

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: PIDC144

Project Name	Philippines National Community Driven Development Program (P127741)
Region	EAST ASIA AND PACIFIC
Country	Philippines
Sector(s)	Public administration- Other social services (50%), Rural and Inter-Urban Roads and Highways (20%), Water supply (20%), Primary education (10%)
Lending Instrument	Specific Investment Loan
Project ID	P127741
Borrower(s)	Ministry of Finance, Ministry of Finance
Implementing Agency	Department of Social Welfare and Development
Environmental Category	B-Partial Assessment
Date PID Prepared	13-Feb-2012
Estimated Date of Appraisal Completion	18-Mar-2013
Estimated Date of Board Approval	18-Jul-2013
Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

The Philippines is a lower middle-income country with a population of 92 million, of whom about 26 percent are classified as poor. Although the country's economy has grown by an average of 4.9 percent from 2000 to 2009, the incidence of poverty has actually stagnated or increased during that same period suggesting that growth is not sufficiently inclusive; the gini coefficient is one of the highest in East Asia. Spatial inequality is also evident with significant differences in income and poverty levels across regions. Non-income measures of poverty, such as health and education outcomes, and basic service access, also indicate a high level of inequality across different parts of the country. Chronic poverty in the Philippines has been attributed to inefficient service delivery; geographic isolation; vulnerabilities owing to disaster and conflict; low spending for social protection; poor targeting and weak governance.

The Aquino administration seeks to address poverty through inclusive growth and good governance as espoused in the strategic objectives of the 2011-2016 Philippine Development Plan, which calls for: (i) attaining a sustained and high rate of economic growth that provides productive employment opportunities; (ii) equalizing access to development opportunities for all Filipinos; and (iii) implementing effective safety nets to protect and enable those who do not have the capability to participate in the economic growth process. The PDP highlights achieving universal coverage in health and basic education; converging social protection programs; providing direct conditional cash transfer to the poor; mainstreaming climate change objectives and the use of community driven development (CDD) approaches as one of the key strategies of Government to help improve human development outcomes and reduce poverty.

Sectoral and Institutional Context

The Philippines has a long history of participatory development, community empowerment and community-driven initiatives that were given further support and recognition under the 1991 Local Government Code (LGC). A key objective of the LGC is to increase the voice and participation of citizens in the devolved planning, budgeting and service delivery responsibilities of local government units. Historically, however, local government units (LGUs) have struggled to fulfill the requirements of the LGC and to deliver on their governance and service delivery mandates. This is due to a combination of entrenched patronage politics, limited technical capacity, the failure of mechanisms in the LGC to fully engage citizens in local development processes, and an inter-governmental fiscal framework that promotes vertical and horizontal inequities and has no link to either performance or poverty. This can leave some poorer LGUs in particular with inadequate resources and severely unfunded mandates, with many devolved functions still being implemented in whole or in part by national government agencies.

Against this background, community-based and -driven development approaches have been widely used by several sectors, departments and development partners in the Philippines to supplement LGU efforts to improve the delivery of basic services and address poverty. Key programs that share core CDD principles of participatory planning and community control of investments include the Agrarian Reform Communities Development Project, the Mindanao Rural Development Program, the Mindanao Trust Fund-Reconstruction and Development Program, the Autonomous Region in Muslim Mindanao Social Fund Project, and the Kapit-bisig Laban Sa Kahirapan - Comprehensive and Integrated Delivery of Social Services (KALAHYI-CIDSS) program managed by the Department of Social Welfare and Development (DSWD).

The successes of the CDD approach have been clearly demonstrated in the recent end-line impact evaluation of KALAHYI-CIDSS.

This mixed-methods analysis found an average increase of 5 percent in household incomes (as measured by consumption) in treatment municipalities, year-round road access improved by 6 percentage points, and access to community (barangay) health services increased by 10 percentage points. KALAHI-CIDSS beneficiary communities also witnessed an increase in employment rates-- particularly for women-- more diversification of employment, and an increase in the level of marketing of farm products. The impact evaluation also showed significant increases in the level of household group membership, intra-barangay trust, and participation in barangay assemblies—important social capital and local governance outcomes. Surprisingly, the project had a negative impact on collective action and it is unclear whether this result is driven by a decrease in households' willingness to contribute to such activities or by a decrease in the need for collective action. Further studies have shown the program to be effective in targeting the poorest barangays in the poorest municipalities, in responding to the will of the people and in reducing the influence of patronage in the allocation of development resources.

Community Driven Development programs have not been without limitations, however. While income and non-income outcomes have improved, the positive effects the programs have had on local governance have been less pronounced and tended to be limited to the project context. In other words, the levels of participation and transparent decision making around the planning and use of public resources is not spilling over to other public resources outside of the specific project funds; nor is the shift in governance practices from patronage to participation being sustained. And, while CDD approaches are overwhelmingly well-received by communities and LGUs (as measured by satisfaction levels), the integration of these approaches with those of other departments and with LGU efforts for delivering basic services at barangay-level has been ad hoc and limited. This has led to duplication and inefficiencies in efforts to improve service delivery at the local level. Multiple CDD platforms often serving the same populations have also led to similar inefficiencies and, at times, confusion over competing models.

