

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

Report No.: PIDA33500

Project Name	Philippines Social Welfare Development and Reform Project II (P153744)
Region	EAST ASIA AND PACIFIC
Country	Philippines
Sector(s)	Other social services (60%), General education sector (20%), Health (20%)
Theme(s)	Social Safety Nets/Social Assistance & Social Care Services (40%), Education for all (20%), Child health (20%), Other social protection and risk management (20%)
Lending Instrument	Investment Project Financing
Project ID	P153744
Borrower(s)	Department of Finance
Implementing Agency	DEPARTMENT OF SOCIAL WELFARE AND DEVELOPMENT
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	14-Oct-2015
Date PID Approved/Disclosed	14-Oct-2015
Estimated Date of Appraisal Completion	13-Oct-2015
Estimated Date of Board Approval	17-Nov-2015
Appraisal Review Decision (from Decision Note)	The Country Director authorized the team to proceed with Appraisal and Negotiations. As agreed with Government counterparts, a pre-appraisal mission will take place on September 17-18, 2015, while appraisal and negotiations will be scheduled after the required internal Government procedures take place (Development Budget Coordination Committee Resolution and Monetary Board Approval for appraisal, and Special Presidential Authority).

I. Project Context

Country Context

The Philippines has benefited from strong macroeconomic fundamentals. This has been manifested by low and stable inflation, falling debt ratios, a healthy current account surplus, high international reserves, and a stable banking sector. Philippines economic growth has been robust in recent years, averaging 6 percent in 2010-2014, in line with the major economies in the East Asia and Pacific (EAP) region. Real GDP grew by 6.1 percent in 2014, driven by household consumption, private construction, and exports of goods and services. The external and fiscal positions are strong, with a

2014 current account surplus of 4.4 percent of GDP, a national government fiscal deficit of 0.6 percent of GDP, and general government debt at 36.4 percent of GDP.

In recent years, economic growth has become more inclusive, more jobs have been created, and income poverty has moderately declined. Inclusive economic growth and poverty reduction are the main development priorities for the Philippines. In 2014, unemployment rate fell to its lowest level in 10 years at 6 percent. And after years of stagnation, officially measured poverty incidence declined by 3 percentage points in 2013 vs. 2012, down to 24.6 percent. The real income of the bottom 20 percent of the population grew much faster than that of the rest of the population (10 percent vs. 2.4 percent for the rest of the 80 percent of the population).

At about 25 percent of the population and having been slow to respond to economic growth, poverty remains a major challenge. Poverty in the Philippines is concentrated in rural areas. Three out of four poor Filipinos are in rural areas. The groups that have particularly experienced chronic poverty include indigenous groups/communities; conflict-affected areas; and geographically isolated areas. Most of the poor are “in work poor”: often employed in agriculture, with low/ no education/ skills; in informal farming jobs that are paying very low wages. It is a combination of low education and low productivity agriculture that keeps these households in perpetual poverty. Too often, households have to withdraw their older children, in particular boys, from secondary education and have them engaged in informal low paid jobs – the opportunity cost of secondary education is too high – perpetuating intergenerational transmission of poverty.

Similarly, vulnerability to poverty remains a major concern. Of the 1.1 million entrants to the labor force annually, only 22 percent get jobs in the domestic formal sector. Better jobs are needed for the 21 million Filipinos who are still informally employed and with few skills. Among the poorest 10 million Filipinos, only 100,000 (1 percent) has college education. The recent contraction in agricultural value-added and employment, where most of the poor still find their livelihood, may risk undermining the government’s poverty reduction efforts. And many Filipinos still hover just above the poverty line (“near poor”), cycling in and out of poverty due to high vulnerability to climatic, disaster, financial and price shocks. It has been estimated that a 20 percent increase in the poverty line following a major food shock would increase the poverty incidence by over 9 percentage points. Between 2003 and 2009, every year, 44 percent of the population was poor at least once, one in three Filipinos were persistently poor, and two out of three households moved in and out of poverty. Perennial typhoons and flooding are the most devastating in terms of their economic and social impact. The Philippines is affected by an average of 20 typhoons annually. For instance in 2014, due to the after-effects of the super Typhoon Yolanda (November 8, 2013) and a failure of policies to keep the food and in particular rice prices low, poverty rate spiked to 25.8 percent of the population.

