

SUPPLEMENTARY DOCUMENT 3: THE PROPOSED NATIONAL COMMUNITY-DRIVEN DEVELOPMENT PROGRAM¹

A. Program Objective and Outcomes

1. The National Community-Driven Development Program (NCDDP) is the scaled up version of *Kapit-Bisig Laban sa Kahirapan* (Linking Arms against Poverty)–Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS), a 10-year old tested program of community-driven development (CDD). It incorporates lessons learned from research and experience from KALAHI-CIDSS pilots and Indonesia’s CDD program. Its development objective is “communities in targeted poor municipalities empowered to achieve improved access to services and to participate in more inclusive local planning, budgeting and implementation.”

2. The NCDDP’s target outcomes are (i) empowered communities [20,691 *barangays* or villages],² (ii) responsive local governments [900 “poor” municipalities], and (iii) reduced poverty. The program will cover an estimated 5 million households, and aim to reduce average poverty incidence in poor municipalities by 30% from 41.6% in 2009³ to 29.1% by 2024.

B. Official Approval

3. The NCDDP was approved by the President during the National Economic Development Authority Board meeting of 18 January 2013. It was endorsed by the Human Development and Poverty Reduction Cluster (HDPRC) consisting of Department of Education (DepED), Department of Agrarian Reform, Department of Agriculture (DA), National Anti-Poverty Commission, Presidential Commission on Urban Poor, Department of Energy, Department of the Interior and Local Government, Department of Budget and Management, Department of Labor and Employment, Department of Health (DOH), Department of Environment and Natural Resources, and Department of Social Welfare and Development (DSWD). One hundred sixty-five municipal mayors supported the NCDDP.

C. Area Coverage

4. The NCDDP expands the coverage of the existing KALAHI-CIDSS from 50% of poor municipalities to 100%. NCDDP targets municipalities with poverty incidence above the national average of 26.5% using the 2009 Small Area Estimates of NSCB.

Table 1: NCDDP Area Coverage

Regions	Number of Provinces	Number of Municipalities	Number of Barangays
Luzon	26	290	6,575
Visayas	16	310	8,107
Mindanao	21	300	6,009
Total	63	900	20,691

Source: Asian Development Bank.

¹ Much of this note was drawn from the NCDDP project document that was submitted by DSWD to the National Economic and Development Authority (NEDA)-Investment Coordinating Committee (ICC) on 31 May 2012. The NCDDP was renamed “KALAHI-CIDSS National Community-Driven Development Project” after the NEDA Board approval on 18 January 2013.

² All *barangays* in a target municipality will be included in the project.

³ Based on the 2009 Small Area Estimates of National Statistical Coordination Board

D. Program Components

5. **Subproject Cycle.** The NCDDP facilitates community planning at the *barangay* level, where community subprojects will be identified for submission to a municipal local government forum. Community leaders and volunteers, selected by *barangay* residents, will attend and represent their *barangays* in the forum. Community organizing and facilitation is undertaken by program staff, in cooperation with volunteers who have been trained in participatory planning and subproject preparation and implementation. Priority subprojects may vary across *barangays*, depending on the most pressing need. The municipal forum prioritizes subprojects for financing, given the budget envelope for each municipality and the locally formulated poverty criteria.

6. Prioritized subprojects will be subjected to readiness filters consisting of technical, economic and financial viability assessments before funding is released. *Barangays* with approved subprojects will organize volunteers into finance, procurement, audit, and implementation teams, who will take the lead in the execution of the approved subprojects. Technical support will be provided by the project and LGUs in the course of implementation.

7. Each NCDDP municipality will pass through 4 cycles. Cycles 1 and 2 will each entail 14 months, and cycles 3 and 4 will each last 12 months. In cycle 1, municipalities are led and supported by the DSWD. In cycles 2–4, they are led by the local governments but supported by the DSWD or select agencies (see paragraph 10). After the 4th cycle, municipalities can continue to practice CDD via the grassroots participatory budgeting process (GPBP)⁴ initiative of the government.

