

**SUPPLEMENTARY DOCUMENT 2:  
OVERVIEW OF COMMUNITY-DRIVEN DEVELOPMENT AND THE KAPIT-BISIG SA  
KAHIRAPAN–COMPREHENSIVE AND INTEGRATED  
DELIVERY OF SOCIAL SERVICES PROJECT**

**A. Community-Driven Development**

1. Community-driven development (CDD) is about putting resources directly under a village or community decision-making process to engage the beneficiaries themselves in local development. CDD projects typically feature investment components, usually small infrastructure construction, and support for capacity-building; and in several large, ongoing programs, these components are implemented in conjunction with policy and institutional reforms aimed at government decentralization. While there are variations to this theme, most CDD projects share salient features of community planning, direct control of funds, community execution of subprojects, and community audits. A key element is the provision of resources, usually in block grants, directly to communities to implement development programs or projects.

2. The World Bank (WB) defines CDD as an approach that gives control over planning decisions and investment resources for local development projects to community groups. The Asian Development Bank (ADB) has adopted five defining elements of CDD, namely (i) a community focus, (ii) participatory planning and design, (iii) community control of resources, (iv) community involvement in implementation, and (v) use of community-based participatory monitoring and evaluation to ensure downward accountability to the community.

3. Introduced in the mid-1990's, CDD projects have been implemented in more than 100 countries, including 25 in the Asia and Pacific region. The WB has funded more than 500 CDD projects, totaling more than \$14 billion as of 2009; and ADB has financed over 80 projects with CDD characteristics throughout Asia and the Pacific, including 10 in Indonesia from 2001 to 2007. Since 2008, ADB has supported the Rural Infrastructure Support for PNPM-Mandiri (RIS-PNPM) Project of the Ministry of Public Works. The RIS-PNPM, one of the core programs of Indonesia's PNPM-Mandiri, supports community facilitation and mobilization and rural infrastructure community projects in the four provinces of Jambi, Lampung, Riau, and South Sumatra.

4. Most investments are aimed at improving local rural infrastructure and public facilities (community irrigation systems, rural roads and electrification, water supply and sanitation, basic education and health facilities) and in locations where local government capacity is limited or absent, including post-conflict or natural disaster-affected areas. Several flagship CDD programs are ongoing, long-term investments in a government decentralization process whereby resources and responsibilities for local development are devolved to local government units and community-based organizations. The largest example is the *Kecamatan* Development Program (KDP) in Indonesia that has morphed into a multi-donor supported program—the National Program for Community Empowerment or the Indonesian PNPM-Mandiri National CDD Program, currently the largest CDD operation in the world—aimed at accelerating the achievement of MDG targets by 2015 in over 6,000 sub-districts covering 78,000 villages.<sup>1</sup>

5. **CDD works.** There is empirical evidence validating CDD as an effective approach in transferring resources for small-scale activities, especially construction of tertiary infrastructure;

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<sup>1</sup> PNPM-Mandiri is the *Program Nasional Pemberdayaan Masyarakat*, or the National Program for Community Empowerment.

and in creating the institutional connections necessary to engage and benefit poor communities. The benefits from success stories include (i) better targeting of the poor; (ii) faster disbursement of funds at lower costs compared to government-contracted projects; (iii) well-constructed infrastructure; (iv) higher economic returns; (v) high participation of women and the poor, and (vi) high employment generation.

6. A recent estimate shows a sizeable increase in incomes (by 10%–14%) of some 24 million people in Indonesia.<sup>2</sup> Studies have shown an increase in household incomes by 10%–12% for income-generating subprojects and rates of return reaching up to 70% for small infrastructure subprojects.<sup>3</sup> Compared to households in areas where CDD has not been implemented, studies have shown that CDD increases the likelihood of poor households moving out of poverty by 9.2% more.<sup>4</sup>

7. Extensive quantitative evaluations conducted on the KDP—the main predecessor of PNPM Mandiri—report that village infrastructure projects supported by the KDP have an average economic internal rate of return of more than 50%, well above other non-CDD rural infrastructure projects implemented in similar geographic areas of Indonesia.<sup>5</sup> Rates of return range from 24.1% for the Community Empowerment for Rural Development to 50.7% for the KDP (Table 1). These rates are much higher than that of the non-CDD Rural Water Supply and Sanitation Project (RWSSP) also funded by ADB, which yielded only 4%. Similarly, shallow tube well irrigation projects in Nepal compare the performance of CDD versus non-CDD projects. The CDD wells are better maintained and they deliver water at a lower cost (Araral, 2009).

**Table 1: Economic Analysis of Completed CDD Projects, Indonesia**

Projects	Type of Project	Rates of Return (%)
Community Empowerment for Rural Development	CDD	24.1
<i>Kecamatan</i> Development Program	CDD	50.7
Program <i>Pengembangan Prasarana Perdesaan</i>	CDD	46.2
Rural Water Supply and Sanitation Project	Non-CDD	4.0
Water Supply and Sanitation for Low Income Communities	CDD	34.5

CDD = community driven-development.

Source: *Badan Perencanaan Pembangunan Nasional* (BAPPENAS), Indonesia, 2005.

8. Infrastructure built through CDD programs also cost much less (by about 40%) than similar works built through other procurement methods while meeting quality standards. Studies also found that CDD projects are likely to offer better cost recovery and operations and maintenance (O&M) of completed infrastructure facilities and services due to community members' strong sense of ownership. Finally, CDD targeting approaches help ensure that benefits accrue to the poor.