In terms of guaranteeing access to education and health services, despite some progress, severe challenges and inequities remain. Increases in public education spending have halted the decline in education access and learning that began in the late 1990s and that had made the Philippines lag behind most of the countries in the EAP Region. The efforts of the current administration are beginning to show. Between 2006/07 and 2012/13 primary (secondary) net enrollment rates increased from 84 (59) percent to 95 (65) percent. However, while access to elementary education is comparable to other countries in the region, this is not the case with secondary education where the Philippines lags behind and inequalities are high (65 percent enrollment for non-poor youngsters aged 15-18, vs. 40 percent among poor). In health, while most indicators have

improved, malnutrition among mothers and children under five years continues to be a persistent challenge (20.2 percent in 2011) and the Philippines is unlikely to achieve the MDG targets for nutrition (13.6 by 2015). The situation is similar in maternal mortality, where rates remain stubbornly high (221 per 100,000 live births in 2011, with a target of 52.2 by 2015). Poverty vulnerabilities and unequal access to health and education services emphasizes the need for large-scale social protection policies and programs.

Sectoral and institutional Context

The Philippines currently features much improved—better designed, coordinated and implemented and more efficient and effective—suite of social protection programs than it used to. Significant improvements in social protection have been achieved since 2007. The Philippines used to have multiple, relatively small and uncoordinated social assistance programs that sought to assist the poor and vulnerable. Nearly each government agency used to implement their own social assistance program, employing their own methods of identifying beneficiaries. Without an effective mechanism to identify the target population, the effectiveness of social assistance programs in the Philippines was compromised. Since 2007, and in particular since 2010, significant policy and institutional changes have taken place, including the adoption of the national framework for social protection, the establishment of the SP coordination mechanism, and the establishment of the national household targeting system. As a result, the Department of Social Welfare and Development (DSWD), the institution leading the social protection programs in the Philippines has become well capacitated and resourced. The World Bank provided strong technical and financial support to these developments. This new phase moving forward is to consolidate the gains and further support DSWD's aspirations to strengthen the program to support the poor and to continue to reap the positive results of these last years.

The Philippines features a well-established unified national system to target poor households (the National Household Targeting System for Poverty Reduction – Listahanan). Created in 2007 by an Executive Order of the President to initially identify poor households that could benefit from the CCT program, a major data collection effort took place in 2009-2010 when data on about 11 million households (almost 60 percent of the Filipino households) was collected by DSWD of which 5.2 million were identified as poor and targeted for government assistance, with support from the World Bank. The national household targeting system has become the backbone of the Philippine's anti-poverty programs and it is now used to target various programs implemented by 44 national agencies, including the Pantawid Pamilyang Pilipino CCT Program, the PhilHealth subsidized health insurance and the social pension program. It is also used by more than 1,069 local government units (LGUs), as well as civil society organizations, legislators, universities and research institutions and donors. DSWD also uses it to plan relief operations and deliver emergency assistance to families affected by natural disasters. The credibility of the national household targeting system - Listahanan lies in its use of an objective method of classifying households as poor (or not) and a systematic means of collecting a standard set of easily verifiable household information for this purpose. Listahanan is supported by automated systems for data entry with validation routines, checking duplicates, proxy means test (PMT) processing, and generation of reports for data sharing, among others. However, unlike most targeting systems, Listahanan also benefits from community validation. This allows the community to challenge the list of poor once the preliminary results of targeting become available, and accept the targeting system for its transparency. Listahanan currently holds 11 million households in its database (out of 20 million households nationwide), of which 5.2 million households were classified as poor. The update of the

system is currently ongoing and it is planned to be completed in November 2015, by when data from 15.3 million households or 75 percent of all households will have been collected.

The Pantawid Pamilyang Pilipino CCT Program has become a flagship poverty reduction program. The CCT program aims to break intergenerational transmission of poverty by incentivizing poor households to invest in education and health of their children. In addition, the program has been a platform for citizens' education (life skills through family development sessions, FDS), empowerment (parent leaders' engagement) and program coordination and convergence at the local level (education and health). The program has been expanded from 660,000 households in 2010 to 4.2 million households in 2014, covering all poor household with children 0-18, as identified by the national household targeting system. Initially, it covered only children in elementary education (grades 1-8), but in June 2014, it was expanded to cover poor children in secondary education as well. The CCT plays a central role in the Government's overall strategy to address poverty and vulnerability among Filipinos. Commensurately, the budget allocation to the CCT program increased from 0.1 percent of GDP in 2010 to 0.5 percent of GDP in 2014. The CCT program is implemented by 11,000 staff across the Philippines and it features elaborate implementation architecture, including a beneficiary identification and update system, compliance verification system, payment system and grievance redress system (GRS).

