

# Government of the Republic of the Philippines

## National Community Driven Development Program

---

### Pre-appraisal Mission February 11-22, 2013 Final Aide Memoire

#### INTRODUCTION

1. A World Bank pre-appraisal mission for the Philippines National Community Driven Development Program (NCDDP) was carried out from February 11 to 22, 2013, to assess the readiness of the NCDDP and the Department of Social Welfare and Development (DSWD) for a final appraisal of the proposed investment.<sup>1</sup> The mission was carried out as a partial “joint” mission with the Asian Development Bank (ADB), as part of its own “fact-finding” mission. The two banks shared detailed review discussions with DSWD and other program stakeholders, and jointly presented the main mission findings and recommendations to Government. However, separate aides memoire will be issued by each institution responding to the specific requirements of each one.

2. The World Bank mission focused specifically on: (i) the proposed institutional and implementation arrangements, particularly as they differ from the current arrangements under KALAHI-CIDSS, (ii) detailed program costing, and (iii) requirements to support parallel funding efforts of the ADB. Also, and in accordance with the recent quality-at-entry recommendations, the mission assessed: (i) the linkages between the NCDDP and the Government's Bottom-up-Budgeting process, (ii) ways in which the program would seek horizontal linkages across sectors and through closer collaboration between Bank-supported lending operations (e.g., PRDP, GROWTH, 4P's, etc.), (iii) the inclusion of a "zero sum" contingency component to help better respond to disasters, and (iv) monitoring, evaluation and related performance measures. The mission also sought to further preliminary efforts in the preparation of the NCDDP for the Autonomous Region in Muslim Mindanao. Finally, the mission discussed and sought to clarify relevant linkages with other key stakeholders including the Department of Interior and Local Government (DILG), the Department of Budget and Management (DBM), the National Anti-Poverty Commission (NAPC), and AusAID.

3. The Bank team wishes to thank the Secretary of DSWD, Corazon Juliano-Soliman; Under Secretaries Montaño (DSWD) Labajo (NAPC) and Fernandez (DILG); Assistant Secretaries Gudmalin and Cabrera (DSWD); Directors and other personnel of DSWD, DBM, DILG and the Office of the Presidential Adviser on the Peace Process (OPAPP); and the DSWD regional representatives from Regions 4b, 5, 6, 9 and CARAGA; as well as staff and consultants of AusAID and ADB for their time, energy and support during the conduct of the mission. This draft Aide Memoire summarizes key findings and recommendations from the mission. The final mission report will be formally transmitted to Government upon World Bank management clearance.

#### KEY FINDINGS AND AGREEMENTS

##### Overall

- The Investment Coordinating Committee of the National Economic Development Authority (NEDA) approved the NCDDP on January 18, 2013, at a total cost of Php. 80.4 billion (~\$1.981 billion).

---

<sup>1</sup> The mission was led by Sean Bradley (Sr. Social Development Specialist), and included Gerry Parco (Sr. Environmental Specialist), Julien Labonne (M&E/ MIS Specialist), Lawrence Tang (Urban Management Specialist), Maria Loreto Padua (Sr. Social Development Specialist), Matthew Stephens (Sr. Social Development Specialist), Patricia Fernandes (Social Development Specialist), Rene Manuel (Sr. Procurement Specialist), Roberto Tordecilla (Social Development Specialist), Ruth Cruz (Team Assistant) and Tom Sta. Maria (FM Specialist). The Bank team was joined by and worked closely with a team of ADB staff and consultants led by Joel Mangahas (Education Specialist).

- Both the World Bank and ADB reached agreement with Government on the program development objective, which is: **communities in targeted poor municipalities empowered to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation**. It was also further agreed that the following indicators would be used to measure the achievement at the PDO level: (i) % of households in NCDDP municipalities that report increase in confidence to participate in community development activities; (ii) % of members from marginalized groups (IPs and women) in NCDDP municipalities who attend regular Barangay Assemblies; and (iii) % increase in access to and utilization of roads, education, health centers, day care centers and water supply (major KC investments) in NCDDP municipalities. In accordance with World Bank recommendations, the number of project beneficiaries would also be monitored using gender disaggregated data.
- The program's underlying strategy of applying a community-driven development (CDD) approach to achieve the program objectives is considered technically feasible and appropriate particularly given the existing KALAHI-CIDSS experience and results of the recent impact evaluation.
- The proposed institutional and implementation arrangements for the NCDDP are considered adequate, as are its financial, procurement and safeguard arrangements. DSWD proposes to restructure the national program management office to enhance operational support, further decentralize responsibilities for program management to regional offices, incorporate a further level of technical support and oversight. DSWD also agreed to a process of further simplification of M&E data and the MIS. All of these adjustments would help to respond to the organizational and system demands of a 200 percent scale-up of KALAHI-CIDSS.
- The new program will include a number of important enhancements over the current KALAHI-CIDSS in terms of: improved poverty targeting and block grant calculation; closer alignment with local government units (LGUs) and municipal LGU planning, budgeting and execution processes; streamlining of sub-project cycle; greater responsiveness to conflict affected areas, disaster prone areas (including a "zero cost" DRM contingency component), to the needs of IP communities and regarding gender inclusion.
- The overall costing estimates and allocation of resources to program components appear to be generally adequate, assuming (i) flexibility at the regional level to adapt agreed upon staffing complements and ratios depending on specific local needs, (ii) availability of additional external (development partner) resources to supplement capacity building efforts,<sup>2</sup> and (iii) continued low rates of annual inflation so that the real present value of block grants is not substantively undermined.<sup>3</sup>
- Of the total estimated program cost of US\$1.98 billion equivalent, DSWD confirmed its intention to seek US\$863 million in ODA financing from development partners. The balance would be covered by GoP and local counterpart contributions.
- The World Bank, ADB and DSWD agreed on a number of key elements to harmonize operational requirements to reduce the administrative burden on DSWD to manage the two parallel sources of financing. Importantly, ADB finds acceptable the operational procedures for awarding and implementing sub-project block grants (sub-grants). However, differences in the way in which ADB and the World Bank treat project staff and training expenditures will result in the need to maintain separate accounts and to divide up program expenditures by partner.

---

<sup>2</sup> The AusAID supported Technical Support Facility is one option for augmenting capacity building efforts as is the recently proposed ADB TA 8106 "Enhancing Social Protection through CDD".

<sup>3</sup> Annual inflation has averaged slightly less than 4 percent over the past three years and is projected to be in a range of 3 to 5 percent for 2013.

- The NCDDP would be adapted to ARMM, and the World Bank, ADB and AusAID would support Government efforts (joint DSWD, ARMM Regional Government and OPAPP) to develop a program document for GoP financing.
- DSWD has agreed to further study and clarify the following key NCDDP operational issues prior to loan effectiveness: specific role and responsibility of DILG for training/building capacity of MLGUs, how the Seal of Good Housekeeping (SGH) will be applied under the NCDDP; role of other NGAs at both policy and operational levels (particularly in relation to the proposed cycle 3 allocation of block grants); and harmonization of LCCs particularly regarding BUB requirements. Clarifications regarding the DRM “zero sum” contingency component operational procedures (trigger and positive list) are required prior to negotiations.
- DSWD further agreed to provide the following documents by March 15 so that the World Bank could finalize appraisal: detailed staffing plan, detailed training plan, procurement plan and work plan (all for the first 18 months of implementation), the final draft environmental and social management framework document (which should be disclosed), and to clarify the nature of parallel financing with ADB and the related fund flow arrangements.
- Conditional on the Bank’s satisfactory review of these outstanding documents, the mission proposes to convene a decision meeting in late March or early April to seek authorization to up-grade the pre-appraisal mission and proceed with negotiation of the indicated project and loan.

## DETAILED FINDINGS AND RECOMMENDATIONS

### Pre-appraisal of Proposed Program Design

4. Program Objective and Results Framework. The mission reached agreement on the final results framework for the program, which will be used as the basis for monitoring and evaluating program performance. The agreed PDO is: **communities in targeted poor municipalities empowered to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation**. The key performance indicators to be used to measure the achievement of this objective will be: (i) percentage of households in NCDDP municipalities that report increase in confidence to participate in community development activities; (ii) percentage of members from marginalized groups (IPs and women) in NCDDP municipalities who attend regular Barangay Assemblies; and (iii) percentage increase in access to and utilization of roads, education, health centers, day care centers and water supply (major KC investments) in NCDDP municipalities.