9. A comparison of the Philippine's *Kapit-Bisig Laban sa Kahirapan* (Linking Arms against Poverty)—Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) and Indonesia's KDP show consistently good cost savings (Table 2).

<sup>2</sup> WB. 2007. Papanek, Impacts of PNPM.

<sup>3</sup> Poverty Alleviation Fund. 2007. *Preliminary Results of the Study on Rates of Return and Impact of Poverty Alleviation Fund on Incomes*. Nepal.

<sup>4</sup> J. Voss. 2008. *Kecamatan* Development Project 2nd Phase Impact Evaluation and PNPM – Rural Baseline Study.

<sup>5</sup> The KDP has been incorporated into the PNPM-Mandiri Program and renamed PNP-Rural.

**Table 2: KALAHI–CIDSS and KDP Cost Savings Arising from the Use of CDD**

Project type	Philippines KALAHI–CIDSS	Indonesia KDP
Roads and bridges	8–59%	32%
Water Supply	71–76%	36%
Classrooms	7%	
Health Centers	44%	
Day Care	(20%)	
Irrigation		24%

KALAHI–CIDSS = *Kapit-Bisig Laban sa Kahirapan* (Linking Arms against Poverty) – Comprehensive and Integrated Delivery of Social Services; KDP = *Kecamatan* Development Program

Source: Van Domelen, 2007.

10. **Anti-corruption.** CDD's emphasis on accountability and transparency in decision-making and procurement has reduced corruption and funds leakage significantly. Corruption in the usual top-down approaches can easily degrade the quality of infrastructure projects and bloat their costs. Contractors may cut corners on materials as they pay bribes to government functionaries to get official approvals. However, by involving the people in the planning and construction of their infrastructure, they are mobilized against fraudulent spending. For example, there was almost no corruption in the tube well irrigation projects of the Community Groundwater Irrigation Support Project in Nepal. The CDD shallow tube wells were only a fourth or a fifth of the cost of the non-CDD equivalents. The farmers had paid for the full cost of the tube wells, so they had a strong incentive to guard their project.

11. **Inclusion.** CDD bottom-up planning processes present more opportunities for the inclusion and participation of poor women and other disadvantaged groups in community and local governance processes.

12. **Sustainability.** CDD projects tend to be more sustainable partly because of motivational reasons. The projects are important to the livelihood and quality of life of the community residents. Hence, they have a stronger impetus to maintain the infrastructure, as compared to say, national government officials. Superior maintenance due to CDD also arises from informational reasons. It is much cheaper for community members to obtain, process, and share information about the state of their infrastructure, as compared with government agents. They last longer because the community has set up O&M mechanisms. And they are better located, as they are the fruit of negotiation sessions within the community. CDD day-care centers are found in locations nearer to the villages (in contrast with centers built on remote land donated by the better-off). These projects have also proven appropriate for modest-sized community infrastructure, ranging from water supply systems via rainwater collection, pumps, or springs, irrigation systems, flood control canals, ports, sea walls, rural roads, electrification, classrooms and clinics, public markets, community halls, and day care centers.

13. **CDD and Disaster Recovery.** The CDD approach has been increasingly recognized as an effective approach to post-disaster recovery and rehabilitation.

- (i) CDD can deliver cash transfers relatively quickly to purchase basic household necessities for the most needy in remote communities. This can be based on the needs list generated by the village council/ assembly.

- (ii) **Village level infrastructure recovery.** CDD is an excellent mechanism for short to medium term rehabilitation of damaged village infrastructure, and for building replacements or new village infrastructure. It will also prevent surrounding areas less hit by the calamity from being swamped with internally-displaced people, or from being burdened by post-disaster inflation. Such an influx would otherwise require extra funding to address it.
- (iii) **Assists Disaster Response Coordination.** Local governments are often overwhelmed, paralyzed, and slow to react to post-disaster conditions on the ground. Through a CDD approach, communities can more quickly and accurately assess damage. They can prioritize rehabilitation and replacement, according to their intimate knowledge of their barangay needs.
- (iv) With CDD, information flows more quickly to the central disaster response coordinating agency through rapid community mapping of disaster impacts. Based on subprojects selected by the community to meet their needs, the central government or coordination agency can then target the unfunded gaps on the village needs lists.
- (v) **Scalable.** With CDD systems, procedures, and funds flow mechanisms in place, national and local governments can increase dramatically the allocation of block grants as part of disaster response. Block grants can be increased to take account of post-disaster inflation.
- (vi) **Adjust design to speed up CDD response.** Emergency funds allocated by the central government can be paid directly into a Special Account for disbursement in tranches adjusted to reflect needs on the ground.

## B. CDD in the Philippines<sup>6</sup>

14. The Kapit-Bisig Laban sa Kahirapan ahirapanig ve and integrated thDelivery of Social Services (KALAHI–CIDSS) is a CDD initiative of the Department of Social Welfare and Development (DSWD), which seeks to reduce poverty and vulnerabilities to poverty by addressing a lack of capacity and resources at the local level and limited responsiveness of local governments to community priorities. KALAHI–CIDSS design was influenced by DSWD’s Comprehensive and Integrated Delivery of Social Services Program and Indonesia’s KDP, a CDD initiative started in the 1990s.

