

**Philippines**

**KAPIT-BISIG LABAN SA KAHIRAPAN-  
COMPREHENSIVE AND INTEGRATED DELIVERY OF SOCIAL SERVICES  
(KALAHI-CIDSS) PROJECT  
(Loan No. 7959PH and TF091139)**

**and**

**COMMUNITY  
ENTERPRISE DEVELOPMENT AS PATHWAY OUT OF POVERTY PROJECT  
(TF014528)**

**TWELFTH IMPLEMENTATION SUPPORT MISSION**

**AIDE MEMOIRE**

**November 2013**

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## **BACKGROUND**

### **A. Purpose and Objectives**

1. During the period October 14-16, 2013 and November 6-11, 2013, the Department of Social Welfare and Development (DSWD) and a World Bank Team jointly carried out the Twelfth Implementation Support Mission (ISM) for the KALAHY-CIDSS (KC) Project and the Community Driven Enterprise Development Project (CDED).<sup>1</sup> Field visits were conducted in Caraga Region. The field visits were supplemented with meetings with the National Project Management Team followed by a wrap-up meeting at DSWD on November 11, 2013. This Aide Memoire reflects the agreements reached and recommendations made in line with the Mission objectives. Please see Annex 1 for the detailed schedule of activities of the Mission.

2. The Implementation Support Mission aims to: (i) assess the progress in implementing the additional financing operations of KALAHY-CIDSS, including the implementation of the grant from the AusAID-World Bank Philippine Development Trust Fund; (ii) follow-up on the agreements reached during the previous Mission in October 2012; (iii) assess the progress in pilot-testing the KALAHY-CIDSS in urban areas as well as discuss the strategic plan for follow-up operations; (iv) confirm/update the milestones and financing plans for the remaining implementation period; and (v) discuss the design/roadmap for preparing the project completion report. In addition, we would like to look at the operational linkages of KALAHY-CIDSS with the execution of the Bottom-Up Budgeting (BUB) 2013; and the strategic transition of KALAHY-CIDSS to the National Community Driven Development Program.

3. The Mission also assessed the status of the preparatory phase and the milestones for the full roll-out of CDED (TF014528) which is linked to KC and supported through a grant from the Japan Social Development Fund (JSDF).

### **B. Key Contacts**

4. In the course of the Mission, the Bank met with DSWD officials and staff led by: Secretary Corazon Juliano-Soliman (National Project Director); Undersecretary Mateo Montano; and Director Benilda Redaja (National Project Manager). The Mission also acknowledges the participation of the various member-agencies of the KC National Steering Committee (Departments of Budget and Management, Finance, Health, the Interior and Local Government,; National Anti-Poverty Commission, National Economic and Development Authority, Office of the Presidential Adviser on the Peace Process, Presidential Commission on Urban Poor); and other development partners (AEICID; Asian Development Bank; AusAID ; Millennium Challenge Corporation and Millennium Challenge Account-Philippines).

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<sup>1</sup> The World Bank Team was composed of Ma. Loreto N. Padua (Task Team Leader); Rene SD Manuel (Sr. Procurement Specialist); Aisha Lanette De Guzman (Financial Management Specialist); Patricia Fernandes (Social Development Specialist); Mohammad Zidni Marohomsar (Financial Management Consultant); Josemarie Lim (Environment Safeguards Officer), Roberto Tordecilla (Social Safeguards Officer), Makiko Watanabe (Social Development Specialist); Shiela dela Torre (Local Development Specialist) Karina Vinluan Program Assistant) and Reinaluz Ona (Team Assistant).

5. The field visits involved consultations with Regional Project Management Teams; Area Coordination Teams; representatives of the municipal and barangay local government units (MLGUs); and members of the municipal *Sangguniang Bayan*; members of the Municipal Inter-Agency Committees and Municipal Coordination Team; community officials and volunteers. (Annex 1 provides the Mission Program of Activities). The Bank conveys its sincere appreciation to DSWD staff, local government officials and staff, and the KALAHÍ communities for their support and openness during the Mission.

## II. MISSION FINDINGS

### A. Overall Implementation Status and Achievement of Development Objective

6. The Project has progressively moved towards achieving its overall **development objectives**. As of September 2013, the project has completed community-based activities in 68 percent of the 176 municipalities or 4,058 barangays (villages); accomplished its target for most of the key performance indicators and reached a disbursement rate of 97 percent. The highlights of its accomplishments are as follows:

- **The Project is within track of achieving the targets set for its key performance indicators** as shown in Table 1:
  - a) **The project continues to promote participatory local development planning.** About 86 percent of the barangays have prepared a community development plan through participatory process which exceeded the target of 80 percent. Village assemblies have registered an average participation rate of 74 percent.
  - b) **The project enhanced the engagement between the community and the municipal local government unit (MLGU)** as indicated by: (i) 86 percent of barangays participated in municipal-level resource allocation forum; (ii) 95 percent of *Makamasang Tugon* municipalities continue to expand the membership of its Municipal Development Council for broader participation of citizens in preparing the Municipal Development Plan; and, (iii) about 98 percent of the MLGUs provided technical assistance to the barangays for sub-project preparation, implementation and monitoring.

**Table 1: Key Performance Indicators:  
Accomplishments As of September 30, 2013**

<b>Components/ Performance Indicators</b>	<b>Closing Date Target</b>	<b>Cumulative Accomplishment</b>
<b>Barangay Grants</b>		
% of barangays that have completed training on Participatory Situation Analysis (PSA), planning, project development and M&E	80%	86%
% of barangays that have completed specific training on sub-project management and implementation	40%	56%
% of completed sub-projects implemented in compliance with technical plans and within budget	85%	66%
% of completed sub-projects that meet basic financial reporting standards based on approved Finance & Administration Sub-Manual	85%	64%
<b>Capacity-building and Implementation Support</b>		
% of barangays with community development plans prepared in accordance with the KC participatory process	80%	86%
% of barangays with some citizens, other than public officials, participating in regular municipal-level KC resource allocation forums	80 %	86%
% of LGUs that satisfactorily implement their Participatory, Transparency and Accountability (PTA) Integration Plans in accordance with the KC Memorandum of Agreement (MOA), and committed to sustaining the PTA as part of their sustainability plans	80%	Awaiting field reports
% of Makamasang Tugon municipalities that have established expanded MDCs for broader consultation with civil society representatives to obtain inputs for the Municipal Development Plans	85%	95%
% of MLGUs that provide technical assistance in SP preparation, implementation & monitoring based on the MOA	80%	98%
% of MLGUs that provide KCAF local counterpart contributions (LCC) based on their LCC plan	80%	Awaiting field reports
% of registered grievances satisfactorily resolved in accordance with GRS Sub-Manual	80%	98%

## B. Implementation Progress by Components

### *Component 1: Barangay Grants*

7. **The Project is financing a total of 2,275 community sub-projects with an estimated cost of Php2.6 Billion (US\$65 Million) that benefits approximately 5559,529 households.** About 21 percent of the total sub-project cost is funded by local counterpart contribution. As of September 2013, 85 percent of the sub-projects have been completed; another 5 percent is more than 90 percent complete and the rest are targeted to be completed by end of December 2013.

8. Basic social services (e.g., school building, day care center, health stations) continue to be the most common type of sub-project (55%) followed by access facilities such as roads or bridges (26%). Table 2 shows a summary distribution of sub-projects by type.