5. Program Design. The NCDDP builds on the existing community driven development program KALAHI-CIDSS that has been successfully implemented by DSWD since 2003. KALAHI is currently operating under an additional financing loan from the World Bank (of \$59 million) and a \$120 million grant from the Millennium Challenge Corporation (MCC). KALAHI’s successes have been clearly demonstrated in the recent end-line impact evaluation.<sup>4</sup> This mixed-methods analysis found that the project had a positive impact on per capita consumption, especially for households that were classified as poor before the project started. Those improvements are associated with a reduction in poverty rates. The project also had a positive impact on year-round accessibility (linked to road repair and investments). In addition, and consistent with the project development objective, as a result of the project community members are more likely to report being willing to contribute resources to development activities that would benefit the community. Furthermore, community volunteers have been empowered and are better able to effectively engage elected officials through village assemblies, which have moved from being considered mere avenues for reporting to mechanisms for participation, transparency and accountability. Earlier studies have shown the program to be effective

---

<sup>4</sup> KALAHI-CIDSS Impact Evaluation: A Revised Synthesis Report, Julien Labonne, February 2013.

in targeting the poorest barangays in the poorest municipalities and in responding to the will of the people.<sup>5</sup>

6. NCDDP Program Enhancements. The NCDDP will include a number of important enhancements to the program design model developed and tested under KALAH-CIDSS. These include the following:

- a. Block grant allocations based on poverty rates and population so that municipal-level financing is more equitably distributed, better correlated with poverty and provides a minimum threshold of per-capita investment (shown to be effective at poverty reduction) for the majority of municipalities;
- b. Simplification of the community empowerment activity cycle (CEAC), adjustments to better address the needs of indigenous communities, conflict-affected and disaster prone areas, and to enhance gender inclusion. The NCDDP will provide enhanced training and support to community facilitators and volunteers for these changes/improvements;
- c. The NCDDP will include what is known as a “zero sum” contingency mechanism that will allow the Government and affected communities to respond to post-disaster needs using differentiated emergency operating procedures and investment categories;
- d. Earlier and enhanced engagement with MLGUs including involvement of municipal staff in program management and earlier hand-over of full management, capacity building and application of performance measures (based on DILG’s Seal of Good Housekeeping) for continued block grant eligibility;
- e. Closer linkages with local level government planning systems and alignment with the Bottom-up-Budgeting (BUB) initiative;

7. Program Coverage and Components. The NCDDP will target the overall population of the communities (barangays) of the 900 poorest rural municipalities in the Philippines.<sup>6</sup> All barangays of these municipalities would be eligible for support. The total population of new municipalities that would be included in the program, based on the 2010 census, is approximately 24.2 million people (or approximately 25 percent of the total population).<sup>7</sup> It is expected that the program will benefit half of them directly, either through active engagement in project processes or through public infrastructure financed by the project. Similar to KALAH-CIDSS, the project will consist of three components: (i) community grants, (ii) capacity building and institutional support, and (iii) project administration, monitoring and evaluation. Component 1 will include grants to barangays for subproject investments and for planning support (including capacity building of community volunteers). Component 1 would also allow for the inclusion of special emergency procedures (and exceptional subproject types) in response to official disasters as part of a disaster response contingency mechanism. Component 2 includes the capacity building and financing of the program staff at municipal level (coordinator, engineer, bookkeepers and community facilitators) and additional training of MLGU and National Government Agency personnel. Component 3 includes salaries and administrative costs for national and regional offices, office equipment, monitoring activities, evaluation studies and communications.

8. Program Costs and Financing. The table immediately below presents the total summary costs and indicated breakdown of IBRD financing for the NCDDP. A more detailed cost and financing table is shown in Annex 1. The total estimated cost of the program is \$1.981 billion, of which IBRD would finance an estimated \$479 million.<sup>8</sup> In addition, the program would be financed by (i) a

---

<sup>5</sup> 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.

<sup>6</sup> The poorest municipalities are defined as having an estimated poverty incidence above the 2009 national average of 26.4 percent.

<sup>7</sup> Municipalities are “new” if they are not currently part of the on-going KALAH-CIDSS program.

<sup>8</sup> The Government has requested \$493 million of financing from the Bank. The final loan amount will depend on the value of the proposed AusAID grant (that the Bank would administer), the value of the front-end fees and interest of the loan, and if the Government will finance these costs from the loan.

parallel loan from the ADB (approximately \$371 million) and an AusAID grant (approximately \$13.5 million), which will be administered by the World Bank, (ii) National Government financing (approximately \$748 million), and (iii) local government and community counterpart financing (\$370 million).

**Table 1: Summary Program Costs and IBRD Financing**

Project Components	US\$ (millions)		percentage
	Total costs	IBRD Financing	IBRD Financing
1. Community grants	1,680.9	415.0	24.7%
2. Capacity Building and Inst. Support	236.4	50.6	21.4%
3. Program Administration and M&E	63.5	13.0	20.5%
<b>Total baseline costs</b>	<b>1,980.8</b>	<b>478.6</b>	<b>24.2%</b>
Physical contingencies			
Price contingencies			
Total Project Costs			
Interest during implementation			
Front-end Fees			
<b>Total Financing Required</b>			

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

40.6

9. Technical and Economic Feasibility. The mission found the overall program to be both technically and economically feasible. Technically, the program builds on a tried and tested platform that has been shown to be effective in addressing poverty. The new program seeks to improve upon this impact through a number of indicated enhancements. It will also deepen what has been an ongoing process of more directly integrating the program into Government systems, procedures and institutional structures (see discussion of institutional arrangements below). To assess the economic benefit of the program, three different analyses were conducted. First, based on the most typical set of sub-projects, it is likely that expected returns will be high; ranging from 28 percent for access roads, 23 percent for school building, 10 percent for water systems and 8 percent each for health stations and day care centers.<sup>9</sup> An ex-post economic analysis of KALAHI-CIDSS that was based on a similar set of most typical subproject, and which applied a number of different assumptions about costs and benefits computed overall rates of return above the hurdle rates (of 15% for NEDA and 12.4% for MCC) for the relevant investments.<sup>10</sup> 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, which when compared to the expected project costs 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 capacity building investments. The summary economic and financial analysis for the program is shown in Annex 2.

10. ARMM. The Government has agreed to a request from the Governor of the Autonomous Region in Muslim Mindanao (ARMM) for ARMM to be included in the NCDDP. This will be done through a parallel program to be predominantly financed by GoP.<sup>11</sup> DSWD has requested World Bank support to work with the ARMM Regional Government (ARG) to adapt the NCDDP design to the unique local socio-political context, specifically the autonomous nature of governance and the prevalence of violent conflict. The task team is in the process of securing funding through the AusAID/World Bank Philippines Development Trust Fund (the “Umbrella Trust Fund”) for a set of

<sup>9</sup> The five sub-projects mentioned account for 77% of the KALAHI-CIDSS subproject investments.

<sup>10</sup> 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”

<sup>11</sup> NCDDP/ARMM would increase program coverage to an additional estimated 104 municipalities and approximately 2.8 million beneficiaries.

analytical activities and consultations in partnership with ARMM to prepare the program document. During the course of the mission, preliminary meetings were held with DSWD, AusAID, OPAPP and ADB to begin organizing the preparatory activities and discuss how best to engage ARMM. The ARG would lead the process, with technical assistance from DSWD National, OPAPP, the World Bank and ADB. In view of the Framework Agreement on the Bangsamoro and the expected political transition from ARMM to the Bangsamoro in 2015, it will also be necessary to reach out to the Moro Islamic Liberation Front in the process. A draft program document would be finalized before the end of September so that the RGA could present the same for funding to the Investment Coordination Committee of NEDA.