15. **Objective and guiding principles.** The KALAHI–CIDSS seeks to “empower communities in targeted poor municipalities to achieve improved access to sustainable basic public services and to participate in more inclusive Local Government Unit planning and budgeting.” Its implementation is guided by the following basic principles: localized decision making, empowerment, transparency, community priority setting, inclusiveness, demand-driven, simple, and sustainable.

16. **Partnership.** The effort entails a partnership between the DSWD, the provincial government, the municipal government, and the *barangay*. At the start of the process, the

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<sup>6</sup> Excerpted from the *The Assessment of KALAHI–CIDSS in the Philippines: Sharing Knowledge on Community-Driven Development* (2012) prepared under Asian Development Bank Regional Technical Assistance-Sharing Knowledge on Community-Driven Development in Asia and the Pacific (RETA 7543).

DSWD Regional Director, the Provincial Governor, and the Municipal Mayor, sign a Memorandum of Agreement to spell out responsibilities. DSWD pledges to provide an area coordinating team, grants for the subprojects, grants for preparing subproject proposals, and linkages with national government agencies. The provincial local government unit (LGU) pledges to promote KALAHI–CIDSS, adopt participatory planning processes, provide complementary resources and technical assistance, and to monitor and evaluate municipal and *barangay* compliance to Project processes. The municipality pledges to pass ordinances to support KALAHI–CIDSS, provide local counterpart contributions, make accessible relevant information on the municipality, and uphold fiduciary processes. Later on when the subproject is completed, the DSWD, the municipal LGU, and the *barangay* (village), sign a Mutual Partnership Agreement to ensure the proper O&M of the subproject.

17. **Community Empowerment Activity Cycle.** The cornerstone of KALAHI–CIDSS approach is the community empowerment and activity cycle (CEAC). Each *barangay* that entered KALAHI–CIDSS since the project started in 2003 went through the CEAC three times (approximately once each year) during its engagement with the project. There are four stages in the CEAC (i) social preparation, (ii) subproject identification and development, (iii) subproject selection and approval, and (iv) subproject implementation (Figure 1).

18. The first stage is social preparation in which the key activity is a participatory situation analysis (PSA), a collective assessment of conditions by community volunteers chosen by their peers. *Barangay* residents subsequently validate the results of the PSA at a *barangay* assembly or meeting. The second stage is subproject identification and development in which the major activity is the criteria-setting workshop, where *barangay* representatives determine the quantitative and qualitative criteria for the selection and ranking of *barangay* proposals. The criteria guide *barangays* in the selection and preparation of their subproject proposals.<sup>7</sup>

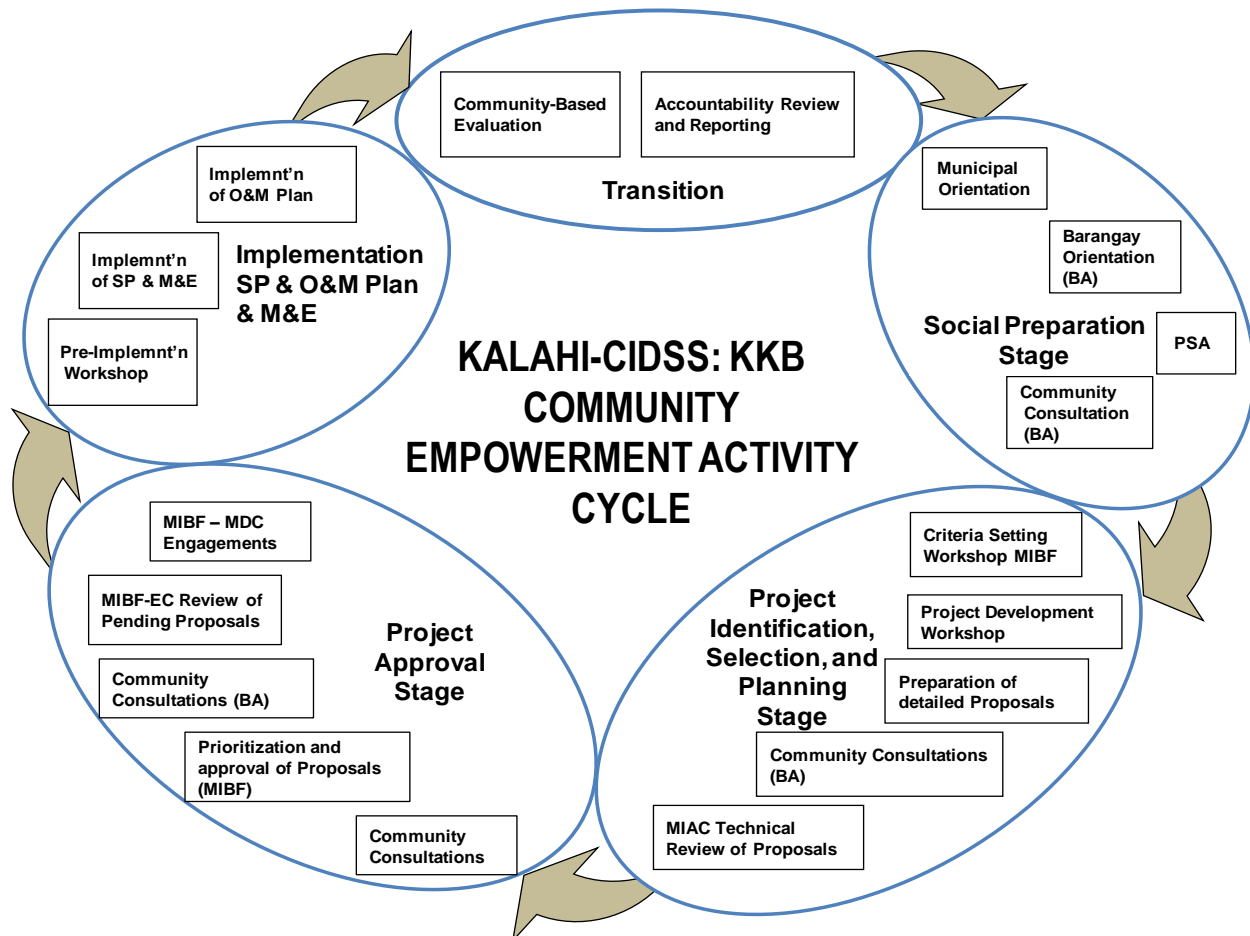
19. In the third stage, subproject approval phase, democratically elected *barangay* representatives convene in an inter-*barangay* meeting (known as the municipal inter-*barangay* forum) for the competitive ranking of subproject proposals using the criteria selected earlier. Communities with approved proposals then move to the fourth stage, subproject implementation, monitoring, evaluation, and O&M. During subproject implementation, community residents find new ways of working with each other, engage local government officials for technical support and counterpart resources, and learn about procurement and financial management. O&M plans and arrangements are also completed at this stage.