**Table 2: Distribution of Sub-Projects by Type  
As of September 30, 2013**

Type of sub-project	% of Total SP	% of HH Beneficiaries	% of Total Cost
Basic social services (e.g. school building, health stations, water system)	55.21	52.25	48.16
Basic access infrastructure (e.g., roads, bridges)	25.54	24.69	34.42
Community production, economic support and common service facilities	6.95	7.47	5.05
Environmental protection (e.g. seawall)	12.22	15.55	12.33
Others	0.09	0.04	0.04

9. As of date, the Project has an unallocated community grant of about \$2M. The Bank has concurred with the DSWD's proposal to finance additional sub-projects (letter to DSWD dated July 30, 2013). The selection of the sub-project follows a procedure wherein all interested municipalities will submit their next-in-rank but unfunded sub-project for national-level prioritization. The Mission agreed that the DSWD will approve the additional sub-projects not later than end of December 2013 to ensure sufficient time for completion and closing of the community account by end of April 2014.<sup>2</sup>

### *Component 2: Capacity Building and Implementation Support*

10. As of September 2013, the Project has trained more than 100,000 community volunteers on participatory situation analysis, project development, community finance and procurement and operations and maintenance. Moreover, **participation rate in barangay assemblies was maintained at 74 percent of the total households.**

<sup>2</sup> Typhoon Yolanda (Haiyan) hit the Philippines on November 7, 2013, devastating a lot of KALAHI-CIDSS areas. The DSWD and the Bank has initiated discussions to use the remaining \$2M for post-Yolanda response.

**11. Community mobilization continues to have equal representation of women and men in community mobilization activities.** Approximately 56 percent of the trained community volunteers are women. Furthermore, the proportion of women that hold leadership positions in community committees slightly increased by 2 percentage points (i.e., 48 percent in April 2013 to 50 percent in September 2013). Although the project ensured that women and men have equal opportunities to participate in community labor with equal compensation, the men still constituted 98 percent of the community labor.

*Component 3: Monitoring and Evaluation*

**12. The Mission again acknowledges the timely submission of quarterly progress reports.** The progress reports continue to include some sex-disaggregated data as well as updates on the grievance received by the project.

**13. The Mission pursued discussions on the preparation of the Implementation Completion Report (ICR) by July 2014.** Building on the agreements regarding the preparation of the ICR during the last ISM, the Mission discussed the following four issues: (i) possibility of preparing a joint ICR; (ii) matrix of data/information requirements and additional analytical works for the ICR; (iii) KC focal persons; and (iv) road map.

**14. It was agreed that a joint ICR will be prepared given the close collaboration that has been forged between the KC team and the Bank, and to ensure that the ICR reflects the views of both sides.** It was also agreed that the ICR will be prepared within six months of project completion, which will be November 2014.

15. The Mission prepared a draft matrix (Annex 2) that outlines key messages that should be captured in each section, data/information requirements, data sources, and discussed additional analytical works that may be necessary. It was agreed that the Bank will hold subsequent consultations with the DSWD and have a complete draft matrix to be discussed during the next ISM planned in or around February 2014.

16. Based on the inventory/review of existing data, preliminary agreement on additional analytical works included: (i) the project's contribution to temporary job creation through analysis of MIS on community labor, in particular women in labor force; (ii) analysis of the results of the municipal *Talakayan* (community-based year-end reflection sessions) to capture more information on the project's contribution to community empowerment; (iii) trend analysis in women's empowerment beyond KC such as political empowerment using barangay election data for 2013 or women's leadership in community affairs; (iv) beneficiary satisfaction survey ; and (v) study on contribution of KC to anti- corruption, enhancing transparency and good governance– possibly in the form of comparative cost analysis along the value chain in building the most common subproject types between KC and other government projects. **It was agreed that the KC team will review the existing data in the MIS and identify the analyses that can be done using it with reference to the ICR matrix. The Bank, on the other hand, will further consider the feasibility and methodology of the proposed additional studies, explore possible funding and prepare the draft terms of reference for follow-up discussions the DSWD.**

17. The DSWD underlined that the KC team as a whole will contribute to the preparation of the ICR but nominated the following will be the focal persons who will help collect and data: Mr. Alex Glova (Head of M&E Unit; Mr. Karlo de Asis (M&E Officer); and Ms. Tricia Maligalig (M&E Officer).

18. The DSWD and the Bank agreed on the following preliminary road map:

<b>Activities</b>	<b>Tentative Timeline</b>	<b>Responsible Agency</b>
Update of the matrix	14 Nov. 2013	World Bank
Listing up all available databases and studies undertaken both by the Government and the Bank	31 Dec. 2013	DSWD-NPMO World Bank
Development of analytical framework based on available data	31 Dec. 2013	DSWD-NPMO
Identification of additional analytical works necessary and funding sources	31 Dec. 2013	DSWD-NPMO World Bank
Development of ToRs for the additional studies	31 Jan. 2014	DSWD-NPMO World Bank

### **C. Status of Urban KC Pilot-testing**

19. By end of September 2013, social preparation activities have been completed for the pilot-testing of the urban KC in all four areas (i.e., Legaspi City; Kabankalan City; Cagayan De Oro City; and Butuan City). As of the Mission date, sub-project implementation has started in all the areas.

20. As agreed during the previous Mission, NPMO consolidated the lessons learned from the JSDF-LVUC implementation and served as one of the major basis for the pilot-testing of KC urban areas. The major lessons learned were presented and discussed during the Mission to draw out some implications for preparing the strategic options for possible follow-up operations on urban CDD. Representatives of the Socialized Housing Finance Corporation (SHFC); Institute on Church and Social Issues (ICSI) and Foundation for the Development of the Urban Poor (FDUP).

21. The major lessons learned so far are as follows (please refer to Annex 3 for details):

- **Targeting:** The JSDF-LVUC and social preparation of KCAF urban pilot both validated the appropriateness of using a multi-tiered filtering process/criteria for selection of the target poor community. This involved a geographic selection based on the results of the Small Area Estimates (NSCB) and the National Household Targeting System for Poverty Reduction (NHTS-PR). Then the initial list of poor cities/sitios are further validated and filtered through community mapping and consultations that identifies specific pockets of urban poor. While it is important to start on pockets of urban poor communities as unit of intervention for focused-targeting, it is also critical to progressively link them to the



administrative units of the barangay and city local government as the KC moves through the subsequent cycles to ensure sufficient resources (technical, financial and policy support) and impact.

- **Community mobilization:** Mainly due to the fast-paced and transient lifestyle, community mobilization in urban areas are fast-tracked and more flexible; criteria setting needs to be simplified; and preparation of community proposals would need more technical support from the community facilitators. Community mobilization need to be adapted in consideration of complex dynamics such as the existence of urban sub-groups or informal sources of power (e.g., loan sharks, owner of electric meter) that influence decision-making; organization/cohesion around issues rather than geographic boundaries; issues of crime and security; households in extra difficult or vulnerable circumstances (e.g., homeless, week-day transients) that pose challenges on mobilization of volunteers.
- **Package of interventions:** Urban CDD is better positioned as part of a broader or other urban development plans given the complexity and magnitude of the issues affecting the urban poor communities (e.g., land tenure, livelihood) that requires interrelated and comprehensive responses beyond the KC capacity. Aside from providing support related to land security and livelihood, urban CDD can also support initiatives related to DRM.
- **Institutional arrangements:** With high presence of CSOs in urban areas, it would be critical to have strong partnership with them especially those that have worked for a substantial period of time in target areas and are familiar with the social dynamics. Moreover, the partnership arrangements for urban CDD would involve CSO which can provide expertise on technical and legal aspects of urban development.

22. It was agreed that further discussions will be held to define concrete ways of linking urban KC with the city-wide approach of SHFC. As an initial step, the DSWD and SHFC will hold a follow-up briefing on the operational details of KC-CEAC and city-wide approach. In addition, the SHFC will be invited to be a member of the KC Urban Technical Working Group.

#### **D. Convergence with other programs**

21. The DSWD reported continuing work with Pantawid Pamilyang Pilipino Program or 4Ps (Philippines conditional cash transfer program) and Sustainable Livelihood Program (SLP) to enhance convergence along the following areas/considerations: (i) employment of 4Ps grantees using the skills that they gained from KC as community labor; (ii) use of NHTS-PR data and maps for social investigation and participatory situation analysis; and (iii) defining synergy or complementation between KC community empowerment activity cycle and 4Ps family development sessions.