11. External Harmonization. The NCDDP will include a number of activities that would support better integration and harmonization of the national CDD program 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 for NCDDP financing after the first cycle), linkages with the Local Development Planning (LDP) process, and integration of the KALAH/CEAC participatory processes with the Bottom-up-Budgeting (BUB) initiative. Funds have been set aside within the project to assist with training of MLGUs by DILG and to facilitate the BUB process in all NCDDP municipalities. The mission urges DSWD and DILG to pursue management level discussions to clarify and firm-up the partnership arrangements between the two departments on these key issues so that roles and responsibilities are clearly defined and relevant resources allocated. The Bank is supporting on-going consultancies to integrate the CEAC and LDP processes, and to see how best to link with and deepen the participatory elements of the 2015 BUB planning process scheduled to begin in July 2013.<sup>12</sup> Annex 3 contains a more complete discussion of the NCDDP/BUB linkages. The project preparation process is supporting additional discussions and analysis that will further flesh-out the details of these linkages, which will be confirmed as part of final operational procedures to be agreed upon prior to loan effectiveness. The mission recommends that the Joint Memorandum Circular for BUB 2015 planning draw upon these on-going pieces of analysis to inform the upcoming process. Furthermore, the mission noted the following issues that require additional follow-up or clarification:

- a. Application of the SGH as an eligibility criteria for 2<sup>nd</sup> cycle block grants and beyond;
- b. Role and resourcing of DILG in training MLGUs under NCDDP;
- c. Role of DSWD in supporting BUB planning in municipalities where KALAH/CEAC is not currently operating and where NCDDP will not cover;
- d. Co-financing arrangements between BUB and NCDDP and impacts of local counterpart contribution requirements and differences (for which the mission agreed on TORs and tasking current financial management consultants); and
- e. Possible pilot testing of the “CDD-izing” of certain community based sectoral initiatives (e.g., DepED School-based Management Program, DOH Community-based Health and Nutrition program) to help enhance their effectiveness.

12. Internal Coordination and Collaboration. Consistent with the Government’s own efforts at converging key poverty reduction programs, the NCDDP task team will also seek closer linkages with those key national programs that the Bank is also supporting. This specifically includes the conditional cash transfer/4P’s program that is implemented by DSWD and supported by the Bank’s HD/Social Protection team, the Philippines Rural Development Project (PRDP), implemented by DA and supported by the SD/Rural team, and the Local Government support activities that both the SD/Urban group and PREM are supporting. In terms of 4P’s the relevant teams will seek opportunities to increase cross-program synergies by sharing national household targeting survey data, cross-training of municipal level staff to reduce effects of program silos on work programs, and seeking to merge grievance redress systems. In terms of the PRDP, the task teams have agreed to

---

<sup>12</sup> The Bank is supporting three on-going consultancies the results of which would be used to inform the preparation of the Joint Memo Circular for the 2015 BUB planning exercise.

share geo-tagging data on subproject investments to help promote complementarity and avoid overlap. The efforts to streamline the CEAC/BUB and LDP processes should also enhance these efforts at sectoral coordination at municipal level. Finally, as noted above, the team is closely coordinating with the Urban and PREM teams on analytical and advisory services and support regarding the BUB process, which has been requested by the Department of Budget Management and the National Anti-Poverty Commission.

### **Pre-appraisal of Implementation Arrangements**

13. Program Oversight and Strategic Management. 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 NCDDP will be monitored by the Human Development and Poverty Reduction Cabinet Cluster, through the regular reporting of the Secretary of DSWD. At the program policy level, the National Steering Committee, chaired by the Secretary of DSWD and consisting of Undersecretaries or Assistant Secretaries of NEDA, DBM, DOF, NAPC, DILG, DepED, DOH, OPAPP; and representatives of NCIP; the leagues of provinces, municipalities and barangays; civil society organizations and the development partners, would remain directly responsible for overseeing the NCDDP and ensuring appropriate cross-departmental/institutional coordination. Within DSWD, a National Program Management Team would ensure that the program is aligned with the Department's overall mandate and reform agenda, and would seek convergence with DSWD's other flagship poverty reduction programs including 4P's and the Sustainable Livelihoods Program (SEA-K).<sup>13</sup> A similar (Regional Project Management Team) structure will be established at regional level to oversee operations, which, in addition to DSWD director level and program staff, would include municipal mayors as members.

14. Program Management. Building on the existing structures for the management of KALAHI-CIDSS, DSWD will continue to be the lead implementing agency for the NCDDP, and will continue to work through a national-regional-municipal level structure for program management and implementation. Both organic DSWD staff and specialized program staff (consultants) will be engaged in the overall management of the program. Similar to oversight arrangements, program management structures and processes will be enhanced under NCDDP (see Annex 4 for the proposed organizational chart for NCDDP). The key enhancements are:

- a. A restructured National Program Management Office (NPMO) with two separate divisions for field operations and technical support; both divisions falling under a deputy director for national program management. Furthermore, the Undersecretary for General Administrative Services Support Group of DSWD will be designated as the deputy National Program Director for Finance, helping ensure close links between the program's and the department's financing requirements and reporting to Government. 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 program 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 program planning functions attached to the program manager's office.
- b. 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 program. 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.

---

<sup>13</sup> 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 NHTS-PR, and all heads of offices and bureaus.

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.

- c. A provincial LGU initiative is being piloted (with support from ADB) that may 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.
- d. The responsibility for approval of sub-project block grants and disbursement of funding for sub-projects will be devolved to regional offices.
- e. Ratios of municipal-level staff have been improved to, on average, 1 facilitator to 4 barangays (vs. 5), and 1 deputy area coordinator and 1 municipal financial analyst to 25 barangays (vs. 35).

The mission agreed with DSWD that these proposed changes/enhancements will require further discussion/validation with the Field Office directors and KALAHI operational staff to ensure a workable and timely roll-out. For this purpose, a follow-up workshop is scheduled for the week of March 4<sup>th</sup>.

15. Program Operational Arrangements and Implementation Plans. The NCDDP will build on the existing procedures for sub-project identification, review, approval and implementation; procurement of goods and services; and financial management. The proposed fund flow arrangements that reflect parallel financing arrangements with ADB are shown in the figure in annex 5. Importantly, responsibility for approval and disbursement of sub-project funding will be devolved to field offices (up to a proposed Php. 2 million (~\$50,000 threshold)) thereby addressing one of the concerns regarding fund-flow delays under KALAHI. An updated Operations Manual (and relevant sub-manuals for the CEAC, community procurement, community financial management, grievance system, M&E and ESMF) will be prepared as a condition of effectiveness. It was further agreed that staffing, training, procurement and implementation plans for the first 18 months of program execution (July 2013-December 2014) will be shared with the Bank for review and comment by March 15<sup>th</sup>.

16. Retroactive financing. The mission also agreed that, in order to facilitate DSWD's advancing of work under the program prior to the estimated time of loan effectiveness (October 2013 for both multi-lateral banks), retroactive financing would be allowed for from January 1, 2013, for all eligible program expenditures that are procured in accordance with agreed upon procedures and relevant guidelines. DSWD currently estimates that approximately \$4.4 million would be required for work between January and September 2013. These costs would be split proportionally between the World Bank and the ADB roughly along the 57:43 ratio of the respective financing of NCDDP.

17. Operational Enhancements. The mission reached agreement with DSWD on a number of operational enhancements that had been identified and analyzed during the preparation process. Specifically, these are adjustments to the CEAC process to (i) simplify and streamline the CEAC and to increase training and support to facilitators and volunteers to manage CEAC implementation, (ii) incorporate adjustments to the process to better respond to needs of communities in conflict-affected areas, disaster prone areas and where NCDDP will operate with indigenous communities, and (iii) improve performance in gender mainstreaming (particularly in areas where there are significant barriers to female participation). Annex 6 contains additional details of agreements reached on these enhancements.

18. The Bank is currently supporting a series of consultancy activities that will result in further guidelines, "how-to" notes and training materials to be used to support these enhancements. DSWD is currently updating NCDDP training plans to factor in the additional related training (for conflict and disaster affected areas, IPs and gender). It was also agreed that regions would be allowed flexibility within their overall staffing plan and budgets to (i) hire sub-regional staff with specific skills related to local needs (e.g., members of IP communities or individuals familiar with conflict conditions, etc., as community process officers), and (ii) vary the normal ratio of given staff based on needs (for instance, reduce the numbers of barangays per facilitator for harder to reach or engage IP or conflict-affected communities). Lastly, with regards to gender, DSWD has also agreed to collect



gender disaggregated data on barangay assembly participation and set as a target 30 percent female participation in the paid labor component of sub-project implementation.