8. **Component 1: *Barangay* Grants.** The NCDDP will provide two types of grants to participating *barangays*. Planning grants will support orientation, consultation, participatory priority-setting, action planning and workshop activities at the *barangay* and inter-*barangay* levels, as well as the delivery of appropriate technical assistance inputs to ensure proper implementation. Consultation activities will involve residents of the *barangay* convened as a *barangay* assembly. This is equivalent to 15% of investment grants per municipality. Investment grants will support proposals made by *barangays* to implement community subprojects and activities that respond to community-identified priorities. Community priorities eligible for support from the investment grants is based on an open menu using the KALAHÍ–CIDSS project experience. Moreover, the NCDDP will also consider for inclusion in the open menu proposals that will be prioritized by communities on local disaster response and prevention.

9. **Amount of Grants.** Investment grants are based on a formula using population size and poverty rates: (i) municipalities where the poverty incidence is over 60% will receive a grant of approximately \$15 per capita per cycle; (ii) municipalities with poverty incidence of 40% to 60% get a per capita allocation of \$12.50; and (iii) municipalities with poverty incidence below 40% get a per capita allocation of \$7. Total annual municipal grants per cycle are capped at \$480,000. In peso terms, the grants range from a minimum of PhP2 million to a maximum of PhP20 million per cycle.

10. **Sources of Block Grant Funding.** In 2013–2015, NCDDP grants will be funded out of the DSWD budget, under WB and ADB financing. Then in 2016–2019, DSWD will still manage NCDDP grants under ADB and WB financing, but the funds will be attributed to the budgets of selected HDPRC agencies (e.g., DOH, DepEd, DA). Moreover, municipalities that finish 4

⁴ Formerly known as bottom-up budgeting (BUB).

cycles will graduate to the GPBP, which will access allocations from various national government agencies. Even after NCDDP ends, CDD will thus continue under the mantle of the GPBP.

11. **Eligible Services or Subprojects.** The NCDDP will use an open menu for subprojects and any subproject is eligible for financing under the investment grant, subject to a negative list.⁵ The most common subprojects under the KALAHI–CIDSS include new water systems, school building, access roads, day care centers, health stations, post-harvest facilities and small irrigation facilities.

12. **Component 2: Capacity Building and Implementation Support.** This component includes support to local NCDDP and local government unit (LGU) staff implementation and training, continuing capacity building, and grievance redress and social accountability activities. The component will support the costs of training of volunteers, staff of DSWD and local governments, and staff of other line agencies; the cost at the municipal and *barangay* levels for the municipal area coordination teams, facilitators, and volunteers; and the cost of inter-agency coordination at the municipal and provincial government levels. It will also support the enhancement of a performance system for LGUs.

13. **Component 3: Program Management and M&E.** This component constitutes program administration, which includes incremental program management and operational costs of the DSWD and costs of monitoring and evaluation (M&E). This covers costs of supervision, consultants and specialists at the national and regional levels; costs of operational monitoring and oversight activities at the national and regional levels; support for the management information system and database; and the costs of studies and impact monitoring.

E. Implementation Arrangements

14. The NCDDP shall expand existing institutional and implementing arrangements in KALAHI–CIDSS. The expansion will complement current programs of social and rural development agencies, e.g., Department of Health, Department of Education, Department of Agrarian Reform, Department of Agriculture, and Department of Environment and National Resources.

15. **National Steering Committee (NSC).** The NSC will be composed of representatives from national government line agencies, including the DSWD, the National Anti-Poverty Commission, the National Economic and Development Authority, the Department of the Interior and Local Government, the Department of Finance, and the Department of Budget and Management, representatives of civil society organizations (CSO) representing the basic sectors, and other sectors and agencies in the HDPRC. The NSC will provide policy guidelines on poverty targeting, sets goals for the implementing agency, and assures institutional convergence on poverty reduction outcomes. It will also ensure the continuous review of the Project's contributions to the achievement of the goals of the Philippine Development Plan, particularly those relating to poverty reduction and Millennium Development Goals.

⁵ The project uses an open menu for subprojects and any subproject may be proposed subject to a negative list of activities that may be harmful to the environment or social safeguards including (i) weapons, chainsaws, explosives, pesticides, insecticides, herbicides, asbestos, and other potentially dangerous materials and equipment, fishing boats and nets above the government prescribed size and weight, (ii) road construction into protected areas, (iii) use of project funds for purchase or compensation for land, (iv) political and religious activities, rallies, and materials, (v) activities that employ children below the age of 16 years, and (vi) activities that unfairly exploit women or men at any age.