19. **With regard to the link between KC and the implementation of the 2013 Bottom-Up Budgeting (BUB) projects, the Mission is pleased to learn that even some of the non-KC municipalities have agreed to use the CDD approach in implementing the DSWD-BUB projects.** For this purpose, the LGU staff were trained and deployed as municipal Coordination Teams (MCT); community-based procurement is going to be applied and the funds will be released to the community based organizations. In the case of BUB projects of other agencies, some LGU advocated for the mobilization of community labor as a way of adapting a KC modality.

### **III. IMPLEMENTATION STATUS OF AUSAID-WORLD BANK PHILIPPINE TRUST FUND SUPPORT**

20. As of September 2013, the grant has reached 390 barangays in 76 municipalities of 24 provinces. More than 14, 000 community volunteers have been mobilized and trained on community-based sub-project management. About 61 percent of the volunteers are female while 39 percent are male.

21. A total of 478 classrooms (167 percent of the target 286 classrooms) as well as the 148 day care centers (65 percent of the target 229 centers) have been financed with a total cost of approximate \$11 million of which 81 percent (\$9 million) is grant while 19 percent (\$2 million) are local counterpart contribution. The classrooms and DCC s will benefit approximately 94,135 households. About 33 percent of these classrooms/DCCs have been completed and another 17 percent are more than 90 percent complete while the rest are targeted to be completed by end of December 2013.

22. Since more classrooms were prioritized for grant support instead of DCCs, the Bank agreed to DSWD's request to co-mingling the indicative grant allocation for the classrooms (US\$5M) and the DCC (US\$4M) in response to the community-identified process of KC (Bank letter dated July 16, 2013).

### **IV. STATUS OF THE JSDF-COMMUNITY ENTERPRISE DEVELOPMENT AS PATHWAY OUT OF POVERTY PROJECT (TF014528)**

23. The Mission is pleased to learn the CDED Project is making steady progress in its preparatory phase which include the revision of the Operations Manual (OM) based on multi-stakeholder consultations; recruitment of project team; second meeting of the National Livelihoods Technical Working Group in May 2013 during which its terms of reference were adopted and the target municipalities as well as the draft OM was endorsed for approval; initial municipal-level orientation/engagement during which local counterpart contributions were identified and committed by the local government unit and potential local partners were identified.

Upcoming milestones for the next 6 months include the formal program launch during which the memorandum of agreement with the target municipalities will be signed; finalization of the OM; contracting of the partner civil society organization; and preparation of the field guides. It was agreed that the revised OM and the detailed work and financial plan for 2014 will be forwarded to the Bank by January 2014.

### **V. COMPLIANCE WITH CONVENANT**

#### **A. Financial Management**

24. *Status of disbursements* –Total documented disbursements for the individual projects as of October 31, 2013 are summarized in the following table.

Loan/Grant	Total Amount	Disbursement*	Disbursement Rate	Undisbursed Amount	Closing Date	Application Deadline Date
KC-AF LN79590	59,124,000.00	56,734,230.70	96%	2,389,769.30	31-May-14	30-Sep-14
AusAid TF 11939	10,000,000.00	9,073,264.71	91%	926,735.29	31-Dec-13	30-Apr-14
JSDf TF12886	2,929,000.00	500,000.00	17%	2,429,000.00	21-Nov-16	21-Mar-17
* Based on Client Connection as of October 31, 2013 and includes the Designated Account						

25. As summarized above, KC additional financing (LN7959) and AusAID-WB Trust Fund (TF11939) already have significant disbursement rates at this point in the project life. During the Mission, the NPMO noted that savings from these two projects are anticipated and the DSWD is most likely to propose new subprojects to maximize the use of the funds. In addition, it was proposed that TF11939 be extended from December 31, 2014 to May 31, 2014 to allow full use of funds and completion of sub-grants. The Bank supports the addition of new sub-projects, including the proposed project extension. In line with this, the NPMO should ensure prompt submission, processing and releasing of RFRs for newly approved sub-projects; including the timely approval of other sub-project proposals to fully utilize the unused funds. In addition, the Agency must ensure that utilization of all withdrawals from the project will be only for expenditures incurred on or before the closing date, with full documentation to be submitted to the bank within the Application Deadline Date.

26. *Adequacy of FM Arrangements* – There were no significant changes on the financial management (FM) arrangements for the Project. Physical controls over cash, documents and records remain adequate. Levels of review and approval are sufficient to provide reasonable assurance that the policies and procedures for recognition and recording of assets, liabilities, revenues and expenses are being complied. The controls at NPMO over payments processing, documentation and recording remain adequate as noted in the review of disbursement vouchers and related supporting documents of selected expenditures reported in the Statement of Expenditures (SOE) of Withdrawal Applications (Was) that were submitted to the Bank. Please refer to Annex 4 for the full financial management (FM) report.

27. At the community level, however, there could be changes in the appointed Barangay Treasurers who were automatically designated as BSPMC Treasurers as a result of the recently concluded Barangay Elections. This may cause issues on the performance of FM functions of BSPMC Treasurers such as being a co-signatory of community's bank account, custodian of funds and disbursing officer of the sub-project. The NPMO agreed to readily assess and address concerns related to the performance of FM functions that may result from changes in BSPMC Treasurers (i.e., retain all BSPMC Treasurers until sub-project completion; or promptly mobilize newly appointed Barangay Treasurers and facilitate proper turn-over of functions).

28. It was also noted during the review of transactions that selected sub-grants releases included contingency costs provided for in the Program of Works. The Community Finance Manual prescribed that contingency costs, if needed, should be requested and released together with the 3rd tranche under specific circumstances and upon submission of certain requirements (i.e., certification). There were also sub-projects that reported the use of grant funds for payment to BIR of applicable taxes on purchase transactions. The NPMO Finance should deduct the released portion of contingency costs from subsequent request for release (RFRs) of respective

communities and/or require the communities to submit certification of the use of the received contingency costs. In addition, the NPMO should ensure that payments of taxes are funded through local counterpart contributions.

29. *Compliance with the financial covenants* – The Project remains to satisfactorily submit required financial reports within due dates.

30. *Audited Project Financial Statements* – The 2012 Consolidated Annual Audited Report was submitted to the Bank within the deadline on June 28, 2013. The Commission on Audit (COA) issued an unqualified opinion on the financial reports on Special Account and Statement of Sources and Applications of Funds (SSAF), while a qualified opinion was rendered on the project financial statements. The NPMO has already taken the necessary actions to resolve the issues noted by COA.

31. *Quarterly Interim Financial Reports (IFRs)* – The IFRs were submitted to the Bank within schedule. The NPMO is expected to submit an IFR for this year's third quarter on or before November 14, 2013.

## **B. Procurement**

32. An ex-post review of sample procurement transactions and relevant documents was conducted in the DSWD's Field Offices in Region 5 (Legaspi City) and Region 6 (Iloilo City). The review covered 35 KCAF sub-projects and 15 school building/day care centers which were financed through the AusAID-WB Trust Fund. (Please refer to Annex 5 for list of sub-projects that were reviewed.) Including the sub-projects which were reviewed in May 2013, a representative total sampling of 47 subprojects funded under KC-AF and 16 subprojects funded under KC-AusAID have been post reviewed by the Bank. These correspond to approximately 2.4 percent and 12.4 percent, respectively, of completed sub-projects as of end-September 2013. There is a need to undertake more ex-post reviews of a sample of completed subprojects in the other Regions prior to the loan's closing date of end-May 2014.

33. The general findings showed compliance with agreed procedures. However, the review was made only of the available documents which were very limited in numbers as most were already forwarded to the Commission on Audit (COA) and no copies of those sent to COA were on file at the Field Offices. Other findings are as follows: i) some documents (e.g. contract, delivery receipts) are missing from the files reviewed; ii) some documents are undated and unsigned, and some with lots of erasures; and iii) responsive quotations received for the procurement of vehicles done by the RPMO are less than the required minimum number of 3. Based on these findings, it was agreed that the DSWD will take steps to ensure the following: i) Regional Field Offices will make copies of documents before forwarding the same to COA; ii) documents on file are complete; iii) minutes of meetings and evaluation reports clearly indicate the reasons why awards, if any, are not made in favor of the lowest quote received; and iv) review and assess the appropriateness of the specifications for the procurement of vehicles in light of the results that less than 3 quotations received were responsive to the requirements of the specifications.