19. Disaster Risk Management (DRM) contingency mechanism. Given the highly disaster prone nature of many of the areas in which NCDDP will operate, the program would include a DRM contingency mechanism that would allow municipalities to access NCDDP block grant funds on hand to respond to immediate post-disaster needs through a simplified and expedited process. The mission agreed with DSWD on the formal requirement to “trigger” the use of the contingency mechanism (local or national declaration of a state of emergency). A consultant would be engaged to identify/confirm possible exceptions or additions to the current KALAH I list of eligible sub-projects and to propose adjustments or exceptions to procurement and other relevant implementation procedures that would optimize the application of the contingency mechanism. The consultant would also seek clarification on the conditions under which LGUs might be able to use their allocation from the Local Disaster Risk Reduction and Management Fund (LDRRMF) to replenish NCDDP resources used under the contingency component. It was agreed that DSWD would confirm to the World Bank team by the end of March 2013: (i) the specific nature of the “trigger”, (ii) the activities that will be included in the positive list (e.g., rehabilitation of public infrastructure but also that of private property - housing reconstruction and field clearing), (iii) if and under what conditions future municipal block grant allocations may be advanced in response to disaster needs, and (iv) if and when might the LDRRMF be used to replenish a municipal block grant allocation. Annex 6 contains a summary of how the DRM contingency mechanism will work and the operational issues that require further clarification.

20. Conflict “window”. In light of the operational challenges of functioning in conflict-affected areas across the country, DSWD has also agreed to the incorporation of a special set of guidelines to operate in areas subject to violent conflict. The mission agreed on special guidelines for targeting and criteria setting to take into account conflict; additional training for facilitators operating in conflict areas; enhanced social preparation, including additional tools on conflict analysis; and the inclusion of indicators to measure outcomes of the project in conflict areas. DSWD would need to clarify the following issues (through an operations manual or how-to note) as a condition of disbursement for sub-projects financed under the conflict window: (i) whether to ear-mark a set percentage of the block grant for activities targeted directly at reducing conflict; and (ii) whether in PAMANA areas to maintain a “top up” fund for all barangays in identified conflict areas or to consolidate NCDDP and PAMANA block grant funds into “one fund”. Finally, there is a need to define which areas would be seen as conflict affected and thus eligible to utilize the special conflict procedures.

21. Monitoring, Evaluation and Management Information System (MIS). The M&E system and MIS for the NCDDP will build upon the existing systems under KALAH I-CIDSS, including recent enhancements made in part with the support of MCC. However, given the sizable increase in municipal coverage, there is a need to further streamline the systems and strengthen capacities to deal with the sizeable scale-up. Specifically, the mission agreed with DSWD to carry out a further review of the quantity and quality of data to be collected and inputted, the information technology structure of the databases, and how the data are analyzed and results are disseminated. Preliminary TORs for this review were shared with DSWD (see Annex 7), and it was further agreed that a consultant working with the ADB preparation team would assist to initiate this work. DSWD will also hire a consultant through the NCDDP preparation grant funds to support this process. In addition, it was agreed that staffing levels at regional and sub-regional levels will be increased to handle the increased level of information flows due to the program scale-up. Finally, the mission recommended the pilot testing of a module allowing data to be collected either through text messages or dedicated smartphone applications.

22. Results Monitoring. Several studies will be undertaken during the course of the program to analyze and evaluate performance. While a full-scale impact evaluation of NCDDP will not be carried out given available evidence on KALAH I-CIDSS and the difficulties in finding a good control group, the program presents a rich opportunity to test CDD delivery approaches and linkages with national

initiatives such as 4P's, the *Makamasang Tugon* initiative and the BUB.<sup>14</sup> Two specific studies will be managed by DSWD: an economic analysis of actual investments and a technical and maintenance review of different infrastructure. Additional areas of study that would be managed under the implementation support fund (see below) would include: a household survey to determine the effects of the program on the intended outcomes, a process evaluation of the CEAC with specific interest on procedural variations in different contexts (conflict, disasters, indigenous populations, etc.) or between new, mature and graduated municipalities (which would provide valuable information on the sustainability of program efforts), or an analysis of fiduciary and other obstacles to integrating with public administration and financial management requirements.

23. Environmental and Social Safeguards. The mission reviewed with DSWD and ADB a draft Environmental and Social Management Framework (ESMF) document, which will serve to respond to the following safeguard policies that have been triggered under the NCDDP: OP 4.01 Environmental Safeguards, OP 4.09 Pest Management, OP 4.10 Indigenous Peoples, and 4.12 Involuntary Resettlement. The draft ESMF was found to be generally responsive to the safeguard requirements of both the World Bank and the ADB, and the NPMO agreed to update and re-submit the document by March 15<sup>th</sup>, based on comments received. It was agreed with the ADB that the ESMF will be the common safeguards instrument for use under the project. The revised document would be disclosed by both development banks and DSWD thereafter. The National Commission on Indigenous Peoples (NCIP) has provided in principle endorsement of the program proposal and the draft ESMF. DSWD will share with the Bank evidence of their consultations with NCIP and NCIP's concurrence with the proposed approaches for IP communities. DSWD expects formal NCIP endorsement by April 20<sup>th</sup>. The MCC has also assisted the DSWD draft four Thematic Environmental Management System manuals. These manuals will be used to complement the ESMF and provide added technical and environmental best practice examples. It was also confirmed during the mission that the PMO has retained staff who will be responsible for safeguards implementation.

24. Partnership Arrangements. The mission was able to achieve reasonable success in harmonizing implementation and supervision requirements between the World Bank and the ADB. Most importantly, the current KALAHI-CIDSS operational procedures for the identification, approval and financing of sub-projects/grants have been accepted by ADB, which will allow the Bank and the ADB to equally finance any sub-project that is identified through the process described in the Operations Manual. 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 and financial reporting and a common technical assistance framework would be applied.<sup>15</sup> However, due to differences in the way that ADB treats recruitment of project staff and training providers, these categories of expenditure fall under different procurement procedures. In addition, ADB cannot finance incidental operating costs. Therefore, DSWD proposes to allocate a specific (but overlapping) set of expenditure categories and estimated levels of investment to each of the two lead development partners (see Annex 8 for details). The NCDDP regional and financial directors of the field office would ensure the appropriate division of expenditures between the two development banks and the application of relevant procurement procedures. Two bank-specific peso accounts will be maintained by each regional field office for this purpose.

25. In addition to ADB, the NCDDP will also involve the engagement of other partners including AusAID, MCC and possibly the Spanish Development Corporation. On the latter two, this would involve close coordination particularly regarding possible adjustments to KALAHI systems that may affect the on-going operations under both bilateral programs. In addition, coordination of technical support, supervisory activities and training events will be required for which the Technical Support Unit of DSWD would help. Finally, more explicit links with AusAID will be established that reflect

---

<sup>14</sup> Establishing a control group will be difficult given the high level of saturation of the NCDDP and the roll out of the Bottom Up Budgeting initiative.

<sup>15</sup> The mission met with the DSWD Technical Assistance Unit of DSWD to discuss this joint TA framework and it was agreed that each DP working with DSWD would channel recommendations and support for TA through this common mechanism.

an estimated \$13.5 million investment grant for NCDDP that the Bank will administer, as well AusAID's proposed financing of a programmatic set of analytical and implementation support services for NCDDP (described below).

26. Civil Society Organizations (CSOs). The role of CSOs as partners in the implementation and/or monitoring of the NCDDP remains unclear. Possible options include: helping to mobilize particularly hard to reach communities, serving as facilitators of the CEAC process, training providers in specific areas of expertise (gender, IPs, conflict), dissemination of program-specific information (e.g., regarding the grievance redress system), third-party monitoring of program implementation, etc. However, experiences with engaging CSOs under KALAHÍ to date have been less promising than hoped for due to limits on CSO coverage, capacity, or resources required to provide identified services. DSWD has launched a consultancy to further analyze the options and identify more specifically where and how CSO might substantively engage with the NCDDP.

27. Implementation Support Fund. The mission followed-up on previous discussions with DSWD and AusAID on the establishment of an implementation support fund (ISF) that would allow the World Bank and other partners to provide key technical assistance and analytical support for program implementation. The ISF would also allow the Bank and partners to more closely accompany DSWD in the program roll-out and to support a "process learning approach" to gain insights from project implementation in real time, make adjustments to program implementation quickly and respond to opportunities or constraints as they arise which would seek to optimize the achievement of the program's objectives. For instance, as the BUB process rolls out, to assess how best NCDDP can be mutually supportive of this initiative; assessing the impact of applying the Seal of Good Housekeeping as an eligibility criterion for NCDDP funding; effectiveness of the disaster response component and special conflict procedures; or how capacity building efforts under the program can be harmonized with wider DILG efforts, etc. The ISF would help finance analysis, technical assistance, advisory and supervisory support that address specific areas of need or interest for the NCDDP. These areas of interest would be agreed upon by Government, the Bank and other development partners involved in the Program. A program of analytical and capacity building activities relating to the NCDDP and the BUB has been identified and given initial endorsement by DSWD and AusAID. A formal proposal for the ISF will be submitted to the DSWD Technical Support Facility and to the AusAID/Bank Umbrella Trust Fund for consideration. It is expected that these activities would fall under an umbrella proposal for programmatic advisory and analytical activities supporting Local Governance and Accountability.

