	Due Date:	Frequency:
Both	In Progress	Implementation	<input checked="" type="checkbox"/>		CONTINUOUS

departments to link national budget resources with specific local level investments identified through a participatory planning process. Larger planned role of Government in financing KC-NCDDP should also help establish the precedent for increased future transfers to MLGUs.						
Other (Optional)	Rating					
Risk Description:	Risk Management:					
	Resp:	Status:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
Other (Optional)	Rating					
Risk Description:	Risk Management:					
	Resp:	Status:	Stage:	Recurrent: <input type="checkbox"/>	Due Date:	Frequency:
Overall Risk						
Overall Implementation Risk:	Rating	Substantial				
Risk Description: Similarly, while building on a successful existing program that reduces significantly the risk to implementation, new features of the project and an intention to go into all of the poorest municipalities will increase the risk that the existing systems may not be appropriate to these new requirements and environments. The substantial size of the scale-up, the strain on existing systems, and the fact that it would take place while KALAHI-CIDSS is also being implemented will stretch DSWD's capacities, even taking into consideration the proposed mitigation measures.						

Annex 5: Implementation Support Plan

PHILIPPINES: KALAHI-CIDSS National Community Driven Development Project

Strategy and Approach for Implementation Support

1. The implementation support strategy of the KC-NCDDP will be based on the moderate to substantive risks and challenges identified in the ORAF and overall design discussion for the project. These involve (i) governance risks relating to fraud and corruption, (ii) design (particularly the closer integration with MLGU systems and staff), monitoring and sustainability issues, and (iii) institutional capacity of DSWD to adjust to the new elements of the KC-NCDDP and to manage the significant scale-up.
2. While both DSWD and KALAHI-CIDSS have a strong positive fiduciary record and reputation, both global and Philippine experience of scaling-up CDD programs suggests that a number of vulnerabilities to fraud and corruption could emerge. The highly dispersed implementation (across thousands of villages), and numerous small-scale transactions, make the project difficult to supervise and monitor. Expansion also strains financial, procurement, monitoring and other accountability systems, opening up the prospects for governance and corruption risks at all levels, including procurement irregularities, elite capture at the local level and misuse of funds. The planned shift to MLGU-led management under the KC-NCDDP presents additional risks that existing and effective project-based systems and procedures will be undermined by increased political interference. Lastly, the evolving nature of the project and the need to apply a learning approach to the design will challenge the bureaucracy, especially one that is well acquainted with and strongly loyal to the existing project structure, procedures and institutional arrangements.
3. In response, the task team proposes an implementation support strategy that combines a standard semi-annual supervision mission approach with more frequent and less formal field missions to be carried out by senior in-country consultants (either individuals or from a firm/institutions -such as a university), coupled with a system of comprehensive third-party monitoring undertaken by the Project itself. In addition, the task team would oversee special studies and analysis and provide technical assistance relating to specific areas of interest or concern to help shed greater light on implementation issues and support DSWD to make necessary adjustments. This includes analysis of the roll-out of and links to the BUB process that would help inform decisions and support around the closer integration with local level government systems. The task team has secured DSWD support for an Implementation Support Fund that would be used for this purpose, and Australian AID has indicated interest in financing such a fund.
4. *Delivery Quality Risks:* The task team will carefully follow the development of new facilitation materials for KC-NCDDP implementation and support the implementation of specific studies to monitor the effectiveness of the new approaches. A qualitative process evaluation of the project's implementation supported by the WB will play a key role in helping the DSWD team to identify potential quality issues early on and take corrective action as needed.

Implementation Support Plan

5. The KC-NCDDP builds on the success of KALAHI-CIDSS. The complex nature, wide geographic scope and introduction of new project elements (some of which are still in early design) will warrant not only close and regular monitoring by the Bank team, but close communication with key stakeholders including DILG, DBM, NAPC, partner NGAs such as DOH, DepEd and DA, and development partners.
6. The Bank's implementation support plan consists of frequently scheduled supervision and monitoring missions, site visits to project areas and fiduciary and safeguard compliance reviews. These regular semi-annual Bank missions would be conducted jointly with ADB and other funding agencies. A Mid-Term Review conducted after approximately 3 years of implementation will identify and recommend any structural changes.
7. In addition, the task team will recruit senior national consultants to undertake detailed field reviews prior to formal supervision missions to allow for wider geographic and technical coverage of project activities and to provide a more nuanced view of project implementation. This approach (generally having three to four consultants traveling to specific geographic areas to review implementation progress and preparing short direct field reports) was used successfully under the original KALAHI-CIDSS and allowed task teams to focus on substantive discussions of how to address issues encountered. These field reviews would be carried out at least once a trimester during the first two years of the project. Given the scope and nationwide coverage of the project, a minimum supervision budget of \$120,000 per fiscal year would be needed.
8. World Bank implementation support will focus on providing technical assistance and guidance primarily to support the scale-up of KC-NCDDP operations and establishment of key systems. A second area of focus will be to strengthen DSWD's capacity to coordinate the piloting of a KC-NCDDP model closely aligned with local government systems and harmonized with GPBP planning. First, the World Bank team will work closely with DSWD to ensure that key staff is in place at NPMO and RPMO level to lead the scale-up process in a phased manner. Particular attention will also be given to the implementation of a comprehensive training plan for new KC-NCDDP staff at field level based on the updated facilitation materials to be developed by DSWD. Where required, technical specialists will be made available to support DSWD to implement the project in new contexts and/or using updated approaches (including Disaster Risk Management, further engagement with IP communities, gender mainstreaming). Secondly, the World Bank team will actively support the dialogue between DSWD, DILG, NAPC and DBM on the harmonization of KC-NCDDP with local government processes. In particular, by providing technical assistance to the monitoring and documenting of lessons-learned from KC-NCDDP implementation in GPBP areas.
9. In order to ensure effective implementation support, the World Bank team will continue to be multi-sectoral and include strong membership from the Manila Country office. This will be particularly critical to provide just-in-time advice on the rapidly evolving local government agenda. National and international consultants will be mobilized as needed to provide targeted support on key technical issues.

