

**PROJECT INFORMATION DOCUMENT (PID)
ADDITIONAL FINANCING**

Report No.: PIDA2567

Project Name	Multi Donor Facility - PH Mindanao Reconstruction & Development (P147008)
Parent Project Name	MULTI DONOR FACILITY - PH MINDANAO RECONSTRUCTION & DEVELOPMENT (P095173)
Region	EAST ASIA AND PACIFIC
Country	Philippines
Sector(s)	Other social services (77%), General public administration sector (10%), SME Finance (7%), Vocational training (6%)
Theme(s)	Conflict prevention and post-conflict reconstruction (57%), Rural services and infrastructure (25%), Micro, Small and Medium Enterprise support (9%), Rural non-farm income generation (9%)
Lending Instrument	Investment Project Financing
Project ID	P147008
Parent Project ID	P095173
Borrower(s)	Mindanao Land Foundation, International Labour Organization
Implementing Agency	Bangsamoro Development Agency, Community and Family Services International
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	06-Jun-2014
Date PID Approved/Disclosed	06-Jun-2014
Estimated Date of Appraisal Completion	29-May-2014
Estimated Date of First Grant Approval	30-Jun-2014
Decision	

I. Project Context

Country Context

The Philippines has recorded respectable growth in recent years despite the global slowdown. In the last three years the Philippine economy has emerged as one of the fastest growing economies in East Asia, driven by the strong performance of the construction industry, robust private consumption, continued remittance flows, and the recovery of government spending. However, in the last decade, higher economic growth has not translated into significant poverty reduction. Poverty incidence based on the national poverty line has not gone down significantly. Recent data shows that the poverty rate declined to 24.9 percent in the first quarter of 2013, compared with 2009 and 2012 first semester figures of 28.6 percent and 27.9 percent respectively. An incomplete structural transformation of the economy coupled with vulnerability to external shocks (climate and

food/fuel prices) are key reasons behind the resilience of poverty, which is most severe in rural areas and particularly concentrated in Mindanao.

Sectoral and institutional Context

Mindanao is a study in contrast between growth areas and lagging regions. While it plays host to several high growth urban centers, the greatest concentration of rural poverty in the Philippines is also found on the island. The common denominator among the lagging areas is the existence of violent conflict. The conflict-affected Autonomous Region in Muslim Mindanao (ARMM), for instance, has a poverty incidence of 52.9 percent. The social impacts of violent conflict are profound. In ARMM, for instance, 60 percent of females and about 70 percent of males never finish elementary school. The median years of schooling are 3.8 for females and 3.2 for males, about half the national average. Poor education and limited economic opportunity leads to widespread unemployment, leaving young men in particular vulnerable to recruitment into armed groups.

Caught in a vicious cycle of insecurity and under-development, institutional capacities for sustainable social and economic development are weak in conflict-affected areas of Mindanao. The signing in March 2014 of the Comprehensive Agreement on the Bangsamoro between the Government and the Moro Islamic Liberation Front (MILF), a non-state armed group, opens up strong opportunities for improved peace and governance. But addressing the core development problems of insecurity and weak governance remains a significant challenge.

Under the Philippines Country Strategy (CPS) for the 2015-2018 Financial Years, security and development remains an important priority for the World Bank program. The CPS pursues inclusive growth as its goal, and support for conflict-affected areas of Mindanao remains highly relevant, particularly under Engagement Area 5, "Peace, Institution-Building and Social and Economic Opportunity".

II. Proposed Development Objectives

A. Current Project Development Objectives – Parent

To improve social and economic recovery in targeted conflict-affected communities of Mindanao through activities which promote confidence-building, peace and demand-driven governance.

III. Project Description

Component Name

Block Grants

Comments (optional)

Block grants are provided to People's Organizations at the village level to fund community development projects and support community-based enterprises and wage employment in 3-4 economic subsectors

Component Name

Capacity & Institution Building

Comments (optional)

This component builds the capacity of the BDA, LGUs, people’s organizations and selected non-government organizations to plan, implement, monitor & evaluate development and livelihood interventions.

Component Name

Monitoring, Evaluation, Secretariat Support and Supervision

Comments (optional)

Supports rigorous monitoring and impact evaluations for the program and M&E capacity development for BDA. Also funds Secretariat costs for the World Bank to oversee and manage the MTF.

IV. Financing (in USD Million)

Total Project Cost:	6.60	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
Philippines - Multi-donor Trust Fund Program for Mindanao			6.60
Total			6.60

V. Implementation

The Multi-Donor Facility – PH Mindanao Reconstruction & Development Project (“the Mindanao Trust Fund” or “MTF”) was approved in July 2005. Building on the comprehensive 2005 Joint Needs Assessment for Conflict-Affected Areas in Mindanao, the project has a dual purpose of: (i) supporting social and economic recovery in conflict-affected areas of Mindanao in a way that builds confidence between the government and the Moro Islamic Liberation Front (MILF); and (ii) building the capacity of the Bangsamoro Development Agency (BDA), the development arm of the MILF. A total of \$13.65 million has been committed through seven separate grant agreements, of which \$12.01 million has been disbursed as of June 2014.