16. **National Inter-Agency Preparation and Implementation Team (NIAPIT).** The NIAPIT is drawn from technical departments of the agencies represented in the NSC and the HDPRC. The NIAPIT will be responsible for coordinating technical support services of different agencies at the national, regional and provincial levels, and providing technical inputs to, as well as reviewing results of, the continuing development of NCDDP implementation systems, processes, and technical manuals.

17. **Regional and Provincial Coordination Mechanisms.** At the regional level, the NCDDP shall enhance engagement through existing mechanisms for inter-agency coordination, such as the Regional KALAHI–CIDSS Convergence Groups. Under the NCDDP, increasing the number of covered municipalities creates tremendous potential for provincial poverty reduction. Clearly, there will be benefits from the establishment of inter-municipal or inter-provincial coordination mechanisms. In addition, there are opportunities for inter-provincial coordination in certain regions where all the provinces have municipalities involved in NCDDP.

18. **Program Implementation Management (National, Regional, and Municipal).** At the national and regional levels, NCDDP implementation will be managed by a mainstreamed Program Management Office (PMO), headed by DSWD officials who are assisted by core organic staff from the department and contractual staff hired to fill strategic gaps.

19. Current KALAHI–CIDSS CDD municipalities that show exceptional achievements in sustaining development processes and enhancing local governance systems will be encouraged to undertake the CDD process themselves, with the NCDDP providing block grant support for community subprojects. These municipalities will be identified by the National and Regional Program Management Teams through a filtering process using good governance indicators related to people's participation, transparency, and social accountability. Specific provisions relating to LGU-management and to the facilitation of CDD will be built into an enhanced MOA for these municipalities. For maximum focused support, and for long-term financing sustainability, the said municipalities will be linked to programs existing at the national level, designed to assist or channel resources to poor municipalities.

20. In the new target municipalities of NCDDP, a pool of community facilitators shall be contracted to facilitate participatory planning, implementation and monitoring activities at the municipal and *barangay* levels. Facilitators at the *barangays* and municipalities will be assisted by local volunteers. Participating communities may also procure technical assistance, on a competitive basis, from LGUs, other government agencies, CSOs, or the private sector, for specific technical needs. Procurement of goods and services will be undertaken in accordance with the guidelines of ODA partners and the GOP.

21. **Role of Provincial Governments.** The NCDDP will provide excellent opportunities for enhancing the role of the provincial LGU in (i) providing technical assistance and coordinating provincial-level inter-agency support for CDD implementation; (ii) monitoring and oversight of municipal good governance and development planning systems, as these impact on municipal facilitation of CDD; (iii) creating mechanisms for improved inter-municipal coordination and support among NCDDP municipalities, and between NCDDP and non-NCDDP municipalities within the province, and (iv) enhancing provincial-level poverty targeting and development planning to leverage development resources to the poorest and to rationalize resource use for higher-order infrastructure investments. Related to this, the regional offices of DSWD will create satellite subregional program management teams at the provincial level to facilitate operations.

22. **Role of Municipal Local Government Units.** The critical role of MLGUs in KALAHI–CIDSS CDD implementation is expected to continue under NCDDP. In both existing and new municipalities, MLGU responsibilities will include:

- (i) Creation of local policy environments supportive of community-driven development and participatory, transparent, and accountable governance;
- (ii) Provision of local counterpart contributions, both in cash and in kind, for NCDDP subproject implementation, and for capacity building and implementation support;⁶
- (iii) Strengthening LGU capabilities to support CDD, including the formation of Municipal Coordinating Teams (MCTs) to partner with NCDDP-hired staff, the formation and strengthening of the Municipal Inter-Agency Committee (MIAC), and strengthening the Local Poverty Reduction Action Team (LPRAT) of the LGU;
- (iv) Monitoring implementation;
- (v) Providing technical assistance to *barangays* and community volunteers on various aspects of implementation; and
- (vi) Supporting efforts to sustain community investments by integrating key CDD process into the municipal development planning process.

23. These responsibilities will be contained in a MOA between the DSWD and the MLGU, which will be signed prior to the start of implementation. To enable the MLGUs to fulfill these roles, capacity building in project planning, implementation, operations and maintenance, financial management, etc. will be provided.