The national Government has recognized the overall value of the CDD approach, as reflected in both the Philippine Development Plan (2011-2016), and the new national poverty reduction strategy, which includes CDD as a core pillar. The Cabinet cluster on Human Development and Poverty Reduction (which is chaired by DSWD and includes the Departments of Agriculture, Agrarian Reform, Education, Health, Labor and Employment, and Interior and Local Government; the Housing and Urban Development Coordinating Council; and the National Anti-Poverty Commission) is developing operational guidance to engage multiple agencies under a unified poverty reduction and empowerment strategy. This will be crucial in clarifying the roles and responsibilities of each national agency and in addressing the significant challenge of inter-agency coordination. In fitting within this context, the proposed National Community Driven Development Program (NCDDP) would also be directly responsive to Government of Philippines' efforts to integrate and harmonize (i.e., converge) related efforts at service delivery, poverty reduction and improved governance.

The Bank is committed to helping the Government to achieve this vision. Building on years of support for CDD in the Philippines, the NCDDP will be a major step forward in the evolution of the approach, moving from a project to a program. It will do this by significantly scaling up coverage from 384 to more than 900 municipalities to ensure coverage of all of the poorest municipal LGUs in the country. The NCDDP would also introduce a series of technical improvements to the CDD process, based on findings of the KALAHI-CIDSS impact evaluation. These improvements would include a minimum level of per capita investment, at least 4 investment cycles, simplification of the sub-project prioritization, planning and implementation process, and strengthening of governance and corruption measures. These design enhancements are expected to lead to improved outcomes on income, access to services, employment and social capital, supporting the Government's vision of promoting self-reliant and empowered communities.

Relationship to CAS

The proposed NCDDP is consistent with the overall objective of the World Bank Country Assistance Strategy (CAS): 2010-2013 towards achieving inclusive growth. The proposed program supports the third and fifth strategic objectives of the CAS regarding better public service delivery (SO 3) and good governance (SO 5). More specifically the program aims to enhance the Government's work in scaling up basic service delivery to poor areas (SO 3.2) and contribute to better local governance through more effective decentralization (SO 5.3).

II. Proposed Development Objective(s)

Proposed Development Objective(s)

The overall goal of this program is to reduce poverty in the poorest areas of the Philippines. The proposed project development objective (PDO) of this investment operation would be to: improve community participation in the management and governance of publicsector resources and enhance access to and utilization of basic barangay-level infrastructure and services.

Key Results

Achievement of the PDO would be measured based on indicators that reflect the following key results: (i) increase in the access to or use of priority sector services (e.g., health, education and water); and (ii) improvements in citizen's participation and accountability in local-level public administration and governance, as per the local government code.

III. Preliminary Description

Concept Description

The proposed NCDDP will draw on the successful experiences of the Government's various CDD programs, particularly the KALAHI-CIDSS program managed by DSWD. Since 2003 (through to the end of 2010), this program has invested over Php. 5.3

billion (US\$118 million equivalent) in 5,326 community sub-projects for roads, water systems, schools, health stations, day cares, etc., in 4,229 barangays in the poorest provinces and municipalities in the country. As noted previously, the end-of-project impact evaluation showed improvements in measures of household income, access to basic services, and local level trust and governance. Separate evaluations of the project have also shown that overall sub-project investments yield an average economic internal rate of return of 21 percent, and that unit costs are between 8 and 76 percent lower than similar public sector works, depending on the type of sub-project.

The NCDDP would build on the core elements of KALAHI-CIDSS and similar CDD operations in the country. However, the program is not assumed to be a simple continuation (and/or expansion) of these existing programs. While elements of the program would be similar, others (such as organizational structures and financing arrangements) are expected to be adapted or changed significantly. At this concept stage, however, some of these specific details—particularly where variations are anticipated-- are not yet known. Nonetheless, at this moment, the program components (and related levels of estimated Bank financing) are thought to be those described immediately below. These and other details would be confirmed during project preparation.

Component 1: Community mobilization and leadership for local investments (estimated US\$ 250 million IBRD). This component would support the training and facilitation for the four-stage cycle of activities that empowers communities to analyze and prioritize local level development needs; and to identify and plan, appraise, approve and manage the implementation of sub-projects. The component would also help establish or strengthen the barangay assembly as a forum for community-LGU engagement. The component would finance at least four-rounds of block-grants to rural barangays (based on population and possibly poverty incidence level) in support of basic social and economic investments and services.