The CCT Program has shown strong impact on health and education of poor children, as well as a significant effect on poverty and inequality. Two rounds of rigorous impact evaluation and a household survey based benefit incidence analysis have shown that the CCT Program has helped reduce both total poverty and food poverty at the national level by up to 1.4 percentage points in 2013. Pantawid Pamilyang also contributed to reducing national income inequality as measured by Gini coefficient by 0.5 points. In terms of use of education and health services, the program was found to increase households' investment in education that has translated into higher elementary education gross enrollment rates of the Pantawid children, which are now on par with those of the non-poor children (above 90 percent). The Program has also promoted facility-based deliveries, access to professional post-natal care, and postnatal check-ups in health facilities.

The community driven development (CDD) program was scaled up too. In addition to the CCT program, DSWD has significantly strengthened and expanded the KALAHI-CIDSS National Community Driven Development Program (KC-NCDDP). The CDD program is part of the Government's strategy to empower citizens to participate in the decision making at the local level. In the past few years, the NCCDP has been a major support in the construction of health and education facilities that are required for CCT compliance.

Productive inclusion of the poor has become an integral part of social protection policies for inclusion and poverty reduction. To complement the CCT and CDD interventions, DSWD launched in 2011 the Sustainable Livelihood Program (SLP), a community-based capacity building program that aims to improve the socio-economic status of the poor Filipino families and to increase opportunities for the CCT households to exit poverty. The program has two tracks: (i) micro enterprise development – it supports poor households in their self-employment efforts and (ii) employment facilitation track that focuses on skills development. The skills building for employment track is particularly relevant for the school to work transition of the CCT secondary education graduates and one of the levers of the Government's strategy to support poor households break the structural causes of poverty in the Philippines (lack of education and skills) and thus break intergenerational transmission of poverty.

The Philippines has integrated social protection programs into its disaster management and response. The Philippines is one of the best examples of efforts to improve social protection resilience to disaster and to scale up social protection programs in response to emergency. Given the country's exposure to frequent natural disasters, huge numbers of the population and in particular the most vulnerable suffer from frequent shocks to their incomes, well-being and consumption, disrupting development progress and keeping them in poverty. In that sense, DSWD is also the government agency responsible for disaster relief and early recovery. Commensurately, it has taken significant steps to strengthen its capacity to effectively perform its Disaster Risk Reduction Management (DRRM) functions, by making the social assistance programs more resilient to disaster and able to quickly recover after the disaster and continue the services delivery. For instance, in response to the massive Yolanda typhoon of 2013, DSWD immediately waived the CCT conditionality and used the CCT program and the national household targeting system as means by which to help affected poor families recover from the disaster. It also coordinates cash-for-work, food, and temporary shelter assistance with LGUs.

Aside from its continuous efforts to improve the delivery of core social protection programs, DSWD keeps strengthening its capacity to perform its role as the leader in social protection. DSWD implements programs assisting poor and vulnerable individuals, households and communities in the Philippines, covering more than 30 million people (roughly 30 percent of the population) and a budget in 2015 close to 2 percent of GDP (US\$ 2.5 billion). It maintains and updates the national household targeting system as an objective and transparent targeting system for social protection programs, sustains advocacy work for the promotion and protection of the rights of poor and vulnerable population, and enhances results-based policy making and implementation. The institution is also involved in the development of an integrated information management system (as established in its Information Systems Strategic Plan, ISSP), to aid in policy development, planning and implementation. DSWD personnel capacity is continuously being strengthened through capacity building and training activities. DSWD is also leading the "convergence agenda", an approach to service delivery adopted and implemented by the Aquino administration to synchronize and coordinate programs development and delivery within the same government agency and between government agencies, in particular at the local government level where the programs are delivered to citizens. It does so by making efforts to synchronize ("converge") the delivery of its programs (CCT, CCD, and SLP, in particular) at the local level – to that effect Municipal Action Teams (MAT) comprising respective programs' officers have been established; and second, by collaborating closely with other government agencies and units (Department of Education, Department of Health, LGUs, etc.) to deliver key programs.