24. The NCDDP will further enhance engagement with the MIAC, the LPRAT, and other mechanisms for inter-agency coordination, to support field-level implementation. At the *barangay* level, the DSWD and the *barangay* LGU (BLGU), will enter into a MOA spelling out the roles of each party. *Barangay* governments assist the DSWD project team in information dissemination and in providing support to the *barangay* assemblies in the conduct of participatory situational analysis. The BLGUs provide contributions to locally developed sub-projects. Officials of the *barangay* are also members of the subproject implementing teams, ensuring that efforts of the project are integrated into the existing structures of the *barangays*.

F. Funds Flow

25. **Funds Flow for Loan Proceeds.** Close to 90% of the loan proceeds shall be used as *barangay* grants. Both ADB and the World Bank invest in the *barangay* subprojects, and to preserve order, all approved subprojects will be allocated a specific identifier number. The subproject identifier number will be used as the transaction reference throughout the disbursement and reporting process. Loan proceeds for *barangay* investment grants shall flow

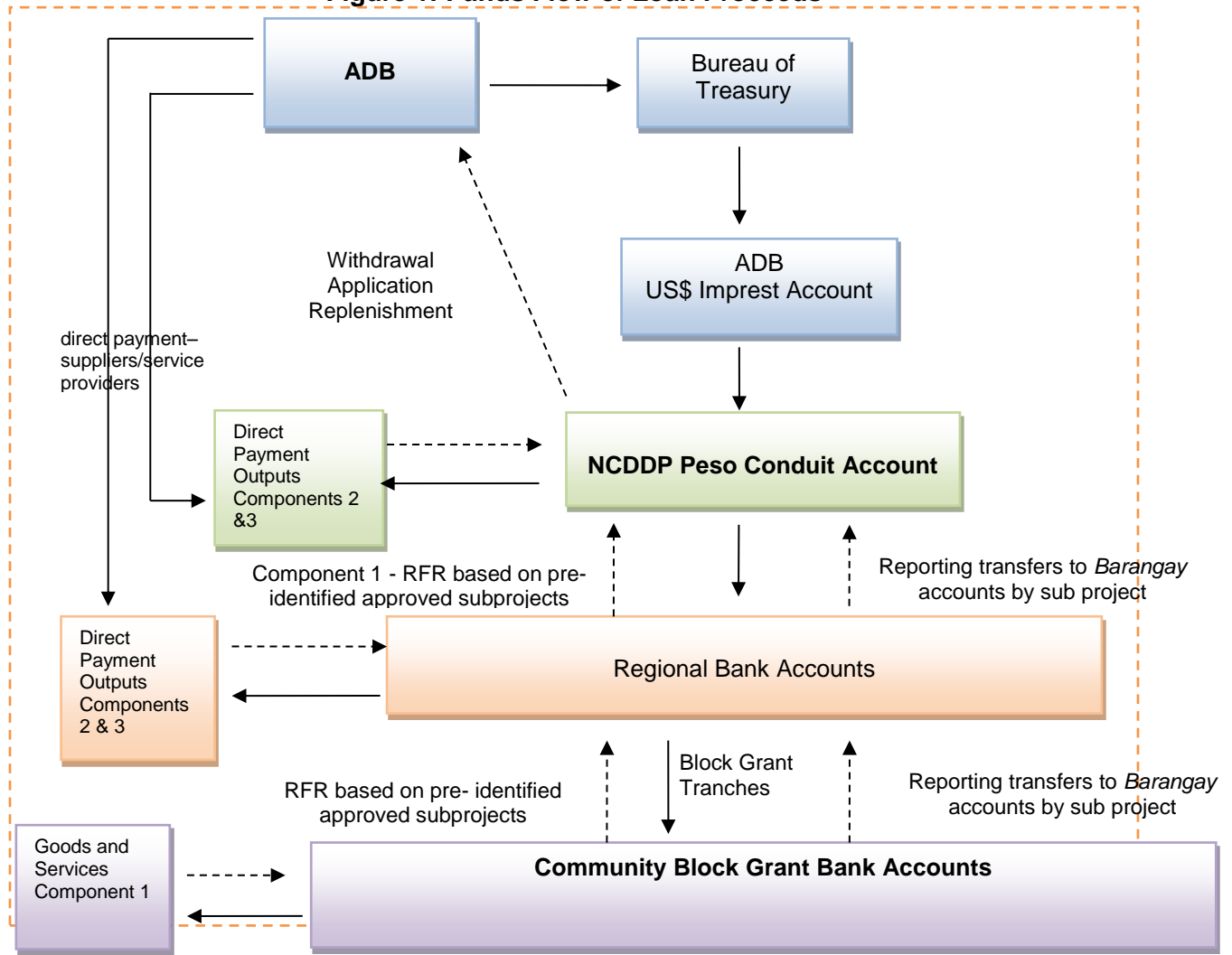
⁶ In setting LCC commitments and following up municipal LGUs' fulfillment of their commitments, the KALAHI–CIDSS Project does the following: (i) LCC commitments are discussed with LGU and community representatives, and incorporated in the LGU regular budget and development plans; (ii) together with KALAHI–CIDSS *barangay* volunteers and officials from the *barangays* concerned, KALAHI–CIDSS conducts follow-up meetings with the MLGU mayor and representatives of the municipal inter-agency committee (MIAC); (iii) KALAHI–CIDSS reviews MLGUs' performance of their commitments in the Project MOA with members of the MIAC, and (iv) as a mitigation measure, KALAHI–CIDSS advises the MLGUs concerned to increase their in-kind/materials contributions and re-structure or re-plan their LCC commitments. Counterpart contributions of municipal and *barangay* LGUs for social preparation and local capability-building activities of KALAHI–CIDSS include hiring LGU-KALAHI–CIDSS counterpart staff, providing municipal office space for the project, providing program staff access to selected office equipment, and giving in-kind contributions during *barangay* and municipal-level meetings.