28. Technical Assistance. Given the ambitious scope and scale of the NCDDP, the mission recommended to DSWD additional technical assistance (TA) that it is felt would be required to assist the Department implement the program in a way that can fully achieve its proposed objectives. While support provided through the ISF would assist with operational level aspects of the program, these proposed TA positions would aid DSWD at a more strategic level that could help ensure better integration of the program within the larger context of the Government citizen-led poverty reduction reform agenda. These include organizational development and strategic management, human resource development and capacity building, and communications and social marketing. The mission agreed to provide TORs for these proposed positions and recommended that the Deputy National Program Director propose these positions to the Technical Assistance Facility managed by DSWD.

29. Institutional feasibility. While the ambitious scale-up of KALAHÍ-CIDSS to the NCDDP presents some clear and significant challenges, the proposed adaptations to the current structure and division of responsibilities within DSWD suggest that the scale-up will be feasible. The adaptations that are considered to be particularly responsive to the scale-up include: the reorganization of the NPMO and the addition of key support functions relating to human resources, communications and direct oversight of the General Administrative Support Services Group of DSWD at national level; the devolution of sub-project approval and disbursement responsibilities to field offices and the creation of an additional technical support and monitoring level at sub-regional/provincial level; and the increased number of municipal staff per barangay and flexibility to respond to specific staffing needs within regional budget envelopes.

30. **Risks.** The mission included specific meetings on Risk, which helped to inform an updated version of the Operational Risk Assessment Framework for the PAD. The major Governance and Anti-Corruption risks relate to the scope of the scale up and the proposed integration with local government systems and concomitant reduction in quality assurance and oversight from the national government. Key mitigating measures that have been agreed upon include: (i) additional technical assistance and quality assurance support at sub-regional/provincial levels, (ii) increased ratio of facilitators to barangays, (iii) use of the Seal of Good Housekeeping and additional performance measures/milestones for transfer of management to MLGU, and (iv) improvements to the grievance redress system. In addition, it is proposed that an increased percentage of subprojects (from the current 10%) be subject to annual audit and that audits are rolling and not pre-determined. This final mitigating measure still requires discussion and agreement with DSWD General Administration Support Services Group and the Commission on Audits.

### KEY ACTIONS AGREED UPON

31. The mission reached agreement with Government on the following priority actions to be undertaken to prepare for negotiations, Board presentation and project effectiveness.

**Table 2: Priority Actions Agreed Upon**

Priority Actions	Responsibility	By When
1. Conduct regional <u>staffing and training planning</u> work/write-shop	NPMO	March 6-8
2. Facilitate the preparation of 18 month <u>procurement and workplan</u> (national and regional)	"	March 11-12
3. Update environmental and social management framework (ESMF) document	NPMO/Eng. Unit	March 13
4. Submit to WB and ADB required plans, ESMF and parallel financing arrangements	Dep NPMD	March 15
5. Submit TORs for <u>M&amp;E/MIS reviews</u>	NCDDP Prep team	Feb 28
6. Recruit consultants and initiate M&E review	"	March 31
7. Deliver first draft assessment report	Consultants	May 31
8. Recruit consultants for <u>CSO consultations</u> (SSS proposed)	NCDDP Prep team	April 1
9. Reach agreement on modified FM consultant TORs to expand review of <u>LCC harmonization</u> issues	WB/DSWD	Feb 28
10. Present (i) draft FM manuals, (ii) assessment of LCC, (iii) training design materials	FM consultants	March 31
11. Deliver first draft <u>revised/streamlined CEAC procedures</u>	Consultant (Canlas)	March 31
12. Recruit consultants for <u>CEAC enhancements</u> (IPs, Conflict, DRM, gender)	WB	March 15
13. Prepare relevant documentation in support of enhancements (sub-manual, guidelines/how-to materials, training materials)	Consultants	May 15
14. Finalize proposed revisions to CEAC (incorporating relevant references to enhancements)	Consultant	June 15

Priority Actions	Responsibility	By When
15. <u>Update all operational manuals and sub-manuals</u> (including TORs for new/adjusted staff) and submit to WB/ADB for no objection	Dep. NPMD	June 30
16. Initiate planning for <u>NCDDP/ARMM</u> preparation	DSWD, OPAPP, WB, ADB and AusAID	Feb 21
17. Recruit lead consultants (overall, institutional arrangements and capacity building)	WB and ADB	Mar 15
18. Strategy mission to ARMM to agree on detailed plan	DSWD, WB, ADB & consultants	Mar 21
19. Preliminary NCDDP/ARMM program design document	Lead consultants	Late July
20. Clarify the following in relation to the DRM contingency component: (i) trigger, (ii) amended positive list of eligible sub-projects, (iii) advancing municipal block grant cycle allocations, and (iv) replenishing advanced funds from the LDRRMF	DSWD w/ consultant support (Bank recruited)	April 30
21. Identify options and requirements to vary annual subproject audits (increased percent to be audited annually and variations on timing/notification, etc.)	WB & ADB FM, USEC Montaño, COA	April 15

## REVISED PROJECT PROCESSING SCHEDULE

**Table 3: Revised Project Processing Schedule**

Key Steps	Timing
1. NEDA Board Approval	Jan 18, 2013
2. Conclude pre-appraisal/fact-finding	Feb 22, 2013
3. Decision meeting to accept mission findings (WB)	April 2, 2013
4. Issue Certificate of Loan Approval (BSP)	end-Mar 2013
5. Seek Authorization to Negotiate (DoF)	early Apr 2013
6. Issue Authorization to Negotiate (OoP)	early May 2013
7. Conduct negotiations/technical discussions	mid-May 2013
8. Finalize documentation and submit for approval	early June 2013
9. Board approval of Loans	July 2013
10. Finalize outstanding operational elements/confirm financing agreements (DoJ)	Aug-Sept 2013
11. Loan effectiveness	Oct 2013

## **Annexes**

1. Summary Program Cost Table
2. Summary NCDDP Economic and Financial Analysis
3. NCDDP-BUB Integration
4. Proposed NCDDP Organizational Charts
5. Agreed-upon Fund-flow Arrangements
6. Summary of Operational Enhancements
7. Preliminary TORs for further streamlining of M&E forms and systems
8. Budget note on program cost-sharing between World Bank and ADB

## Annex 1: Summary NCDDP Cost Table

Project Components	US\$ (millions)			US\$ (millions)*				
	Total	IBRD	% IBRD	Other ODA	GoP C-part	LCC	BUB	BUB-LCC
<b>1. Community Grants</b>								
a. Investment Grants	1,568.2	395.9	25.2%	322.3	0.0	216.8	480.5	152.8
b. Planning Grants	112.6	19.2	17.0%	48.3	45.2	0.0	0.0	0.0
c. DRM Contingent Grants	0.0	0.0		0.0	0.0	0.0	0.0	0.0
<b>2. Local Cap. Building &amp; Inst. Support</b>								
a. ACT Salaries and Incidentals	207.6	48.5	23.3%	0.0	159.2	0.0	0.0	0.0
b. Training	28.8	2.1	7.3%	12.3	14.4	0.0	0.0	0.0
<b>3. Administration, M&amp;E</b>								
a. Project management staff	45.5	8.8	19.4%	0.0	36.7	0.0	0.0	0.0
b. Training, goods and communications	5.4	2.1	40.0%	1.6	1.6	0.0	0.0	0.0
c. Monitoring & evaluation costs	12.7	2.1	16.3%	0.3	10.3	0.0	0.0	0.0
<b>TOTAL (US\$)</b>	<b>1,980.8</b>	<b>478.6</b>	<b>24.2%</b>	<b>384.8</b>	<b>267.4</b>	<b>216.8</b>	<b>480.5</b>	<b>152.8</b>

\* Other ODA includes ADB and AusAID (WB administered); GOP c-part refers to DSWD co-financing of NCDDP; LCC refers to local counterpart contribution from communities, barangays and municipalities; BUB refers to Bottom-up-Budgeting funds; BUB LCC is related LCC for BUB subprojects

## **Annex 2: Summary NCDDP Economic and Financial Analysis**

This annex summarizes available estimates of economic rates of returns for the NCDDP and KALAH-CIDSS. First, it presents estimates obtained when using results from the KALAH-CIDSS impact evaluation to estimate the stream of expected project benefits. Second, it reviews two ex-post economic analyses, conducted in 2006 and 2010, of KALAH-CIDSS subprojects. Relying on different sets of assumptions, the project rates of return are conservatively estimated to be in the range of 12-20 percent. It is important to note that results discussed in this note are fully consistent with results from economic analysis of other CDD projects worldwide (e.g., Burkina-Faso and Indonesia).