20. Finally, after the construction is completed and subprojects are about to become operational, communities undergo a transition stage before proceeding to a new CEAC. The transition involves a community-based evaluation to identify changes resulting from the residents' experience with the subprojects, accountability reporting, and review to determine the performance of different stakeholders (*barangay* residents, KALAHI–CIDSS staff, local government officials and staff, and other donors) in the delivery of subproject commitments.

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<sup>7</sup> The criteria are formulated collectively by community volunteers, *barangay* leaders, LGU officials, and civil society organizations. The most common is “consistency with development directions set” or that the proposals should address well the problems identified by the community. Responsiveness to municipal development directions is also cited. Urgency may be another standard: providing immediate solutions to the said needs. The degree of poverty of each area may be another criterion, as seen in data on deprivations like the lack of water. Giving more weights to the more isolated areas may be considered. The forum may choose specific principles like environmental protection and disaster risk reduction. Feasibility of the subprojects and compliance with documentary requirements are basic norms as well.

Figure 1. The Community Empowerment Activity Cycle



BA = *barangay* (village) assembly, EC = executive committee, KALAHI-CIDSS = *Kapit-Bisig Laban sa Kahirapan* (Linking Arms against Poverty)–Comprehensive and Integrated Delivery of Social Services, MDC = municipal development council, M&E = monitoring and evaluation, MIAC = municipal interagency committee, MIBF = municipal inter-*barangay* forum, O&M = operation and maintenance, PSA = participatory situation analysis, SP = subproject. Note: Although this figure uses the term “project” to describe the community empowerment activity cycle at the local level, such projects are considered to be subprojects at the *barangay* level here and elsewhere in the report. Source: KALAHI-CIDSS National Project Management Office. Field Guide for KALAHI-CIDSS: KKB Area Coordinating Teams—CEAC Operations Manual. Unpublished. 5 February 2007.

21. **First stage of KALAHI-CIDSS.** The first stage of KALAHI-CIDSS ran for 8 years (2003–2010) at a cost of \$182 million. About 54% of this amount was funded through a WB loan. The remainder was contributed by the Government of the Philippines (through the DSWD as the executing agency), beneficiary communities, and participating local governments. KALAHI-CIDSS-1 was implemented in 42 provinces, representing over 50% of all provinces in the Philippines, whose poverty incidence was higher than the national average incidence of poverty in 2002. The provinces were selected on the basis of their relative incidence of poverty and human development index.

22. **Barangay grants.** The DSWD provides two types of grants to participating *barangays*: planning grants and investment grants. Planning grants support participatory planning processes and activities of local communities as well as technical assistance to ensure proper

implementation. Investment grants support *barangay* proposals to implement subprojects that respond to community-identified needs. The identification and approval of subprojects are subject to a negative list<sup>8</sup> to exclude the following:

- (i) Weapons, chainsaws, explosives, pesticides, insecticides, herbicides, asbestos, and other potentially dangerous materials and equipment;
- (ii) Fishing boats and nets above the prescribed size and weight set by the Fisheries and Aquatic Resources Bureau;
- (iii) Road construction into protected areas;
- (iv) Use of project funds for purchase of or compensation for land;
- (v) Micro-credit and livelihood activities which involve on-lending of project funds;
- (vi) Maintenance and operation of facilities provided with project funding;
- (vii) Activities that have alternative prior sources of committed funding,
- (viii) Recurrent government expenditures (e.g. salaries for government and LGU staff);
- (ix) Construction or repair of government offices, meeting halls, and places of religious worship;
- (x) Political and religious activities, rallies, and materials;
- (xi) Salaried activities that employ children below the age of 16 years;
- (xii) Activities that unfairly exploit women or men at any age;
- (xiii) International travel; and
- (xiv) Consumption items or events.

23. **Makamasang Tugon.** When KALAHI–CIDSS was struggling through its first steps, practitioners feared elite capture and thus wanted to minimize the influence of the LGUs. Over time the local governments got more involved so as to ensure that the subprojects would be sustainable. Some municipal LGUs were outstanding in supporting CDD: they hired KALAHI–CIDSS staff as their employees, passed resolutions to uphold CDD, and deployed creative funding mechanisms to finance community subprojects. A formal mechanism to tap LGU dynamism was thus needed.