Overall, social protection policy and system development has been impressive, but challenges remain. Sustaining the achievements and moving the social protection reform agenda forward is needed for social protection to be able to continue to efficiently and effectively provide protection to poor and vulnerable, while promoting their human capacity development for better productive inclusion. One of the challenges facing social protection is the potential for a set-backs that could materialize during the forthcoming government transition in 2016. Particularly important over the next several years are to: (i) maintain, and further enhance the national targeting system as a backbone of anti-poverty programs in the country; (ii) maintain, continuously enhance, and further develop the CCT program and its implementation architecture; (iii) expand programs aimed at increasing productive capacity and inclusion of poor households, including programs to facilitate school to work transition for the CCT secondary education graduates, youth skills development and

youth employment programs; as well as job matching services and others; (iv) continue strengthening and improving DSWD capacity to perform its disaster response and recovery functions; (v) continue advancing the convergence agenda as one of the key strategies for effective and efficient social services delivery; and (v) continue strengthening capacity of DSWD to develop social protection policies and implement them, in particular through the introduction of an integrated data management system, strengthened policy development and monitoring and evaluation (M&E) capacity, and enhanced social communications functions.

II. Proposed Development Objectives

The proposed PDO is to support DSWD to improve the use of health and education services of poor children.

III. Project Description

Component Name

Support to the CCT Program

Comments (optional)

The objective of this component is to support the continuous delivery of the Pantawid Pamilyang Pilipino CCT Program to poor households with children. It will continue to contribute to the financing of the health and education grants given to the CCT beneficiaries nationwide over the period of four years, starting from the date of Project effectiveness. Financing would amount to about 7.7 percent of total cash grants in the CCT program. The beneficiary households – poor households with children 0-18, should continue to be selected using the national household targeting system - Listahanan - that follows a standardized targeting mechanism with rigorous quality control process.

Component Name

Strengthening of CCT Implementation and Monitoring and Evaluation

Comments (optional)

This component will allow DSWD to undertake necessary enhancements to the CCT Program. Specifically, the component will use own Government funds to undertake institutional and capacity development and monitoring and impact evaluation activities, including: (a) strengthening policy analysis and monitoring and evaluation capacity, including conducting a CCT Program impact evaluation and annual CCT Program implementation spot checks; (b) training of central, regional and municipal staff to deliver the CCT Program; (c) developing content for, and strengthening capacity to deliver, strategic communications, including strengthening the beneficiary feedback mechanism; and (d) training for the development and delivery of family and youth development sessions.

IV. Financing (in USD Million)

Total Project Cost:	450.00	Total Bank Financing:	450.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
International Bank for Reconstruction and Development			450.00
Total			450.00

V. Implementation

Implementation arrangements would follow procedures similar to other World Bank's loans supporting Government programs in the Philippines. The loan proceeds will disburse to the Treasury accounts. Recent examples of "National Programs Support" loans include the Learning, Equity and Accountability Program Support Project (LEAPS, P118904), the National Program Support for Tax Administration Reform (NPSTAR, P101964), the National Program Support for Environment and Natural Resources Management (NPSENRMP, P096174), the National Program Support for Basic Education (NPSBE, P094063), and the National Sector Support for Health Reform (NSSHR, P075464).

DSWD will be the lead executing agency for the Project. As in the case of the SWDRP, the overall management of the Project is under the DSWD Executive Committee, which is chaired by the Secretary and composed of all the Undersecretaries and Assistant Secretaries. The activities under the Project will be undertaken primarily by the CCT National Program Management Office (Pantawid NPMOs), in accordance with the CCT Program Operations Manual and with support from other relevant DSWD departments, units and bureaus which are all within the structure of DSWD. DSWD shall have overall responsibility for accounting for Project funds and coordinating activities under the proposed Project. Activities will also be overseen by the inter-agency committees set up under the Pantawid (e.g. National Advisory Committee, and its equivalent at the Regional and Municipal level) which would highlight the active involvement of and coordination with the Department of Education and the Department of Health.

DSWD will be responsible for verifying the data through regular administrative data recording and monitoring, plus survey based data. Instruments to collect information will be regular CCT program's management information systems (MIS), including compliance verification system, grievance redress systems, payment system and beneficiary data base, as well as results from spot checks and impact evaluations.

The progress and achievement of the PDO will be monitored and evaluated through four types of activities: (i) semi-annual project implementation support missions, (ii) annual Project status and performance reports; (iii) mid-term review, and (iv) a final review of the Project outcomes upon Project closing.

The likelihood of sustaining the Project objectives beyond the closing date of the Project is high. In addition to the Government's ownership of the Project objectives, sustainability is increased through the Project design in the following ways: (i) supporting the programs and activities that the Government has been implementing for several years already; (ii) provision of technical assistance and capacity building; and (iii) building on the lessons learned from the SWDRP Project, impact evaluations of the CCT program, and international evidence on similar programs.

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)

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