### **1. Economic Analysis using results from the impact evaluation**

A rigorous impact evaluation of the KALAH-CIDSS was designed in 2003 to evaluate general impacts on poverty reduction, social capital, empowerment, and governance. Quantitative and qualitative data were collected in 2003, 2006 and 2010 on a broad range of indicators from a sample of KALAH-CIDSS municipalities and of comparable municipalities that did not receive project support. The data were collected and analyzed by the Asia-Pacific Policy Center that was founded by the Dr. Balisacan, the current Director General of NEDA.

Results from the recently completed impact evaluation indicate that KC-1 led to a 12 percent increase in per capita consumption that materialized after the 3<sup>rd</sup> cycle had been completed. Given that the project will be implemented in richer municipalities, it is assumed that the impact will be lower for NCDDP. For the purpose of the economics analysis, a 9-percent increase in per capita consumption is assumed. The other key assumptions are as follows:

- Total cost: PHP 81.9 billion<sup>16</sup>
- Municipalities covered: 742<sup>17</sup>
- Population covered: 24.2 million
- Effective life of the investments: 10 years
- Investment start in year 0
- Benefits first occur in the 3<sup>rd</sup> cycle

Overall the expected rate of return is estimated to be 20.6 percent. Results are fairly conservative, for a number of reasons. First, analysis was restricted to impacts on per capita expenditures. That is, no attempts were made to monetize other recorded project impacts. Second, results from the impact evaluation capture impacts after 3 cycles. However, most municipalities will receive 4 cycles and so one should expect larger impacts.

#### *Sensitivity analysis:*

In addition, rates of return were computed in cases where either the total cost are higher than expected or total benefits are lower than expected. In both scenarios, the estimated rates of return are still above the hurdle rate (15 percent):

---

<sup>16</sup> This includes the local counterpart contributions and thus the cost of time community members spend working on the project.

<sup>17</sup> The municipalities that have already completed 4 cycles are not included in the calculations, as they will not receive grants for subprojects.



If impacts were to drop by 20%, rates of return would be 15.9%, still higher than the hurdle rate.

If cost were to increase by 20%, rates of return would be 16.7%, again higher than the hurdle rate.

		Year	Share cost	Cost	Benefit	Total
Population covered	24,200,000	-	24%	20,032,740,000	-	(20,032,740,000)
Total cost	81,900,000,000	1	25%	20,188,350,000	-	(20,188,350,000)
		2	24%	19,508,580,000	-	(19,508,580,000)
Average p.c. incom	15,000	3	18%	14,340,690,000	-	(14,340,690,000)
Expected effect siz	0.09	4	8%	6,371,820,000	21,970,795,148	15,598,975,148
		5	2%	1,474,200,000	24,568,544,474	23,094,344,474
		6		-	32,670,000,000	32,670,000,000
		7		-	32,670,000,000	32,670,000,000
		8		-	32,670,000,000	32,670,000,000
		9		-	32,670,000,000	32,670,000,000
		10		-	32,670,000,000	32,670,000,000
		11		-	32,670,000,000	32,670,000,000
					<b>IRR</b>	<b>20.6%</b>
<b>Key Assumptions</b>						
Geographical coverage						
	Year 1	499				
	Year 2	558				
	Year 3	742				
	Year 4	742				
	Year 5	742				
Total cost and yearly breakdown of cost are from the spreadsheet "CONSOall" of the file CONSO.PMME.Feb7.xlsx						
Geographic coverage is from the NPMO presentation during the kick-off meeting on Feb 12th 2013						
Population numbers are from the 2007 census						
Average per capita income is (conservatively) taken to be the latest poverty threshold.						

## 2. Results from earlier economic analyses of the KALAH-CIDSS

An economic analysis was conducted in February 2006 to estimate the rates of return of the KALHI-CIDSS project (Araral and Holmemo, 2007).<sup>18</sup> The ex-post analysis focused on the major categories of infrastructure subprojects such as water supply, roads, school buildings, health centers and day care centers which accounted for 82% of subproject costs at the time. Data on expected benefits were collected on sample of completed subprojects.

The economic analysis concluded that based on available information and plausible assumptions used, the project was expected to generate a conservative economic internal rate of return of 20% and a net present value of Php969-million and was therefore considered economically beneficial. Each of these subproject categories met the 15% hurdle rate set by the National Economic Development Authority. The rates of return for these subprojects ranged from 16% for day care centers to 65% for water supply projects.

The Millennium Challenge Corporation carried another economic analysis in 2010 as part of their compact preparations. Eight different subproject types, accounting for about 70 % of total investment, were modeled with slightly different assumptions than the ones used previously. The overall rate of return is above the hurdle rate used by the MCC.

<sup>18</sup> Araral, Eduardo and C. Holmemo. 2007. Measuring the Costs and Benefits of Community Driven Development: The KALAH-CIDSS Project, Philippines. WB: Social Development Papers-Community Driven Development. Paper No. 102/January 2007.