34. *Capacity of the NPMO and the Field Offices to Undertake Procurement.* Based on the discussions and review of available documents, and even with the minor deficiencies noted by the

review, it can be concluded that the NPMO, the Field Offices and the different communities are all able to do their procurement function well and in accordance with the provisions of the loan agreement and the Operations Manual that is in place for the project.

35. With regards to the CDED, the status and accomplishments related to procurement include the following: (i) The Bank had issued the “no objection letter” to the terms of reference for the services of an NGO as the Department’s national partner and the change in selection method from selection based on consultants’ qualifications (CQS) to single-source selection (SSS); (ii) Except for two staff, most of NPMO staff to work on the subject grant have been recruited

36. The Mission agreed on the following: (i) Proceed with requesting the selected NGO to submit their combined technical and financial proposals, then contract negotiations on the basis of the submitted proposals; Bank’s review and no objection on the initialed negotiated contract is required; (ii) submission of the revised procurement plan to indicate changes in the selection method of the NGO, adjustments in who procures what, and updated timelines for the various procurement items.

## **C. Safeguards**

### *Social Safeguards*

37. The Project continues to be in compliance with the social safeguards instruments. Land acquisition for the sub-projects followed the LARR Framework and land acquisition documentation is commendable with just minor areas for improvement, such as properly indicating the land which was used for schoolbuilding in Barangay San Vicente, Sibagat, Agusan del Sur as a “school site” rather than as “land donation”. Safeguards documents are kept at the Community Sub-Project Management and Implementation Committee (CSPMIC) office together with other sub-project documents. Land used or proposed to be used were/are all government property, either an existing school site or a barangay site. In two urban CDD pilot barangays in Butuan City which have recently gone through the project development stage, both the CSPMIC officers and the community facilitators show basic familiarity with the safeguards requirements for land acquisition although constant coaching from the DSWD FO is encouraged.

38. Project activities in the two pilot barangays in Butuan City are encouraging along the inclusion and participation principles of the project. There is indication that marginalized sectors such as women, waste pickers and indigenous peoples are actively participating. In Barangay Pagatpatan, two members of the Manobo tribe have become members of the community volunteers. Moreover, the school building that will be funded by the Project will cater to schoolchildren of some IP families relocated to the barangay nine years ago. In Barangay Doongan, community facilitation needs to be strengthened to ensure that the Project benefit the poorer sectors of the community.

### *Environmental Safeguards*

39. The project remains satisfactorily compliant with the agreed framework and guidelines on environmental safeguards. The safeguards documentation in Sibagat was commendable as

observed during the site visit with the environmental checklist and Environmental Management Plan (EMP) completely and accurately filled up by the BSPMC. The RPMO is already guided with the updated KC environmental and social safeguards manual, which is also applicable to the pilot urban CDD.

40. As occupational safety is already integrated in the environmental safeguards, the Area Coordinator must ensure that the EMPs drawn for the pilot urban KC focus on construction safety such as fencing of work areas; use of appropriate personal protective equipment (PPEs); and proper storage of construction materials are followed. For instance in Barangay Pagatpatan in Butuan City, the proposed school building is near an existing school, which is made of light materials. The EMP for this proposed project must ensure that extra care is considered to minimize noise and dust generation since the school will be holding classes during the construction. The work area must be properly fenced to prevent possible entry of school children and avoid injuries during construction activities. The storage of water for cement mixing must be covered to prevent the breeding of dengue mosquitoes.

41. There might be new types of projects coming out of community consultations in the urban KC, which are not among the usual KC sub-projects. For instance, the community in Barangay Doongan in Butuan City is thinking of construction of day care with laundry service as a possible urban CDD sub-project. Although project details and operations were not yet fully identified, some safeguards concerns may already be anticipated. Since this project type is new, EMP template may be developed and added to the ESS manual to address specific safeguards issues such as reduction of hazards in the area using non-slip floors and inclusion of water minimization techniques. Laundry operation may produce surfactant-laden wastewater, which must be treated properly before discharge.

## **VI. DISCLOSURE**

42. Consistent with the current practice of the DSWD, the Mission reached agreement with Government, represented by Secretary Corazon Juliano-Soliman, that this Aide Memoire, as reviewed, amended and agreed upon at the wrap-up meeting that took place on November 11 2013 will be disclosed on the Department's website, among others.

## Annex 1: Schedule of Activities

### SCHEDULE OF ACTIVITIES

Date/Day	Activity	Key Concerns/Agenda
October 14-16	<p>Field Visit:</p> <p>Day 1: Visit of urban KC area and dialogue with CLGU and community</p> <p>Day 2: Visit of rural KC (with AusAid grant) with BUB and dialogue with MIAC, BLGU and community volunteers</p> <p>Day 3: Exit conference</p>	<ul style="list-style-type: none"> <li>▪ Updates on KC implementation</li> <li>▪ LGU experiences/perspective on CDD and sustainability plan</li> <li>▪ Views of community leaders</li> <li>▪ BLGU experiences/ views on linkage with 4Ps and SLP</li> <li>▪ Status of CEAC implementation; emerging concerns, if any</li> <li>▪ Regional updates and discussions on KC Implementation, urban pilot-testing, link with BUB; convergence with 4Ps and SLP</li> <li>▪ Discussions on arrangements for transition from KC to NCDDP</li> </ul>
November 6: (Wednesday)	<ul style="list-style-type: none"> <li>• Kick-off Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Overview of Mission objectives and mechanics</li> </ul>
	<p>Meeting with NPMO:</p> <ul style="list-style-type: none"> <li>▪ KC Additional Financing</li> <li>▪ Utilizing CDD for Basic Education</li> <li>▪ Convergence with 4Ps and SLP</li> </ul>	<ul style="list-style-type: none"> <li>▪ Discussion of status of implementation and agreements during last Mission</li> <li>▪ Updates on convergence with 4Ps and SLP</li> <li>▪ Emerging issues/concerns</li> </ul>
November 7 (Thursday)	<p>Morning: Status of CDED</p> <p>Afternoon: Discussions on the design and roadmap for preparing completion report</p>	<ul style="list-style-type: none"> <li>▪ Discussion of status of implementation and agreements during last Mission</li> <li>▪ Focus of report</li> <li>▪ Terms of reference</li> <li>▪ Major steps</li> <li>▪ Consultation processes</li> </ul>
November 8 (Friday)	Discussions on urban strategy	<ul style="list-style-type: none"> <li>▪ Lessons learned</li> <li>▪ Emerging options for follow-up operations</li> <li>▪ Next steps</li> </ul>
November 11 (Monday)	<ul style="list-style-type: none"> <li>▪ Wrap up (time and venue TBC)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Key findings and agreements</li> </ul>

## Annex 2: KALAHI-CIDSS Project Completion Report Data/Information Requirements

### KALAHI-CIDSS Project Completion Report Data/Information Requirements

Section	Key Messages to Capture	Data/Info Requirements	Source
<b>SECTION 1: PROJECT CONTEXT, DEVELOPMENT OBJECTIVES, AND DESIGN</b>			
<ul style="list-style-type: none"> <li>Relevant background information regarding the project's objectives and design (including what issues or problems (and related data) the project was trying to address).</li> </ul>	<ul style="list-style-type: none"> <li>Poverty situation , highlighting inequity across areas and income groups;</li> <li>Governance issues, including the dis-empowerment of low-income HHs;</li> <li>Strong legal provisions for citizen's participation in governance as provided for in Constitution and Local Government Code – though weak implementation – which lists CDD as an empowerment tool and highlights the non-income aspect of poverty e.g.- lack of empowerment, unequal distribution</li> <li>Social reform and poverty reduction agenda which includes participation and good governance as key flagship program</li> <li>Institutional reform of DSWD (2006) to position them as the leader of social protection and recognized CDD as the core strategy to deliver social protection, which laid the foundation for NDDDP.</li> <li>To consider project design changes (from original to KC-AF) *from access to basic service to governance and participation</li> <li>Within the social welfare agenda, AF was seen as a preparation for scaling up CDD as</li> </ul>	<ul style="list-style-type: none"> <li>Poverty incidence in 2002 and 2009</li> <li>Sectoral context</li> <li>Summary of LGC and social reform agenda (SRA) on citizen's participation</li> <li>Relevant policy changes</li> <li>Balisacan study (for KC1 targeting)</li> </ul>	<ul style="list-style-type: none"> <li>PAD</li> <li>CAS</li> <li>PDP</li> <li>LGC</li> <li>2006 Dept policy on CDD</li> <li>SRA</li> <li>Baseline surveys for original and AF</li> <li>KC targeting study</li> <li>Balisacan study (used to select KC1 target sites as Small Areas Estimate was not available. Balisacan model replaced DoF's income classification, which is not accurate.) and its 85% match with Small Areas Study.</li> </ul>