24. This is the *Makamasang Tugon* (MT) or the mass-based approach, a modality that puts the LGUs at the forefront of the program. The latter are responsible for implementing it, while DSWD continues oversight functions. DSWD recruits and train the municipal monitors as its technical assistance to the LGUs. Serving as the partner for the whole effort is the Department of the Interior and Local Government (DILG). MT was pilot-tested in 2008, encompassing 782 *barangays* in 33 municipalities that were chosen after they passed through a set of filters.

25. MT now schedules the community facilitation process to fit the calendar of the LGU planning practice. It thus institutionalizes participatory processes into local governments.

26. **Benefits and Impact of KALAHI–CIDSS.** An earlier study revealed that the KALAHI–CIDSS project is economically beneficial with a 21% economic internal rate of return.<sup>9</sup> The rates of return for the subprojects ranged from 16% for day care centers to 65% for water supply projects. Furthermore, the KALAHI–CIDSS project appears to be cost effective compared with traditionally implemented infrastructure projects in the Philippines. The unit cost of infrastructure in the project is generally lower than those of other government agencies, with cost differences

<sup>8</sup> DSWD. 2011. *KALAHI CIDSS Operations Manual*. Manila.

<sup>9</sup> E. Araral and C. Holmemo. 2007. *Measuring the Costs and Benefits of Community Driven Development: The KALAHI–CIDSS Project*. Washington, D.C.

ranging from 8% for school buildings to 76% for water supply subprojects. This is mainly because the project is able to save on the contractor's profit, which accounts for about 15%–25% of cost, the 10% value added tax, and costs for road right of way. The latest evaluation study on KALAHÍ–CIDSS showed that per capita consumption increased by 12% (even 19% for poor families) as a result of the project and an increase in the non-food share of consumption (5 percentage points).<sup>10</sup>

27. The KALAHÍ–CIDSS is an effective and well-managed project with positive effects on several dimensions of poverty. KALAHÍ–CIDSS has been especially effective in the following:

- (i) Facilitating broad-based participation of community residents, including special groups, by establishing or reinvigorating grassroots institutions that promote inclusive decision making and effective action;
- (ii) Enabling communities to implement quality subprojects that address local needs and sustain delivery of basic services to their intended beneficiaries;
- (iii) Providing community residents with valuable experience in subproject management that enables them to exercise voice, hold their leaders accountable, and deal with attempts to misappropriate CDD funds; and
- (iv) Creating space for the collaboration of LGU officials with community residents in subproject management, thereby initiating the institutionalization of participatory, transparent, accountable, and responsive principles and practices into local planning and budgeting processes.

### C. Applying Lessons Learned from CDD Research into the NCDDP

28. This matrix notes how studies on KALAHÍ–CIDSS and Indonesia's PNPM-Mandiri have informed the design of the KALAHÍ–CIDSS National Community-Driven Development Project (KC-NCDDP). The left column cites the studies, while that on the right often quotes from the KC-NCDDP proposal of May 31, 2012.

Recommendations, as Quoted Directly from Studies and Reports	Decisions Taken
ADB. 2012. Sharing Knowledge on Community-Driven Development: The KALAHÍ–CIDSS Project in the Philippines. Manila	
A training institute on CDD will be established for agency implementers and field staff. The CDD institute will perform a key role in building the staff capacity of CDD units as well in provincial and municipal LGUs engaged in local CDD implementation.	The KC-NCDDP proposal calls for the creation of a CDD institute. DSWD will likely house it.
Finally, the design process to scale-up CDD into a national strategy for Philippine development will benefit from a review of Indonesia's National Program for Community Empowerment, <i>Program Nasional Pemberdayaan Masyarakat-Mandiri</i> (PNPM-Mandiri).	This study was conducted, and the many of the lessons derived from PNPM-Mandiri are being implemented, as shown below.
The Philippines/World Bank Preparation Mission National Community Driven Development Program (P127741) Final Aide Mémoire. April 30, 2012	
For the KC-NCDDP scale-up, it was proposed earlier to include all rural municipalities with poverty rates above the national average of 33% (as per the 2003 small area	The KC-NCDDP will cover rural municipalities whose poverty incidence is worse than the national average of 26.5 percent, as per the

<sup>10</sup> J. Labonne. 2013. *The KALAHÍ–CIDSS Impact Evaluation: A Revised Synthesis Report*. Manila.