from the Land Bank of the Philippines (LBP) accounts maintained by DSWD regional offices to the *barangay* accounts maintained at local LBP bank branches (Figure 1). *Barangay* accounts are owned by the *barangay* assembly.

26. DSWD is deconcentrating the processing work to the regional offices. The latter receive Requests for Funds Release (RFRs) for each subproject tranche from the ACTs, through the subregional (provincial) offices. Upon approval of the RFR, following the prescribed approval process, disbursement vouchers are prepared and the funds are disbursed to *barangay* community subproject accounts. Communities withdraw and utilize funds for subprojects, according to their approved project plan.

27. The remaining portion of the loan proceeds will partially finance the two other components of NCDDP. Part of these funds will be sub-allotted to the regional offices together with the GOP counterpart. A portion of the GOP counterpart will be sub-allotted to the regional PMOs, to cover operating expenses and disbursements of Program component activities implemented by the regional PMOs.

Figure 1: Funds Flow of Loan Proceeds



RFR = request for fund release.

Legend: → = funds flow --▶ = documents flow

28. **Program Financial Management.** The financial system for NCDDP shall be the same as that of the ongoing KALAHI–CIDSS CDD project. Since NCDDP implementation is mainstreamed into the operations of DSWD, overall financial management of NCDDP is at the Central Office Finance Service.

29. The Central Finance Service is responsible for the following:

- (i) Prepares the Annual Financial Plan, consistent with the physical targets set by the national PMO;
- (ii) In consultation with the national PMO, provides the NCDDP Program Director with recommendations on the effectiveness, efficiency and economic management of the financial resources of the project;
- (iii) Implements the financial management system prescribed for NCDDP, specifically, the procedures for fund release to the regional offices and *barangays* in coordination with oversight agencies;
- (iv) Designs, installs and maintains the internal control system to safeguard resources of the project;
- (v) Manages the Special Account, prepares withdrawal applications, and ensures adequacy of Special Account balances;
- (vi) Liaises with development partners, DBM and LBP for timely releases of project funds;
- (vii) Maintains books of accounts, subsidiaries, records, and files of all financial transactions;
- (viii) Processes all financial transactions for the program;
- (ix) Ensures legality, propriety, accuracy and completeness of all financial transactions;
- (x) Prepares and submits periodic financial reports to higher authorities; and
- (xi) Prepares financial monitoring and other regulatory reports.

30. Following the government accounting rules and regulations, the DSWD Finance Service has adopted the new Electronic–National Government Accounting System for both loan proceeds and the Government of the Philippines counterpart. Apart from the regular Agency Books, the DSWD Finance Service will maintain separate Books of Accounts for the Program. There is a separate subsidiary ledger for each component in order to facilitate reporting of total utilization by component. The Finance Service also consolidates the regional offices' records of local counterpart contributions.