### **Annex 3: Note on NCDDP-BUB Integration**

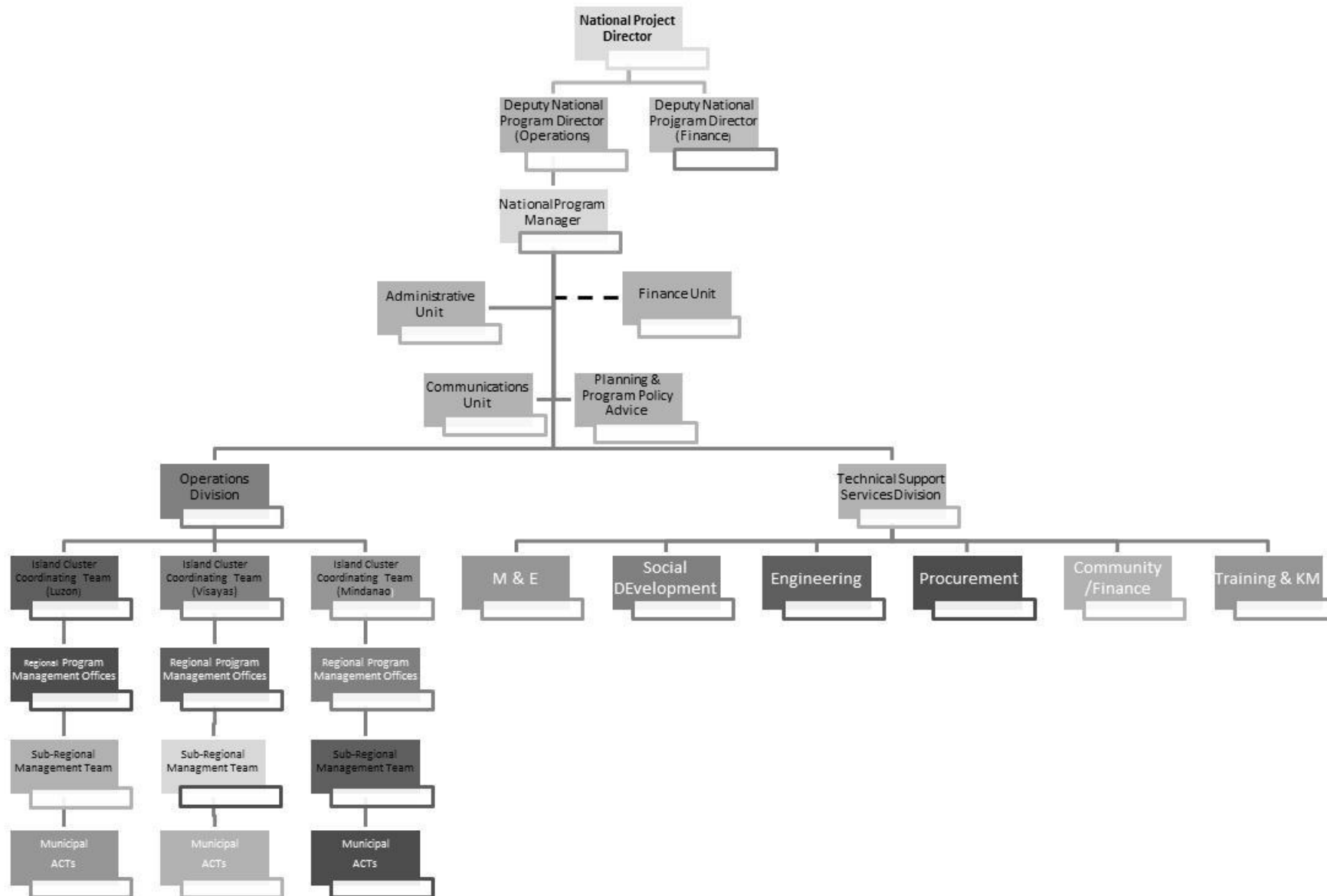
#### Barangay-level Planning

- During the NCDDP Pre-Appraisal mission, the task team conducted a series of meetings with the BUB oversight agencies (DBM, NAPC, DILG, DSWD) to discuss the institutional and implementation arrangements in municipalities where both KC/NCDDP and BUB are expected to operate in. In principle, there is agreement among the BUB oversight agencies that in such municipalities a harmonized participatory process at the barangay-level will be adopted, leveraging on an enhanced CEAC Manual. As the lead implementing agency for NCDDP, DSWD will facilitate and oversee the harmonized NCDDP-BUB process for the next BUB planning cycle for the 2015 national budget.
  - The Bank is supporting TA to develop the enhanced CEAC Manual under the NCDDP preparation.
- For cities and municipalities that will not be covered by NCDDP, the BUB oversight agencies are pursuing enhancements to the current BUB participatory process, which was implemented at the municipal/city-level in the initial BUB planning cycles for the 2013 and 2014 national budgets, by deepening the participatory process to ensure citizen engagement at the barangay-level. In terms of the facilitation of the BUB process at the barangay-level, there have been initial discussions for DSWD to take the lead role but the final decisions will be determined once the enhancements to the process have been finalized.
  - For cities and municipalities not covered by NCDDP, the Bank is supporting TA to provide the BUB oversight agencies with policy recommendations for enhancing the current BUB process to deepen the participatory process to the barangay-level by building on the lessons from KC and from the on-going work to develop an enhanced CEAC Manual.
- In summary, the BUB oversight agencies are cognizant of the impact of the NCDDP scale-up on the BUB and have defined their priorities and strategies for institutional and implementation arrangements in both municipalities where NCDDP and BUB are expected to operate in and in cities and municipalities that will not be covered by NCDDP.

#### Integrating Barangay-level Planning to Municipal and City Planning and Budgeting

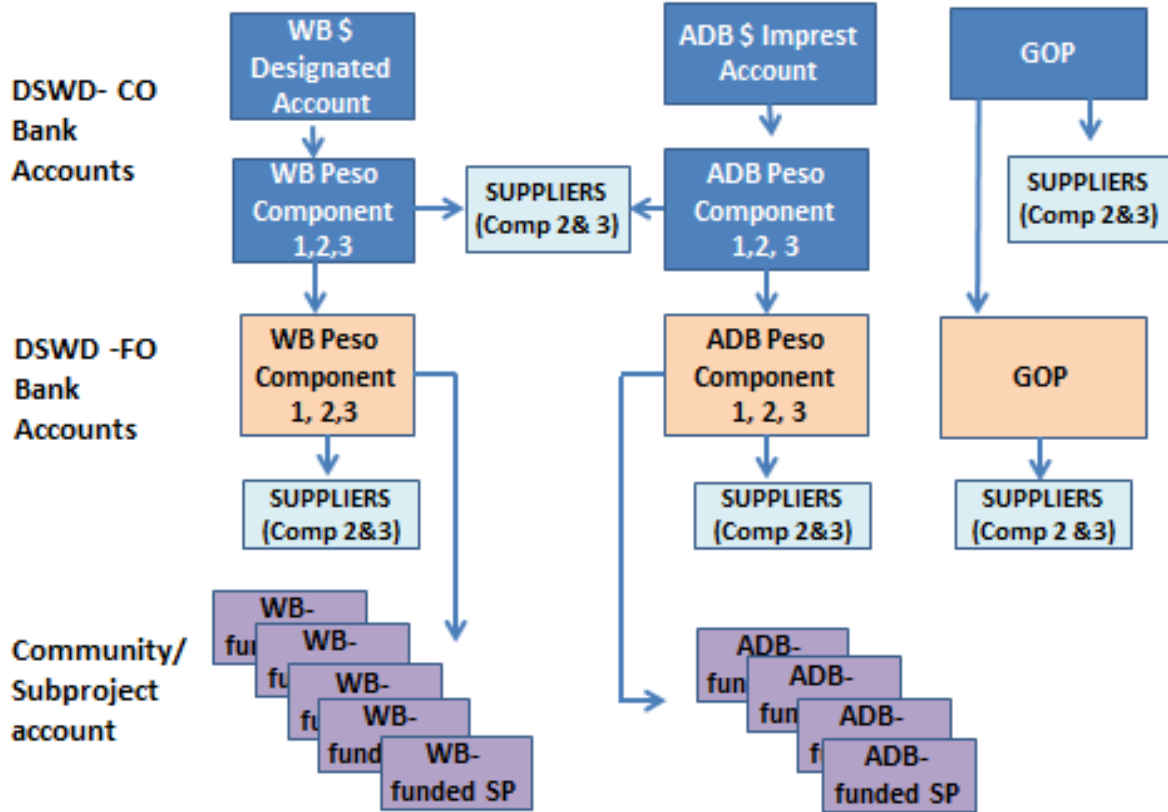
- Recognizing that the initial BUB planning cycles for the 2013 and 2014 national budgets were not implemented in harmonization with LGU budgeting and planning processes, the BUB oversight agencies are seeking to adopt policy reforms to the JMC No. 1 of 2007 that integrate the BUB process into LGU planning and budgeting guidelines. Even as studies to strengthen barangay-level participatory planning for both NCDDP and non-NCDDP areas are on-going, the BUB oversight agencies have set clear expectations that the enhanced processes emerging from the recommendations of these studies will be integrated into a single reformed LGU planning and budgeting process that adopts BUB goals and principles and is applied to all cities and municipalities.
  - The Bank is supporting TA to provide the BUB oversight agencies with policy recommendations for integrating the BUB process into existing LGU planning and budgeting processes and guidelines.

**Annex 4: Proposed NCDDP Organization Charts**



**Annex 5: NCDDP Fund flow Arrangements (including different agency \$ flows)**

**DISTINCT SUBPROJECT FINANCING**



## **Annex 6: Agreed-upon Operational Adjustments and Requirements for Further Clarification**

### **I - CEAC Streamlining and NCDDP in Special Contexts:**

#### **A. CEAC Streamlining**

The mission took stock of the progress made on the CEAC simplification and streamlining process which is currently ongoing. The consultant working with DSWD on this activity (Ms. Corinne Canlas) has completed a series of consultations with both the NPMO and the NIAPT. Overall, agreements were reached on: (i) the use set criteria for sub-project prioritization that would give greater weight to proposals from poorer or more remote barangay, IP areas and conflict affected areas; (ii) the provision of additional guidance to communities on overall sub-project prioritization; (iii) adjustments to the representation process to contain/try to address potential elite capture/interference from MLGUs; and (iv) on the overall simplification of procedures.

The streamlining process is currently ongoing with the final output expected at the end of April for review by the KALAHI-CIDSS National Steering Committee.

#### **B. DRM Contingency Component**

The mission agreed with DSWD on the inclusion of a DRM Contingency Component in NCDDP and reviewed the triggers to be used for the simplified emergency procedures. These will be the declaration of a state of emergency at both the national and municipal levels (to give MLGU greater flexibility to respond to local emergencies).

DSWD clarified its concerns about its ability to fully replenish funds used under the DRM component from the GoP's Local Disaster Risk Reduction and Management Fund (LDRRMF). It was therefore agreed that the positive list of activities to be developed for the DRM component will focus on rehabilitation and early recovery (and not relief activities). This approach is in line with the World Bank's findings in post-disaster Social Impacts Assessments (2009 and 2011), which indicated that while relief is readily available at community level, there are gaps in early recovery speed and coverage.