10. Procurement. The Bank shall carry out procurement supervision missions and would conduct post reviews of contracts that are not subject to the prior review requirements (see Annex 3) every six months. The procurement post review will cover at least 10 percent of contracts not prior reviewed by the Bank. The ratio will be reviewed and adjusted as required, based on performance of DSWD.

11. Financial Management (FM) implementation support missions will also be conducted twice a year focusing on the adequacy of the FM system. Based on the level of FM risks at time of FM supervision, the reviews may include any or all of the following: (i) review and verification of specific transactions, (ii) review of bank reconciliations, (iii) analysis of the financial statements in relation to the funds disbursed by the Bank, and (iv) physical verification of structures as to existence. Desk reviews will also be conducted on a regular basis and upon submission of the annual external audit of the project and the quarterly IFRs. Issues arising from these reports will be used to revise and adjust the scope of the planned FM implementation support.

12. The tables below indicate the expected focus of implementation support during the different phases of the project and the skills needed.

Main Focus in Terms of Support to Implementation

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	<ul style="list-style-type: none"> • Management systems for scale-up • Capacity building • Financial Management and disbursements • Procurement • Safeguards • Review of community facilitation manuals and context-specific enhancements • Piloting of KC-NCDDP and BUB alignment and key studies commissioned • Revised MIS formats and training on M&E for NPMO and RPMO 	Management specialist (workflows, staffing, control) Training specialist Financial Management, Disbursement Procurement training and adaptation to comm. Proc. procedures Safeguards training CDD Specialist(s) M&E Specialist	<ul style="list-style-type: none"> • 4 SW • 4 SW • 2 SW • Procurement Specialist 2 SW • Safeguards Specialist 2 SW • CDD Specialists 6 SW • Governance Specialist 3 SW • M&E Specialist 3 SWs 	Please see additional table below

12-48 months	<ul style="list-style-type: none"> • Financial management & disbursement and procurement review and support • Review safeguards implementation • Technical support on project expansion • Review of KC-NCDDP implementation in new contexts and/or using new approaches (DRM, in IP communities, gender mainstreaming, conflict areas) • Periodic reviews of process evaluation results with DSWD to discuss and address quality and implementation issues • Take stock of lessons-learned from KC-NCDDP and BUB implementation and consider potential adaptations to project procedures 	<p>FM; DS; Procurement</p> <p>Safeguards</p> <p>CDD</p> <p>CDD</p>	<ul style="list-style-type: none"> • FM specialist 2-3 SW annually • Procurement specialist 2-3 SWs annually • Safeguards specialist 2 SWs annually CDD Specialists 8 SW annually Governance Specialists 4 weeks annually 	<ul style="list-style-type: none"> • Please see additional table below
--------------	--	--	--	---

Skills Mix Required (FY'14-'15)

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Overall coordination and partnerships	20	4 int'l; 8 domestic	
Management specialist (workflows, staffing, control)	8	4 int'l; 8 domestic	
Training specialist	4	2 int'l; 2 domestic	
Financial Management, Disbursement	8	8 domestic	
Procurement training and adaptation to comm. Proc. Procedures	8	8 domestic	
Safeguards implementation	8	8 domestic	
CDD Specialist(s)	12	4 domestic	
M&E Specialist	10	2 int'l; 4 domestic	
Governance/local planning specialist	4	4 domestic	
GRS specialist	4	1 int'l; 2 domestic	

Partners

<i>Name</i>	<i>Institution/Country</i>	<i>Role</i>
<i>Australian AID</i>		<i>Financier of KC-NCDDP and BETF for ISF; joint supervision</i>
<i>ADB</i>		<i>Financier of KC-NCDDP; joint TA and joint supervision</i>
<i>MCC & AECID</i>		<i>KALAHl partners; shared TA</i>

MAP

IBRD 40086