The BDA was established pursuant to a 2001 agreement between the GPH and the MILF with a mandate to lead, manage and implement development projects in Bangsamoro areas. In most post-conflict situations, armed groups that are adept at combat have no background or experience in governing and delivering development. Working with the BDA, therefore, has provided a unique opportunity to build capacity on development management that can deliver positive outcomes on the ground now and help prepare the necessary skills and knowledge for a post-peace agreement scenario. The imperative for capacity-building has been strengthened by the October 2012 signing between the GPH and MILF of the Framework Agreement on the Bangsamoro (FAB) and the subsequent completion of the Comprehensive Agreement on the Bangsamoro (CAB). The CAB lays out a road map for the establishment of a new political entity - the Bangsamoro - to replace the existing Autonomous Region in Muslim Mindanao. To respond to this positive development, the MTF is seeking to support confidence-building measures including joint work between the GPH and MILF on development and to intensify capacity-building initiatives ahead of the transition to the Bangsamoro, currently anticipated to occur in 2015.

The main approach to capacity-building for the BDA and other implementing partners has been "learning-by-doing" by working with BDA to implement community development programs on the

ground in conflict-affected areas through a community-driven development (CDD) approach. Under the CDD approach, people's organizations (POs) are established by the BDA to represent their villages. Villages are selected based on empirical data on poverty and conflict-affectedness. The POs are trained by BDA in problem analysis, financial management, procurement, operations and maintenance and monitoring and evaluation. The POs then in turn analyze development problems in their village, formulate a Community Investment Plan/Community Action Plan, (with the community as a whole) select development subprojects to address the identified needs and then lead the implementation and maintenance of these subprojects. Most subprojects comprise small-scale infrastructure (access roads, water supply systems, post-harvest facilities, etc.) or agricultural machinery and inputs to promote productivity in what are predominantly farming communities. This approach places decision-making in the hands of communities, generates trust among different groups who come together for the CDD process and at the same time meets priority development needs at the community level. In 2013 activities to promote community enterprise development and wage employment were added through a grant with the International Labour Organization.

In addition to the CDD assistance, Additional Financing for the project in 2014 will include two new activities. Firstly, financial and technical assistance will be provided for the formulation of a Bangsamoro Development Plan. The planning will be led by the BDA, with funds channeled through the Mindanao Land Foundation. The planning process will involve a number of international development partners under the guidance of a Project Steering Committee comprising the BDA, representatives from the national and ARMM government and civil society groups. Secondly, operational support will be provided to the Project Management Team of the MILF for the joint government-MILF "Sajahatra Bangsamoro" program. The MILF team will serve as a counterpart to government line agencies delivering health, education and livelihood assistance to conflict-affected communities in Mindanao. Its main tasks will be to identify sites and individual beneficiaries and to monitor program implementation. These new activities are part of the MTF's response to the Framework Agreement on the Bangsamoro.

Program implementation for the Additional Financing will follow the same arrangements as outlined in the Operations Manual and Administration and Grant Agreements. The Mindanao Trust Fund Interim Steering Committee, co-chaired by the Office of the Presidential Adviser on the Peace Process (OPAPP), the BDA and the World Bank, with membership from the MTF partners and the UN Resident Coordinator, will continue to provide overall strategic guidance. The BDA will continue to take the lead on the ground in terms of social preparation and mobilization and oversight and engagement with local government units. The three existing Trust Fund Recipients, Community and Family Services International (CFSI), the Mindanao Land Foundation, Inc. (MinLand) and the International Labour Organization (ILO), will act as financial intermediaries and provide technical assistance.

At the sub-national level, a Multi-Sectoral Committee (MSC) is constituted to endorse site selection and approve sub-project proposals. The MSC membership comprises local government officials, religious leaders, and representatives from civil society, the MILF and the Moro National Liberation Front, where present. Where possible, existing MSCs will be tapped, rather than establishing new Committees.

Municipal Technical Teams (MTT) are also established by participating LGUs, who make the skills of the Municipal Engineer and Municipal Social Welfare Officer available to provide technical support to project implementation.

For livelihood creation activities through the grant with the ILO, a Project Coordination Committee, incorporating the BDA, ILO, World Bank, mayors of the target locations, ARMM Regional Government, ARMM Chamber of Commerce, the Mindanao Business Council and local business and workers associations will be constituted and meet every six months. This will be complemented by a Technical Working Group that will meet monthly and an enhanced MTT membership, incorporating selected business associations and entities. A specific Operations Manual for this component is under preparation.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x
Indigenous Peoples OP/BP 4.10	x	
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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