Recommendations, as Quoted Directly from Studies and Reports	Decisions Taken
estimates data).	2009 Small Area Estimates of poverty.
The World Bank task team recommended that urban areas should not be covered under NCDDP. The reason is that the design for a CDD program would likely be quite different for urban versus rural areas.	DSWD will pilot Urban KALAHÍ–CIDSS, which emphasizes projects far different from those of the existing KALAHÍ–CIDSS. However, Urban KALAHÍ–CIDSS is not part of the NCDDP.
The task team recommended that the NCDDP also extend to the ARMM, and encompass those existing CDD operations/ components under the ARMM Social Fund and the Mindanao Trust Fund-Rural Development Program, while allowing for different governance arrangements and processes relevant to these conflict affected areas.	The ARMM/Bangsa Moro areas will get CDD assistance, but outside the NCDDP.
One lesson learned from the KALAHÍ–CIDSS impact evaluation is that KALAHÍ–CIDSS impacts are larger on poorer households, so the program should focus upon poorer areas.	NCDDP will cover rural municipalities whose poverty incidence is worse than the national average. Poverty incidence reaches as high as 78 percent in the KC-NCDDP municipalities.
Block grants should also be based upon per capita amounts rather than a fixed per <i>barangay</i> amount, as currently occurs under KALAHÍ–CIDSS.	According to the NCDDP proposal, DSWD is considering an allocation of municipality grants up to P20 million per municipality per cycle. This depends on the extent of poverty and the population of the municipality.
The KALAHÍ–CIDSS impact evaluation showed that there were no impacts on per capita consumption for areas receiving less than PHP 260/ capita/cycle. Therefore, the WB recommends a minimum per capita amount of PHP 260 per cycle (US\$6.5).	<p>Allocations in KC-NCDDP are based on population and poverty incidence.</p> <p>The variable grant allocations per municipality per capita are:</p> <p>Php600 for municipalities with poverty incidence (pi) over 60%;          Php500 for pi=40% to &lt;60%; and          Php300 for pi below 40%.</p>
<p>CDD and local government programs in other countries demonstrate the value of having multiple rounds of grants to the same municipalities year after year. The gains are seen in increased community and local government participation and development of skills in project and financial management; through repeated practice, <i>barangay</i> residents become more skilled at the participatory procedures and management of funds.</p> <p>Second, multiple rounds of grants increase the investments made into a community to build vital economic and social infrastructure, also increasing the chances of poverty reduction. <u>The WB recommends a minimum of four annual cycles of funding per municipality.</u></p>	<p>According to the NCDDP proposal, all new targeted poor municipalities and existing KALAHÍ–CIDSS municipalities with implementation to be carried forward to NCDDP shall receive up to 4 cycles of grant allocations (inclusive of the funding cycles previously received from KALAHÍ–CIDSS).</p> <p>While the “4 times rule” will be observed in general, KC-NCDDP will also consider a longer number of cycles if it will be determined that extremely poor municipalities shall require more than four funding cycles.</p>

Recommendations, as Quoted Directly from Studies and Reports	Decisions Taken
Raul Gonzalez. "The Indonesian PNPM-Mandiri Program: Lessons for Philippine CDD." Asian Development Bank, March 2012.	
<p><u>Area Targeting.</u> For a number of reasons, including the reliability of poverty data, area targeting is a particularly difficult exercise in any national CDD program... Compounding the problem is the reality that, even among supposedly well-off municipalities, there exist poor villages that would benefit greatly from participation in a national CDD program.</p> <p>The area targeting mechanism of PNPM-Mandiri may provide a solution to the above targeting difficulties. The PNPM-Mandiri design assumes 100% coverage of all <i>kecamatan</i> in Indonesia but differentiates the amount of assistance provided to <i>kecamatan</i> <u>on the basis of population and poverty incidence.</u></p>	<p>Allocations in KC-NCDDP are based on population and poverty incidence.</p> <p>The variable grant allocations per municipality per capita are:</p> <p>Php600 for municipalities with poverty incidence (pi) over 60%;          Php500 for pi=40% to &lt;60%; and          Php300 for pi below 40%.</p>
<p><u>Length of Support.</u> KALAHI–CIDSS currently operates on a three-cycle basis where each participating municipality is provided assistance for three funding cycles, or three years. This feature was incorporated into the KALAHI–CIDSS design based on the practice of the Indonesian KDP in 2003. At present, however, PNPM-Rural (and the other PNPM-Mandiri Core Programs) no longer limits its assistance to three cycles.</p> <p>The provision of continued assistance to poor communities is premised on evaluation findings, which have concluded that the significance of impact is directly related to the number of times that the communities have received PNPM-Mandiri funding assistance.</p> <p>Given the Indonesian experience, KALAHI–CIDSS should review its three-cycle policy.</p>	<p>According to the KC-NCDDP proposal, KC-NCDDP municipalities that shall have completed at least 4 funding cycles will transition from (i) "LGU-led and DSWD supported municipalities" into (ii) "LGU-led and inter-agency supported municipalities" (aka graduates).</p>
<p><u>Local Government Counterpart.</u></p> <p>The KC-NCDDP planners may wish to examine the PNPM-Mandiri system, which differentiates the cost-sharing requirements of local governments based on the poverty incidence in the area and the fiscal capacity of the <i>kabupaten</i> government.</p>	<p>According to the KC-NCDDP proposal, the KC-NCDDP shall require municipalities and communities to put up local counterpart contributions (LCC), which is 30% based on experience of the current DSWD KALAHI–CIDSS project.</p> <p>The KC-NCDDP will keep this LCC rule as much as possible, but also presently recognizes that very poor municipalities with low resources still find the said level of LCC as steep.</p> <p>Moreover the current required level of LCC at 30% may need to be reviewed. A level of LCC within the range of the current grassroots participatory budgeting process (formerly</p>