	NCDDP rather than just expanding the coverage.		
<ul style="list-style-type: none"> <li>• <b>Original objective</b> statement(s) and key associated performance indicators, as set out in the original project document.</li> </ul>	<ul style="list-style-type: none"> <li>• PDO and KPIs</li> <li>• Modification from original to KC-AF</li> </ul>	<ul style="list-style-type: none"> <li>• Rationale for modifying KPIs</li> </ul>	<ul style="list-style-type: none"> <li>• AF Results framework</li> <li>• AF appraisal and Project paper</li> </ul>
<ul style="list-style-type: none"> <li>• primary target group” (people and organizations) as identified in the project document and captured in the PDO, as well as any other significant individuals and organizations (“secondary beneficiaries”) expected to benefit directly from project activities. If the major beneficiaries were modified by type or number, explain here</li> </ul>	<ul style="list-style-type: none"> <li>• Quantitative and qualitative description of target areas and HHs (KC was targeting the right segment)</li> <li>• The link to other projects in the Dept.</li> <li>• Secondary beneficiaries = LGUs (as enablers), women, marginalized group</li> </ul>		<ul style="list-style-type: none"> <li>• Baseline study and impact evaluation for KC1</li> <li>• MCC baseline study for AF</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Project components</b></li> </ul>	<ul style="list-style-type: none"> <li>• Summary description of project components as originally planned in the project document.</li> <li>• Linkages between component activities/ outputs and the PDO outcomes to be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	

	<ul style="list-style-type: none"> <li>• If components were modified during implementation, explanation of the changes and reasons for the revisions</li> <li>• inclusion of urban pilot in the AF</li> <li>• splitting the block grants into 2 under AF – planning grant and investment grant (an acknowledgement that social mobilization is not admin cost but investment in empowerment)</li> <li>• CEAC in AF more aligned with local development planning process</li> <li>• More training for staff and LGUs in AF</li> <li>• Comp. 4 M&amp;E to M&amp;E and Project Management</li> <li>• Allowing 3% of the grant to be used to buy technical services or training (which allows women who want to acquire unconventional skills like masonry can use the grant for training), more workshops for different categories of people, transportation costs for IP community volunteers</li> <li>• Strategic shift in AF to involve LGUs in the implementation process. ACT=DSWD Area Coord. Team; MCT = Municipal Area Coord. Team from LGUs</li> </ul>		
<b>SECTION 2: KEY FACTORS AFFECTING IMPLEMENTATION AND OUTCOMES</b>			
<ul style="list-style-type: none"> <li>• <b>Project Preparation and Design.</b> key factors during the project design stage that affected implementation</li> </ul>	<ul style="list-style-type: none"> <li>• Soundness of the background analysis supporting the project, lessons learned incorporated,</li> <li>• Assessment of the project design— objectives, components, and organization— including its realism and the degree of complexity (e.g., the number of</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

<p>and outcomes</p>	<p>organizations involved, the number of project components and their geographic dispersion, novelty or innovations in approaches, capacity of the implementing agencies, the number of co-financiers and partners, and social and environmental factors),</p> <ul style="list-style-type: none"> <li>• Adequacy of partner’s commitment, stakeholder involvement ,and/or participatory processes; and</li> <li>• Assessment of risks and mitigation measures.</li> <li>• Constant assessment and adjustment of KC learning (i.e. participation, CEAC process). Very experienced based, while fundamentals in tact. E.g.- allowed cluster assemblies to allow IPs to participate.</li> <li>• ‘Culture of learning, and analysis’</li> <li>• Local partnerships forged (at the local level)</li> <li>• Harmonization of planning and programming process (Barangay councils more aligned with the local government planning process)</li> <li>• Inclusion of Peace lens/PAMANA</li> <li>• Adoption of Makamsan (MT) – LGU-led KC modality.</li> </ul>		
<ul style="list-style-type: none"> <li>• <b>Implementation:</b> factors that contributed to successful implementation or gave rise to problems,</li> </ul>	<ul style="list-style-type: none"> <li>• Effects of any changes to project design/implementation (including cancellation of funding) in terms of their causes, rationale, and effectiveness;</li> <li>• Mid-term review;</li> <li>• Strong culture of learning w/I the project team.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

	<ul style="list-style-type: none"> <li>• Inter-agency partnership built esp w/ LGUs, DILG local office. National level partnership was limited only to policy level. E.g. – harmonization with the local dev planning process, KC councils more purposefully linked with LDCs</li> <li>• Actions taken in response to problems and how they were resolved, as applicable.</li> <li>• Uneven results of CSOs (*i.e. first attempt of external monitoring not successful as CSOs saw themselves as police, dwelled into MIS data not spot checks, didn't engage w regional offices to validate, didn't see them as partners of social accountability. But CSOs not structured to examine fiduciary requirements.</li> <li>• No good CSOs at municipality level, only at provincial level. Good at operations but poor in documentation that met gov't requirement.</li> <li>• Political transition – falling out b/w CSOs and govt during Arroyo's 2<sup>nd</sup> term. KC CSOs chosen through NAPC not independently, so good ones disengaged.</li> <li>• Delays in engaging sectoral representatives</li> <li>• Management decisions regarding project administration very responsive</li> <li>• (+,-) KC staff 'not too mainstreamed' in the Dept. PMO structure allowed direct line to the Secretary but not mainstreamed. Limited learning from KC to other DSWD programs, though efficient in proj mgt. – Is PMO model good or bad? Is mainstreaming PMO the important issue, or institutionalization of the CDD methodology and knowledge transfer</li> </ul>		
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	<p>of FM/procurement/M&amp;E systems more important? Due to the volume of transaction, PMO was necessary.</p> <ul style="list-style-type: none"> <li>• Some key program learnings: i.e. social marketing, technical strategy –limited observation in terms of institutionalization at the Dept.</li> <li>• Benefits of hands-on facilitation in terms of quality of participation outweigh the costs?</li> </ul>		
<ul style="list-style-type: none"> <li>• <b>Monitoring and Evaluation (M&amp;E) Design, Implementation, and Utilization.</b></li> </ul>	<ul style="list-style-type: none"> <li>• M&amp;E design—the extent to which adequate indicators were identified to monitor progress toward the PDO using effective collection methods,</li> <li>• M&amp;E implementation—the extent to which appropriate data was actually collected;</li> <li>• M&amp;E utilization—the extent to which appropriate data was evaluated and used to inform decision-making and resource allocation.</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement of the MIS system and GRM from original to AF.</li> </ul>	<ul style="list-style-type: none"> <li>• Analytical for NCDDP preparation.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Environmental/Social Safeguard and Fiduciary Compliance</b></li> </ul>	<ul style="list-style-type: none"> <li>• Key safeguard and fiduciary issues in the project, compliance with Government and Bank policy and procedural requirements;</li> <li>• Any problems that arose and their resolution, as applicable (i.e. facilitators' limitation on fiduciary and safeguards knowledge)</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>SECTION 3: ASSESSMENT OF OUTCOMES</b>			
<ul style="list-style-type: none"> <li>• <b>Achievement of Project/Program Development Objectives.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Extent to which the project achieved its development objectives;</li> <li>• Relative importance of different intermediate objectives and intermediate</li> <li>• Likelihood of achievement/non-achievement of the overall development</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