The World Bank and DSWD teams agreed that a specialized consultant would be brought on board to develop: (i) how-to guidance for Area Coordinators on the integration of DRM consideration in CEAC; (ii) the detailed operational procedures (including simplified procurement process) for the DRM Contingency Component. The consultant will be contracted/supervised by the WB team and outputs are expected to be completed by Mid-June 2013.

As outlined in the main AM text above, it was agreed that DSWD would confirm to the World Bank team by the end of March 2013: (i) the specific nature of the "trigger", (ii) the activities that will be included in the positive list (e.g., rehabilitation of public infrastructure but also that of private property - housing reconstruction and field clearing), (iii) if and under what conditions future municipal block grant allocations may be advanced in response to disaster needs, and (iv) if and when might the LDRRMF be used to replenish a municipal block grant allocation.

#### **C. NCDDP in Indigenous Communities**

The World Bank and DSWD team agreed on the changes to the criteria setting process that would give greater weight to proposals from IP communities (to be reflected in the overall CEAC manual). The teams further agreed on the need for additional capacity building for CFs and CVs on how to implement the CEAC in these areas. The mission would like to commend DSWD on taking forward discussions with NCIP on the roll-out of NCDDP to IP areas as agreed during the previous mission.

As with the DRM contingency a specialized consultant will be brought on board to develop: (i) guidance for field team on how to implement the CEAC process in IP areas (including additional PSA tools, training of CVs, focus on IPRA and land issues); (ii) ToRs to Regional staff specializing on IP; and (iii) support the development and formalization of the protocol with NCIP. The outputs of the consultancy are expected to be completed by mid-June 2013.

## **II - Gender Mainstreaming**

The World Bank and DSWD teams agreed on main changes to be included in the CEAC gender guidance note as follows: (a) development of additional PSA tools; (b) additional guidance for facilitators - focusing on the basic gender mainstreaming steps and on additional guidance for those facilitators that will work in more challenging areas (mostly IP areas where there are higher barriers to women's participation); (c) guidance for ACTs (DACs) on task planning to promote greater female participation in the sub-projects paid labor component.

The mission also agreed on the collection of gender disaggregated data: (i) on barangay assembly participation - in the project's Results Framework- ; (ii) on leadership positions in community committees; and (iii) in the paid labor component of the project. A target of 30% female participation has been set for sub-project paid labor

Finally, the operationalization of gender mainstreaming activities will be done in manner similar to that of the DRM and IP adaptations to CEAC, with a third specialized consultant brought on board to develop the necessary "how to" guidance. The outputs will equally be made available by mid-June 2013.

## **III- Operational and Cost Implications of CEAC Adaptations**

In addition to the guidance notes/facilitation materials to be developed the World Bank and DSWD team agreed on following adaptation to training and staffing to further operationalize the CEAC adaptation to special context (and the enhancement of the gender mainstreaming approach):

- 1. Staffing:** While the ratio of communities to CFs has been reduced from 5:1 to 4:1 Regions will be given the flexibility to make further adaptations and further reduce the ratio in IP and conflict affected areas. Based on the discussions held during the mission, there is sufficient flexibility in the budget (with cost savings likely to result from a reduction of sub-regional staff) to make this approach feasible. In addition, revised staffing ratios at Regional level would allow Regions to have multiple SDU staff that can specialize in key areas (gender, IPs, Conflict, DRM) based on the profile of the specific region.
- 2. Training:** The DSWD and WB teams agreed on the need to add further training days to the existing curriculum to train field teams on CEAC enhancements. Taking into account budget limitations 2-day modules for each topic would be implemented and its cost covered under the NCDDP loan agreement. Additional training sessions (that would provide deeper knowledge of these topics) may be considered under the TA provided by partners (ADB, AusAID) - this would, however, constitute a second step once basic training has been developed and rolled-out given the scale and pace of the proposed NCDDP scale-up.

In order to develop detailed staffing and training plans (as well as regional budgets) the DSWD team will hold a workshop with Regional Office between the 5th and the 8th of March. In order to estimate costs and allocate the funds needed for the above adaptations, DSWD will map out priority municipalities and regions where the focus on DRM, IP communities and conflict will be required. It was agreed that the detailed staffing/training plans would be shared with the WB on the 15th of March and that ToRs for new positions would be sent to be WB for NoL.

## **Annex 7: Preliminary TORs for Further Streamlining of M&E Forms and Systems**

While a number of worthwhile improvements have been made to the M&E system over the past couple of years (simplifications of some of the forms, planned roll-out of a new Project Information Management System), there is a need to streamline the systems to deal with the scale-up to 900 municipalities. Of particular importance, the team needs to review the systems to ensure that the right data are available in a timely manner. The focus of the review will be on the quantity and quality of data to be collected and inputted as well as on the IT structure of the databases and how the data are analyzed and results are disseminated.

The process will involve the organization of a two-day workshop with national, regional and municipal M&E staff to discuss issues with the system: data collection forms, data quality, data input, data analysis, report writing, dissemination and the IT system. The workshop will be preceded by a national M&E team meeting to start fleshing out some of the issues. As an input to the workshop, using available information, a list of all the data that are currently being collected, indicating whether the data are inputted in the database and which unit is using the data for what purposes will be prepared.

In addition to reviewing the forms, the workshop will explore the following questions:

1. How to best organize data collection? That is, should CFs or community volunteers be responsible for filling the forms?
2. How to ensure that data are inputted in the database in a timely manner? That is, what kind of incentives should be implemented to ensure that data encoders are inputting the data on time?
3. Review of the IT system
4. Reporting formats and feedback to municipalities
5. How to best organize the municipal assessments? Is it feasible to organize them in each municipality at the end of every cycle? Should CSOs contracted out to carry out the process?

One of the workshop's output, building on the above-mentioned table, will be a table listing for each field in each of the M&E form:

1. Who is responsible for filling the form?
2. When are the forms expected to be filled?
3. How many data points are (e.g., for the field last name in the barangay assembly form: how many names are included on average?)
4. Which unit uses the information?
5. For what purposes?
6. Is the data inputted in the database?
7. If so:
  - how much time does it take to input the data?
  - is the information collected considered be reliable?
  - how are the data processed and analyzed?
  - how are the results disseminated?

This list will be discussed with each of the unit heads (SDU, finance and engineering) to validate the results and agree on fields that can either be removed from the forms or that still need to be collected but do not need to be inputted in the database. For example, while it is probably necessary to have all participants in barangay assemblies fill the barangay assembly attendance sheet (to meet COA requirements), there is no need to input all the information in the database. Similarly, data from the barangay profile form might not have to inputted in the database.

A consultant working for the ADB, and who used to be part of the KALAHI-CIDSS M&E team, will support the M&E team in the initial stages of the process. However, NPMO will need to write TORs

and hire a consultant who will be responsible for producing the outputs described above. This consultant will be hired through the NCDDP preparation grant.

In addition, after the discussion with the various unit heads, the consult will prepare a list of concrete and specific recommendations on how to update the system. Of particular interest, for each form, the consultant will identify fields that can be deleted from the forms. In addition, for the fields that need to be kept, the consultant will distinguish between fields that need to be inputted in the database and the ones that do not. Those recommendations will be taken up when the M&E manual is revised for NCDDP.



**Annex 8: Budget Note on Program Cost-sharing between World Bank and ADB**

1. Total cost reduced by P90M to follow NEDA Board approved cost of P45.9B. Said amount was deducted from the GOP portion of Component 2 but which did not affect the percentage share of each component versus total cost. As mentioned during the Mission, any budget gap/shortfall during actual implementation that may happen during actual, for whatever reasons, shall be borne by the GOP.
2. LP share is present in all cost items under all Components to have flexibility in charging during actual implementation.
3. Per discussion with ADB, they are not able to finance Salaries and Admin cost. Hence, the LP share of said cost items shall be 100% financed by WB.
4. The following are the Givens in determining the LP-GOP share.
  - a. 100% loan financing of community grants (absolute based on KC experience)
  - b. GOP share per FOA minus the P90M excess based on NEDA approval
  - c. WB-ADB loan share of 57-43
  - d. Number 3 above
  - e. The above determinants resulted to a 15-85 WB-ADB share for trainings under component 1 and 2.
5. CY2013 LP share shall be advanced by GOP for retroactive financing using the 57-43 WB-ADB share.
6. Foreign exchange used is P40.60.