Component 2: Local capacity building and implementation support (estimated US\$ 20 million IBRD). This component would standardize and institutionalize training for CDD in the country, possibly through the support of a training institute. The component would target municipal and provincial LGU staff to support and oversee the participatory assessments, planning and sub-project implementation of community infrastructure; to ensure quality of infrastructure investments and the integrity of resource management; and for national government agencies (NGAs) at sub-national level to enhance their participation in the NCDDP. The component would also support the integration of the NCDDP within existing structures, systems and procedures of the LGUs through training and other forms of capacity building.

Component 3: Strengthening national institutional support for CDD (estimated US\$ 5 million IBRD). This component would support analysis and implementation of efforts to enhance the use of CDD across sectors as a core poverty reduction measure, to remove systematic obstacles to integrating CDD implementation modalities within different sectoral departments and LGUs, and develop policies and incentives that would help to harmonize the approach and sustain it over time (including resource mobilization). Support would be provided to specific sectoral department units that are most directly involved in the facilitation and technical support of basic services (possible through CDD focal points/units). Assistance could also be provided to the departments of Interior and Local Government, of Treasury, of Budget and Management, and to the National Anti-Poverty Commission to adapt LGU performance measures and fiscal transfer processes, and to enhance monitoring and evaluating of the poverty impacts of the program.

Component 4: Program management support (estimated US\$ 25 million IBRD) to support the oversight, coordination and overall management of the program from national and regional levels, to monitor and evaluate outcomes and impact, to support third-party monitoring of program elements, and to oversee and evaluate pilot testing of additional features and concepts under the program.

While building on the successes of earlier CDD operations in the country, the NCDDP will also support a significant evolution in the approach through four important enhancements: (i) strengthening the direct role and responsibility of LGUs in program implementation and supporting efforts to improve their performance by linking program resources to governance indicators under the Department of Interior and Local Government's "Seal of Good Housekeeping" and "Performance Challenge Fund"; (ii) better integration with and leveraging resources from other line agencies to increase and improve the delivery of basic services; (iii) strengthening vertical linkages between barangays, municipalities and provinces and closer integration with existing government systems (planning, fiduciary, reporting, etc.); and (iv) adapting procedures to the special conditions found in conflict-affected regions, areas more prone to disasters, and with large indigenous populations.

The NCDDP would also seek to enhance efficiencies by rationalizing different CDD operations (e.g., further streamlining support and procedures of CDD components of, for instance, the Mindanao Trust Fund or the ARMM Social Fund, with those of the NCDDP). Lastly, the program would seek better integration (or convergence in the national parlance) with on-going anti-poverty efforts of DSWD; specifically the Pantawid Pamilya (4Ps) and the Self-Employment Assistance-Kaunlaran (SEA-K) programs. This could also apply to other sector programs such as the School-based Management program of the Department of Education, or the Community Based Resource Management program of the Department of Environment and Natural Resources.

Given the complexities of these enhancements, as well as the sizeable scale-up intended, the program would involve a transitional phase that would support the process of moving from the current project structures and procedures of KALAHI-CIDSS to one that is more embedded in the existing structures of local and national government agencies. While some of the changes are reasonably well understood and would be guided by existing efforts and knowledge (for example, the shift from DSWD to MLGU-led management of the process at the municipal level), others are less so (like how the NCDDP would support and enhance existing community-based sectoral approaches). Therefore, it is estimated that this transitional phase would take approximately three years

during which time systems would be established and pilot initiatives undertaken to inform and support a new program approach and management structure.

Shifting CDD from a project to a program that can effectively promote better local governance, ensure integration of CDD efforts within LGU planning and budgeting processes, and engage national line agencies through a single community development platform will take many years to achieve. The NCDDP will help move the program in that direction, but final achievement of these goals is likely to require a longer-term commitment beyond the program and the loan for this operation. Nonetheless, the Bank's support would help to promote this vision and outcome over the long-term. In order to enhance this support during program implementation, the task team would seek to establish a technical assistance facility that could be used to finance analysis and technical assistance that addresses specific areas of need or interest, as defined by Government, the Bank and other development partners involved in the NCDDP. Such a facility would seek to raise grant funding from such interested development partners.

It is proposed that the program cover all of the rural municipalities in the country that have a poverty incidence above the current national average of 32 percent (currently estimated at 965). Based on the results of the impact evaluation of KALAHI-CIDSS, it is also proposed that a minimum per capita investment of PHP 265 (US\$6) per sub-project funding cycle be applied and that the program include at least four cycles. These basic parameters suggest a program that would cost approximately US\$880 million for five years, but which could range up to US\$1.1 billion if additional per capita financing is provided for poorer municipalities. Significant co-financing for the proposed operation would be sought from the Government's development partners (particularly AusAID and ADB) and the national budget.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
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	

V. Tentative financing

Financing Source	Amount
Borrower	480.00
International Bank for Reconstruction and Development	300.00
Free-standing Single Purpose Trust Fund	0.00
Bilateral Agencies (unidentified)	50.00
Foreign Multilateral Institutions (unidentified)	50.00
Total	880.00

VI. Contact point

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