Recommendations, as Quoted Directly from Studies and Reports	Decisions Taken
	BUB) pilot (around 20%) may be more feasible.
One of the important objectives of the NCDDP is to build LGU ownership of the NCDDP. And one of the contentious issues is the control of funds. In this regard, it may be worthwhile for NCDDP planners to examine the current arrangement in Indonesia where the <u>PNPM-Mandiri funds are co-administered by the Program and participating local governments even if the latter do not physically handle the funds.</u>	In the Flow of Funds section of the KC-NCDDP proposal, the <i>barangay</i> government prepares the request for fund release (RFR) as well as the supporting documents. The municipal government reviews and endorses the RFR and the documents.
<u>Donor Coordination Mechanism.</u> KC-NCDDP planners should take a serious look at the (PNPM Support Facility or PSF) with the end-in-view of incorporating a similar facility into the design of the national CDD program. As a donor coordination mechanism, the PSF allows Indonesia to seize the initiative in setting development priorities.	There is no Filipino equivalent of the PSF. However, DSWD has been conducting joint general meetings with all the donors involved in KC-NCDDP: the Asian Development Bank, the World Bank, the Millennium Challenge Corporation, Poder Y Prosperidad dela Comunidad, Japan Social Development Fund Emergency Urban Grant, and the Government of Australia
Indefinite or as long as needed (original PNPM guideline was three funding cycles)	According to the KC-NCDDP proposal, KC-NCDDP municipalities that shall have completed at least 4 funding cycles will transition from (i) "LGU-led and DSWD supported municipalities" into (ii) "LGU-led and inter-agency supported municipalities" (aka graduates).
<i>Kecamatan</i> block grant per cycle computed on the basis of location, population and poverty incidence.	<p>Allocations in KC-NCDDP are based on population and poverty incidence.</p> <p>The variable grant allocation per municipality per capita are:</p> <p>Php600 for municipalities with poverty incidence (pi) over 60%;          Php500 for pi=40% to &lt;60%; and          Php300 for pi below 40%.</p>
(The local government contribution) depends on how the district is classified based on the two criteria of <i>fiscal capacity</i> and <i>poverty incidence</i> . Contribution can amount to 5%, 10%, 15% or 20% of total kecamatan grant depending on district classification.	Moreover the current required level of LCC at 30% may need to be reviewed. A level of LCC within the range of the current grassroots participatory budgeting process (formerly BUB) pilot (around 20%) may be more feasible.
Direct transfer of funds to village bank accounts.	The KC-NCDDP proposal indicates this in the Flow of Funds Section.
Implementation of village projects led and managed by village teams.	This is the current practice under KALAHI-CIDSS.

Recommendations, as Quoted Directly from Studies and Reports	Decisions Taken
Common set of M&E indicators to facilitate monitoring of implementation across all PNPM-Core programs.	The KC-NCDDP performance indicators are specified in ICC-PE FORM NO. 6 or the Results Framework
An interactive management information system that enables the central database to interact with the existing databases of the PNPM-Core programs.	DSWD has its internal KALAHÍ-CIDSS management information system. This is not (yet) made public, unlike the web-based database of the National Household Targeting System for Poverty Reduction (NHTS-PR).
ADB, 2009. Supporting Community-Driven Development in Developing Member Countries, Community-Based Development in Water and Sanitation Project, Manila.	
Maintain flexibility in the design of projects such that changes in implementation arrangements may be made based on progress and feedback from the monitoring and evaluation (M&E) system.	The KC-NCDDP is the current standard that has evolved from various models of KALAHÍ-CIDSS. In its early stages KALAHÍ-CIDSS was wary of local government involvement due to fears of elite capture. But being flexible, it adjusted to create a modality led by the LGUs, the <i>Makamasang Tugon</i> . The orientation of KALAHÍ-CIDSS is rural, but it is now pilot-testing an Urban KALAHÍ-CIDSS.
Establishment of a regular and functional M&E system is essential. For a flexible and responsive CDD design, M&E is not only a progress reporting mechanism but also a management tool that serves to advance sector reforms through CDD principles of accountability and transparency.	The KC-NCDDP adopts the tried and tested M&E system from KALAHÍ-CIDSS. The NCDDP performance indicators are specified in ICC-PE Form No. 6 or the Results Framework.
Project design should allow for flexible subproject implementation cycles.	The subproject cycle for communities which have had KALAHÍ-CIDSS experience is shorter than that for new entrants.
A planned implementation in batches or following the use of piloting should reduce, if not avoid, unforeseen implementation delays.	KALAHÍ-CIDSS has been resorting to piloting models before refining them for the mainstream roll-out.
Nepal. Fourth Rural Water Supply and Sanitation Sector Project (4th RWSSP) — ADB Loan 1464-NEP. Cited in ADB 2009, above.	
However, project implementation and management deteriorated toward the end of the project. This situation may have been precluded had more of these activities been the responsibility of the beneficiary communities rather than (the Department of Water Supply and Sewerage).	Under the KC-NCDDP, community management of the subproject is nurtured from the start: the <i>barangay</i> itself identifies its needed infrastructure, watches over its construction, monitors its funding, and ensures its maintenance.
Indonesia. Rural Water Supply and Sanitation Sector Project (Indonesia) ADB Loan 1352-INO. Cited in ADB 2009, above.	
The standard engineering designs for representative subprojects did not necessarily reflect the demands or conditions of the local community. Furthermore, it was noted that the local communities were not necessarily the authors of the village action plans as intended in the	These problems in quality are avoided under the KC-NCDDP, as the community chooses subprojects that reflect its actual demands and conditions. Given technical assistance, the <i>barangay</i> itself prepares and approves the