	<ul style="list-style-type: none"> <li>objective;</li> <li>• Contribution of outputs to achieving the PDO outcomes.</li> <li>• Causal relationships between the project's intervention and outcomes as distinct from other factors (e.g., other interventions, policy changes unrelated to the operation, natural events, and market factors).</li> <li>• Level of involvement of the LGUs in various KC cycles.</li> <li>• Political leadership changes at the national level</li> </ul>		
<b>Poverty reduction impact</b>	<ul style="list-style-type: none"> <li>• extent to which project benefits reached the target group identified in the PDO;</li> <li>• positive or negative effect on poverty (income or consumption),</li> <li>• examining possible leakage of benefits (i.e., what percentage of the actual beneficiaries are the "poor," "absolute poor," or "relative poor," or other terms used in the PDO)</li> </ul>	•	•
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>• Costs of achieving the objectives in comparison to the benefits using typical measures such as rates of return for sub-project investments, unit cost norms for similar infrastructure, or service standards for the delivery of similar services.</li> </ul>	•	• Quantify community labor
<b>Other Outcomes and Impacts</b>	<ul style="list-style-type: none"> <li>• Positive or negative effects on:</li> <li>• Population or its subgroup(s) (including unintended or unexpected) with regard to the social objectives of the Government and the Bank</li> <li>• Discuss whether the effects were foreseeable; (i.e. factor of implementation: barangay leaders being re-elected, Increase</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of the PAMANA (using the peace lens)</li> <li>• Special study: cost of infra using CDD vs. other project (economic</li> </ul>	•

	<p>in women’s leadership position)</p> <ul style="list-style-type: none"> <li>• Causes of success or shortcomings, and assess how they will affect the future operation of the project.</li> <li>• Institutional development, particularly longer-term development of the country’s capacity and institutions</li> </ul> <p>KC1’s success allowed new entrants such as MCC, AusAID, ADB in AF and NCDDP</p>	<p>benefits), roads and water supply</p> <ul style="list-style-type: none"> <li>• Beneficiary satisfaction survey</li> <li>• Qualitative assessment of the community volunteers (to find out degree of empowerment/skills development)</li> </ul>	
<b>SECTION 4: ASSESSMENT OF PROJECT SUSTAINABILITY/RISK TO DEVELOPMENT OUTCOME</b>			
	<ul style="list-style-type: none"> <li>• Arrangements put in place to ensure sustained benefits once the project closes;</li> <li>• Likelihood that these arrangements will be maintained/supported;</li> <li>• Sub-project and the institutional investments, as well as any relevant policy changes that will either support or hinder sustainability of the project’s intended outcomes.</li> </ul>	•	•
<b>SECTION 5: LESSONS LEARNED</b>			
	<ul style="list-style-type: none"> <li>• Significant positive and negative lessons learned from the project;</li> <li>• How these lessons are reflected in the post-project arrangements (e.g., through government policy, a follow-up project, etc.);</li> <li>• Suggestions on which of the lessons have general applicability for similar projects in the Philippines or for the CDD sector in general.</li> </ul>	•	•

<p><b>Annexes</b></p> <p><b>Project Cost by Component</b></p> <p><b>Financing</b></p> <p><b>Outputs by Component</b></p> <p><b>Summary results of other relevant reports/analysis</b></p>	<ul style="list-style-type: none"> <li>• Estimated total project costs at project start and the actual total costs (or the latest estimates) by component in Pesos and US\$ million (including all sources of funds).</li> <li>• Sources of funds for the project/program, including the government, IBRD, and other types of co-financing, as applicable, as well as the estimated financing at appraisal and the actual levels (or the latest estimates) by source in Pesos and US\$ million</li> <li>• Additional information and discussion on a project's outputs to support the discussion in <i>Section 3: Assessment of Outcomes</i>, including any attribution issues between outputs and outcomes;</li> <li>• Comprehensive account of qualitative and quantitative information of all the outputs that have been realized (or have not been realized); under the project.</li> <li>• List all the key outputs</li> <li>• Explanation if the original outputs targets have not been realized or the targets have been changed during the implementation</li> <li>• Additional details and findings from other evaluations, analyses, etc.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
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<b>(Impact Evaluation, economic/financial analysis, other project reviews, etc.)</b>			
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### Annex 3: KALAHI-CIDSS FM Project Implementation Support Report

**KAPIT-BISIG LABAN SA KAHIRAPAN-COMPREHENSIVE AND INTEGRATED DELIVERY OF SOCIAL SERVICES PROJECT (LN7959, TF9 and TF12886)  
FINANCIAL MANAGEMENT PROJECT IMPLEMENTATION SUPPORT REPORT  
October 23-25, 2013**

**1. Objective and scope of review** – A project implementation support on the financial management (FM) arrangements of the projects below, including a review of compliance to the financial covenants under the Loan and Grant Agreements, were conducted during the 12th Implementation Support Mission on October 23 to 25, 2013 by the World Bank’s FM Consultant, Mohammad Zidni S. Marohombsar under the supervision of FM Specialist, Aisha Lanette N. De Guzman at the National Project Management Office (NPMO) of the Department of Social Welfare and Development-Central Office (DSWD-CO).

- a. KALAHI-CIDSS – Additional Financing (LN 7959-PH)
- b. AusAID-WB Development Trust Fund Grant for KALAHI-CIDSS (TF 11939)
- c. JSDF Grant for Community Enterprise Development as Pathway Out of Poverty Project or CDED (TF 12886)

The review was aimed to ensure that the FM arrangements for the projects continue to be adequate for the successful achievement of project development objectives. The review included a) review and discussions with program officers and staff from the NPMO, Regional Project Management Office (RPMO) and the DSWD-CO on the FM arrangements and project requirements; b) review of the status of disbursements; c) review of selected financial transactions; d) follow-up on the recommendations from the previous Bank mission; and e) field visit to a selected sub-project site in Caraga Region.

**2. Status of disbursements, funds flow and budget utilization** – Below is the fund status of the various projects as of October 31, 2013.

*Status of Fund Disbursement/Utilization against Loan Allocation (in US\$)*

Particulars	Goods, Consultancy, and IOCs	Subgrants	Designated Account	Front End Fee	Total
Loan allocation (a)	8,076,190	50,900,000	-	147,810	59,124,000
Withdrawn from Bank (b)	5,420,903	44,787,076	6,378,442	147,810	56,734,231
WA in process at PIUs (c)			-		-
Total withdrawals, including balance in DA (b+c)	5,420,903	44,787,076	6,378,442		56,586,421
Total actual expenditures, excluding DA (d)	5,420,903	44,787,076			50,207,979
Amount undisbursed from the Bank (a – b)	2,655,287	6,112,924	(6,378,442)		2,389,769
<b>Disbursement Rate (b/a) 1</b>	<b>67.12%</b>	<b>87.99%</b>			<b>95.96%</b>
<b>Utilization Rate (c/a) 2</b>	<b>67.12%</b>	<b>87.99%</b>			<b>84.92%</b>

1 Disbursement rate is the rate of the amount of withdrawal applications paid by the Bank divided by the loan amount.

2 Utilization rate is the rate of the amount of withdrawal applications paid by the Bank (net of the Designated Accounts) and those in process, divided by the loan amount.

#### KALAHI-CIDSS - AF (LN 7959-PH)

**3. Total documented disbursements** amounted to US\$56,734,230.70 (including advances to Designated Account or DA with ceiling balance of US\$6,378,441.80) or 95.96% of the signed amount of US\$59,124,000.00. The DA had an actual balance of US\$3,836,366.96 as of the review

date, while Withdrawal Applications (WAs) for replenishment in October 2013 totaling US\$1,248,903.26 have yet to be credited to the account. The project presently has to report disbursements from the DA amounting US\$1.29 million. The project has until May 31, 2014 to utilize the remaining loan allocation and until September 30, 2014 to complete disbursements and documentation of the outstanding DA balance.