<b>Recommendations, as Quoted Directly from Studies and Reports</b>	<b>Decisions Taken</b>
project design. This resulted in significant subproject planning quality issues, including errors in the choice of appropriate technology.	plans for the infrastructure.
ADB. Project Completion Report: Agrarian Reform Communities Project (Philippines) (Loan 1667-PHI) 29 December 2009.	
Reference to the DMF. ADB and project staff continuously used the DMF to monitor project progress using the DMF, project staff were encouraged to enhance their efforts to reach measurable indicator targets.	DSWD worked closely with the ADB project team in crafting the DMF. The array of indicators provides the reference for ADB and DSWD to measure performance vis-à-vis targets.
Flexibility on Specific Investments. The project experienced changes in demand from targeted beneficiaries for specific investments of various subprojects... This flexibility enhanced the ability of the project to achieve its intended outputs, encouraged more participation, and ensured the sustainability of project investments.	Being demand-driven, the KC-NCDDP is by its very nature flexible, offering an open menu of subprojects though bounded by a negative list.
Multi-stakeholder Coordination. As the EA, the DAR was able to coordinate effectively all IAs at the central, provincial, municipality, and ARC level to work together administering the project.	Coordination with agencies is embedded in the structure, along the municipal, regional, and local levels. They participate via the Municipal Inter-Agency Committee, the Provincial Development Council, and the Regional Development Council.
The availability of counterpart funds to support the implementation of each subproject by each LGU should be carefully and comprehensively assessed, and detailed mitigation measures should be carefully planned and monitored, including any for potential parallel financing.	The KC-NCDDP proposal says, "the current required level of LCC at 30% may need to be reviewed. A level of LCC within the range of the current BUP pilot (around 20%) may be more feasible."
ADB. Project Completion Report: Infrastructure for Rural Productivity Enhancement Sector Project (Philippines) (Loan 1772-PHI) 12 November 2012	
The project demonstrated that successful LGU-led, demand-driven, decentralized implementation is a viable delivery mechanism for the planning, development, and management of rural infrastructure. The primary lesson is that advance action needs to be commenced prior to loan approval.	Long before loan approval ADB has moved rapidly on support for KC-NCDDP, recommending its organizational structure, designing the funds flow mechanism, exploring the involvement of the provincial LGUs, discussing training needs.
Placing support teams, including consultants, in the regions and zonal project offices is critical to providing LGUs guidance and technical assistance when and where needed.	The KC-NCDDP stresses decentralization, as the regional offices are empowered to process Requests for Fund Releases (RFRs) and to disburse grant tranches. The most seasoned staff members are to be sent to the regional offices.
Future projects should ensure that seamless, efficient, and simple funds disbursement processes are established that satisfy appropriate procurement and financial audit requirements.	In the NCDDP disbursement process, grants flow directly from regional bank accounts to the community sub-project bank accounts. Area Coordinating Teams in the municipality

Recommendations, as Quoted Directly from Studies and Reports	Decisions Taken
	ensure quality control in the preparation of the RFRs, so as to avoid delays in fund release.
The project has highlighted the need to provide ongoing O&M capacity building support and to monitor actual O&M implementation after loan closure. Future projects should incorporate provisions for executing agencies to establish O&M technical support teams.	NCDDP barangay volunteers are to be trained in O&M, to prepare O&M plans, and to implement them once the subprojects are constructed. The DSWD, the municipal LGU, and the <i>barangay</i> , sign a Mutual Partnership Agreement to ensure the proper O&M of the subproject. The LGUs provide technical assistance for O&M.

ADB = Asian Development Bank, ARMM = Autonomous Region in Muslim Mindanao, BUB = bottom up budgeting, DAR = Department of Agrarian Reform, DMF = data monitoring framework, DSWD = Department of Social Welfare and Development, EA = executing agency, KALAHÍ-CIDSS = *Kapit-Bisig Laban sa Kahirapan* (Linking Arms against Poverty)–Comprehensive and Integrated Delivery of Social Services LCC = local counterpart contributions, LGU = local government unit, NCDDP = National Community-Driven Development Program, NEP = Nepal, O&M = operation and maintenance, PHI = Philippines, RFR = requests for fund release.

Source: Asian Development Bank.

Lessons from DSWD Experience	Decisions Taken
Success with the <i>Makamasang Tugon</i> modality	<p>New municipalities will engage in CDD under the parameters of the initial KALAHÍ-CIDSS, which is led by the DSWD.</p> <p>Existing KALAHÍ-CIDSS municipalities which have not yet finished 4 cycles will follow the <i>Makamasang Tugon</i> modality, which is led by the LGUs but assisted by DSWD.</p>
Recognition of the special needs of the domains of indigenous peoples	The KALAHÍ-CIDSS CDD engagement with indigenous peoples is consultative and based on the mandate of RA-8371, the Indigenous People's Rights Act. There is close coordination with National Commission of Indigenous People (NCIP) at the regional and provincial levels.
Recognition of the vulnerability of disaster-prone areas, and those affected by climate change.	The KC-NCDDP will consider disaster response block grants that can be tapped by communities that suffer such catastrophes.
Recognition of the importance of provincial LGUs (PLGUs)	DSWD asked ADB to study how PLGUs can be integrated into the NCDDP process. Initial dialogues with the pilot PLGUs conducted in late 2012. They support CDD and are willing to provide local counterpart contributions. They are open to the creation of the Provincial Inter-Municipality Forum (PIMF).

ADB = Asian Development Bank, DSWD = Department of Social Welfare and Development, EA = executing agency, KALAHÍ-CIDSS = *Kapit-Bisig Laban sa Kahirapan* (Linking Arms against Poverty)–Comprehensive and Integrated Delivery of Social Services LCC = local counterpart contributions, LGU = local government unit, NCDDP = National Community-Driven Development Program.