4. As of October 2013, there were 11 proposed sub-projects from various regional offices with total cost of PhP 8.98 million that were approved to be implemented using the reported savings from left-over municipal grant allocation and unrequested contingency fund aggregating PhP 40.46 million as of June 30, 2013. The project also anticipates additional savings upon the expected completion of ongoing sub-projects on or before December 31, 2013.

AusAID-WB Development Trust Fund Grant for KALAHI-CIDSS (TF 11939)

5. Total documented disbursements under the grant totaled US\$9,073,264.71 (including the balance of the DA amounting US\$2,000,000.00), or 90.73% of the total approved grant of US\$10,000,000.00.

*Status of Fund Disbursement/Utilization against Grant Allocation (in US\$)*

Particulars	Goods, Consultancy, and IOCs	Subgrants	Designated Account	Total
Grant allocation (a)	1,000,000	9,000,000	-	10,000,000
Withdrawn from Bank (b)	245,989	6,827,276	2,000,000	9,073,265
WA in process at PIUs (c)			-	-
Total withdrawals, including balance in DA (b+c)	245,989	6,827,276	2,000,000	9,073,265
Total actual expenditures, excluding DA (d)	245,989	6,827,276		7,073,265
Amount undisbursed from the Bank (a - b)	754,011	2,172,724	(2,000,000)	926,735
<b>Disbursement Rate (b/a)</b>	<b>24.60%</b>	<b>75.86%</b>		<b>90.73%</b>
<b>Utilization Rate (c/a)</b>	<b>24.60%</b>	<b>75.86%</b>		<b>70.73%</b>

6. As of review date, the DA had an actual balance of US\$637,128.42; approved replenishments that have yet to be credited to the account totaled US\$617,616.81; and outstanding withdrawals from the DA amounted US\$745,254.77. The NMPO Finance should immediately submit Withdrawal Application (WA) for unreported disbursements from DA to ensure adequacy of available funds.

7. The project is due to close on December 31, 2013. During the mission, the NPMO raised the possibility of extending the project life to May 31, 2014 to maximize use of the grant funds and ensure completion of sub projects. The mission team supports the extension and recommended that the agency start the process of requesting for project extension.

JSDF Grant for Community Enterprise Development as Pathway Out of Poverty Project (TF 12886)

8. Total documented disbursements under the grant totaled US\$500,000.00 (pertaining to the initial advance to the DA) or 17.07% of the signed amount of US\$2,929,000.00. The DA had been inactive for seven (7) months or from the time the initial advance was approved by the Bank in March 2013. Withdrawals from the DA mainly included transfer of funds in October 2013 to Field offices (FO) in CAR and CARAGA amounting to US\$ 19,886.34 or PhP852,050.00 for the conduct of a write-shop and other cost of services. Utilization of project funds is still low as

procurement for intended expenditures are still on-going and the project is still in the early stages of its life cycle.

**Recommendations:**

- a. The NMPO Finance should ensure proper and timely documentation of expenditures withdrawn amount from the DA and regularly submit Withdrawal Applications (WAs) to the Bank. In addition, the NPMO should closely monitor the timely release of remaining barangay grants and the completion of subprojects including proper liquidation of downloaded funds.
  - b. Ensure prompt submission, processing and releasing of RFRs for newly approved sub-projects; and timely approval of other sub-project proposals to fully utilize the unused funds.
  - c. Ensure that utilization of all withdrawals from the DA will be only for expenditures incurred on or before the closing date, which are required for complete documentation until the Application Deadline Date (ADD).
  - d. Facilitate the request for extension of the AusAid grant (TF11939)
  - e. For TF 12886, the DSWD-CO or SLP should revisit the Work and Financial Plan (WFP), and consider updating it for any significant changes on planned disbursements.
9. Adequacy of accounting staff and maintenance of accounting records – There were no significant changes on the financial management (FM) staffing arrangements for the Project at the NPMO. The Unified Financial Management Specialist (UFMS) is primarily responsible for the implementation of the project’s FM arrangements that include management of the Project’s financial transactions; facilitation of the timely release and disbursement of funds to communities and field offices accounts; evaluation and analysis of claims for payments; preparation and submission of Statement of Expenditures (SOE) and Withdrawal Application (WA) to the Bank; and submission of quarterly IFRs. The Financial Management Services (FMS) of DSWD Central Office processes check disbursements and bank transfers; maintains the NPMO’s books of accounts; and prepares the financial statements of the Project.
10. The FM system at the Regional Level is handled by the Regional Financial Analyst (RFA) of the RPMO. As to the fund transfers to Field Offices (FOs), a designated staff from the NPMO Finance Unit monitors liquidations by FOs for reporting in SOE. As of October 31, 2013, outstanding funds downloaded to FOs are as follows:

Field Office	Amount in USD	
	LN7959	TF11939
IV-A	29,810.40	5,731.59
V	27,646.59	9,340.12
VI	5,183.85	7,458.44
VIII	34,177.81	6,850.67
IX	39,634.38	6,271.71
X	17,806.53	30,115.27
XI	20,047.28	8,595.91
XII	45,299.72	10,847.59
CARAGA	66,563.63	8,965.17
<b>TOTAL</b>	<b>286,170.19</b>	<b>94,176.48</b>

**Recommendation:** *The NPMO should ensure that FOs would be able to submit adequate SOEs or liquidations of grant funds, and be able to return any unused downloaded funds within the loan grace period.*

11. At the community level, however, there could be changes in the appointed Barangay Treasurers that are automatically designated as BSPMC Treasurers as a result of the recently concluded Barangay Elections. This may cause issues on the performance of FM functions of BSPMC Treasurers such as being a co-signatory of community's bank account, custodian of funds and disbursing officer of the sub-project.

**Recommendation:** The NPMO should readily assess and address concerns related to the performance of FM functions that may result from changes in BSPMC Treasurers (i.e., retain all BSPMC Treasurers until sub-project completion; or promptly mobilize newly appointed Barangay Treasurers and facilitate proper turn-over of functions).

12. Separate books of accounts of the Project are being maintained by the Central Office for NPMO using eNGAS, and manually by the Field Offices for the RPMO's. Project books are consolidated every quarter by the Consolidation Unit of the FMS Accounting Division at the Central Office. The trial balance as of September 30, 2013 was made available for review.

13. Internal Controls and Internal Audit Unit – There is proper segregation of incompatible duties and responsibilities. Physical controls over cash, documents and records remain adequate. Levels of review and approval are also considered adequate to provide reasonable assurance that the policies and procedures for recognition and recording assets, liabilities, revenues and expenses are being complied.

14. Results of review of selected transactions – The controls at NPMO over payments processing, documentation and recording remain adequate as noted in the review of disbursement vouchers and related supporting documents of selected expenditures reported in the SOE of WAs that were submitted to the Bank. The review also included determination of compliance of project disbursements to the Loan/Grant Agreement.

15. It was noted that selected sub-grants releases included contingency costs provided for in the sub-projects' Program of Works. The Community Finance Manual prescribed that contingency costs, if needed, should be requested and released together with the 3rd tranche under specific circumstances and upon submission of certain requirements (i.e., certification). There were also sub-projects that reported the use of grant funds for payment to BIR of applicable taxes on purchase transactions.

**Recommendation:** The NPMO Finance should deduct the released portion of contingency costs from subsequent RFRs of respective communities, and/or require the communities to submit certification of their use of the received contingency costs; and ensure payment of taxes using local counterpart contributions.

16. Compliance with the financial covenants – The Project remains to satisfactorily submit required financial reports within due dates.

- a. Audited Project Financial Statements – The 2012 Consolidated Annual Audited Report was submitted to the Bank within the deadline on June 28, 2013. The Commission on Audit (COA) issued an unqualified opinion on the financial reports on Special Account and Statement of Sources and Applications of Funds (SSAF), while a qualified opinion was rendered on the project financial statements. The NPMO has already taken the necessary actions to resolve the issues noted by COA.
- b. Quarterly Interim Financial Reports (IFRs) – The IFRs were timely submitted to the Bank. The NPMO should submit IFR for this year’s third quarter on or before November 14, 2013.

17. Status of Agreed Actions from Previous Mission – Previous agreed action plans were satisfactorily complied by the Project.

#### 18. Action Plans

Action Plans	Responsible Unit	Due
1. Closely monitor the timely release of remaining barangay grants and the completion of communities’ planned disbursements.	NPMO Finance	May 31, 2014
2. Ensure prompt submission, processing and releasing of RFRs for newly approved sub-projects; and timely approval of other sub-project proposals to fully utilize reported savings.	NPMO Finance	Continuing
3. Ensure proper and timely documentation of outstanding withdrawn amounts from the DA and regularly submit Withdrawal Applications (WAs) to the Bank until the application deadline.	NPMO Finance	Continuing
4. Ensure FOs would submit adequate SOEs or liquidations of grant funds and return any unused downloaded funds.	NPMO and RPMO Finance	June 30, 2014
5. Readily assess and address concerns related to the performance of FM functions that may result from changes in BSPMC Treasurers.	NPMO Finance	Immediately
6. Deduct the released portion of contingency costs from subsequent RFRs of respective communities, and/or require the communities to submit certification of their use of the received contingency costs; and ensure payment of taxes using local counterpart contributions.	NPMO Finance	Immediately
7. Facilitate the request for extension of TF11939	NPMO	Immediately
8. Submit IFR for this year’s third quarter.	NPMO Finance	Nov. 14, 2013
9. Revisit the Work and Financial Plan for TF12886	NPMO	Immediately

## Annex 4: Procurement Review

### Procurement Review

Subprojects reviewed are as follows:

No.	Project Name	Location	Total Subproject Cost (Php)	Total KC Grant Cost (Php)
<b>KC-AF in Region V</b>			<b>27,095,333.38</b>	<b>22,724,010.22</b>
1	Flood Control System	San Agustin, Libon, Albay	2,015,000.00	1,678,800.00
2	Solar Dryer	San Isidro, Libon, Albay	1,170,000.00	975,000.00
3	Water System Level II	Bulang, Malinao, Albay	1,845,768.48	1,476,625.55
4	Day Care Center	Malobago, Manito, Albay	785,923.10	628,738.48
5	Solar Dryer	Tinapian, Manito, Albay	377,739.95	302,191.96
6	Cable Bridge	Palapas, Pio Duran, Albay	1,805,034.73	1,504,195.61
7	1-Unit, 2-CL School Building	Sagrada, Rapu-Rapu, Albay	1,746,337.58	1,428,710.19
8	Health Center	Malatawan, Palanas, Masbate	799,775.00	606,128.40
9	Concreting of Pathway	Baras, Donsol, Sorsogon	2,132,475.00	1,854,326.00
10	Day Care Center	Gimagaan, Donsol, Sorsogon	764,706.00	634,657.79
11	Drainage System	Sta. Cruz, Donsol, Sorsogon	1,408,196.45	1,225,130.91
12	Pathway	Tinatogan, Donsol, Sorsogon	3,928,364.55	3,415,969.00
13	Water System Level II	Ogao, Gubat, Sorsogon	1,197,470.37	988,011.86
14	1-Unit, 2-CL School Building	Mapaso, Irosin, Sorsogon	1,299,179.17	1,107,953.29
15	Drainage Canal	San Juan, Irosin, Sorsogon	872,779.00	744,314.86
16	Cable Bridge	Tabon-Tabon, Irosin, Sorsogon	2,356,719.00	2,009,834.08
17	5-Units Motorized Fishing Boats	Brillante, Prieto Diaz, Sorsogon	1,530,605.00	1,266,758.23
18	20-Units Non-M Fishing Boats	Diamante, Prieto Diaz, Sorsogon	1,059,260.00	876,664.01
<b>KC-AF in Region IV</b>			<b>16,844,300.00</b>	<b>13,150,342.44</b>
19	Vented Spillway	Camangcamang, Isabela, Negros Occ.	882,000.00	711,000.00
20	Hanging Bridge	Limalima, Isabela, Negros Occidental	2,035,000.00	1,716,000.00
21	Health Station	Riverside, Isabela, Negros Occidental	780,000.00	668,000.00
22	1-Unit, 1-CL School Building	Cruz, Calatrava, Negros Occidental	773,800.00	627,400.00
23	1-Unit, 2-CL School Building	Paghumayan, Calatrava, Negros Occ.	1,313,200.00	1,097,200.00
24	1-Unit, 1-CL School Building	Calubang, Ilog, Negros Occidental	712,800.00	584,472.67
25	Farm-to-Market Road	Galicia, Ilog, Negros Occidental	2,097,000.00	1,769,178.47
26	1-Unit, 1-CL School Building	Poblacion, San Rafael, Iloilo	775,000.00	296,547.83
27	1-Unit, 2-CL School Building	San Andres, San Rafael, Iloilo	1,352,000.00	1,092,930.43
28	1-Unit, 2-CL School Building	San Florentino, San Rafael, Iloilo	1,354,500.00	1,079,413.04
29	Health Station	Mangorocoro, Ajuy, Iloilo	772,330.00	589,400.00
30	Health Station	Pantalan Nabaye, Ajuy, Iloilo	802,700.00	524,000.00
31	1-Unit, 1-CL School Building	Pantalan Navarro, Ajuy, Iloilo	788,670.00	578,900.00
32	1-Unit, 1-CL School Building	Pedada, Ajuy, Iloilo	801,400.00	600,700.00
33	Water System Level II	Tagubanhon, Ajuy, Iloilo	807,270.00	622,700.00
34	Lined Ditch Canal	Taguhangin, Ajuy, Iloilo	796,630.00	592,500.00
<b>KC-AusAID in Region V</b>			<b>2,955,839.74</b>	<b>2,509,891.00</b>
1	1-Unit, 2-CL School Building	Cawayan, Manito, Albay	1,356,190.74	1,152,763.00
2	Day Care Center	Pangpang, Donsol, Sorsogon	799,653.00	679,690.00
3	Day Care Center	San Rafael, Donsol, Sorsogon	799,996.00	677,438.00
<b>KC-AusAID in Region VI</b>			<b>17,181,473.60</b>	<b>14,150,696.68</b>
4	Day Care Center	Sikatuna, Isabela, Negros Occidental	697,000.00	588,000.00
5	1-Unit, 2-CL School Building	Blumentritt, Murcia, Negros Occ.	1,427,090.00	1,154,109.44
6	1-Unit, 2-CL School Building	Jaena Sur, Jamindan, Capiz	1,231,999.60	1,026,714.13
7	1-Unit, 2-CL School Building	Katipunan, Tapaz, Capiz	1,306,000.00	1,078,886.85
8	1-Unit, 2-CL School Building	Lagdungan, Tapaz, Capiz	1,317,000.00	1,088,095.54
9	1-Unit, 2-CL School Building	San Antonio, Tapaz, Capiz	1,323,000.00	1,093,824.24
10	1-Unit, 3-CL School Building	Tabucan, Calinog, Iloilo	1,932,400.00	1,634,521.72
11	1-Unit, 2-CL School Building	Asluman, Carles, Iloilo	1,530,684.00	1,060,059.00
12	1-Unit, 3-CL School Building	Jibolo, Janiuay, Iloilo	1,877,500.00	1,607,029.29
13	1-Unit, 3-CL School Building	Madong, Janiuay, Iloilo	1,879,500.00	1,607,458.48
14	1-Unit, 2-CL School Building	Pajo, Lambunao, Iloilo	1,389,300.00	1,176,200.00
15	1-Unit, 2-CL School Building	Cudionan, San Dionisio, Iloilo	1,270,000.00	1,035,797.99