

**Philippines**

**KALAHI-CIDSS  
National Community Driven Development Project (P127741)**

**SEVENTH IMPLEMENTATION SUPPORT MISSION**

**AIDE MEMOIRE**

**December 2017**

## I. BACKGROUND

### A. Purpose and Objectives

1. During the period of November 6-9, 2017 and December 11-15, 2017, the Department of Social Welfare and Development (DSWD), a World Bank Team and Asia Development Bank (ADB) Team jointly carried out an Implementation Support Mission (ISM) for the KALAHI-CIDSS National Community Driven Development Project (NCDDP).<sup>1</sup> Field visits were conducted in Regions I and III (WB) as well as in Region VII (ADB). Technical discussions were held with the National Project Management Team followed by a wrap-up meeting on December 15, 2017.<sup>2</sup> This Aide Memoire reflects the agreements reached and recommendations made in line with the Mission objectives.
2. The main objective of the Mission was to jointly review the progress made in achieving the Program's development objective as well as the key performance targets; and determine compliance to the Loan Covenant. Specific objectives of the mission included:
  - a) Review the progress in implementing each project component and achieving key program targets;
  - b) Discuss the status of the agreements reached during the Mid-term Review;
  - c) Consolidate lessons in implementation so far with particular focus on:
    - i. managing transition from disaster response modality to regular community empowerment activity cycle (CEAC);
    - ii. differentiated implementation modality for conflict-affected areas; and
    - iii. modified project procedures to address the needs of indigenous groups and ensure greater gender sensitivity.
  - d) Pursue dialogue on CDD institutionalization including discussions on convergence with other poverty reduction programs of DSWD and other agencies; and
  - e) Firm up the strategic direction as well as the work and financial plans for the remaining program.
3. During the ISM, the Bank team met with DSWD officials and staff led by: Secretary-Officer-in-Charge Emmanuel A. Leyco; Undersecretary Ma. Lourdes Turalde-Jarabe; Director Alex Glova (National Project Manager); Mr. Karlo de Asis (Deputy National Manager for Technical Services and Mr. Amante Sabangan (Deputy National Manager for Operations). The Mission also acknowledges the participation of the representatives of the various member-agencies of the National Inter-Agency Project Implementation Team (NIAPIT).
4. The field visits involved consultations with Regional Project Management Teams; Area Coordination Teams; municipal mayors, members of the municipal *Sangguniang Bayan*;

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<sup>1</sup> World Bank Team was composed of Pia Peeters, Ma. Loreto N. Padua (Task Team Leaders); Cecilia D. Vales (Lead Procurement Specialist); Tomas Sta. Maria (Financial Management Specialist); Maurice Andres Rawlins (Environmental Safeguards Specialist); Joma Lim (Environmental Safeguards Specialist); Corinne Canlas (Social Development Specialist) and Juliet Villegas (Social Safeguards Specialist). Juliette Wilson (Operations Officer) and Roberto Tordecilla (Sr. Safeguards Officer) also joined part of the Mission.

<sup>2</sup> Annex A. 7<sup>th</sup> Implementation Support Mission. Program of Activities

members of the Municipal Inter-Agency Committees and Municipal Coordination Team; community officials and volunteers in 4 barangays covering 2 municipalities.

5. The Bank conveys its sincere appreciation to DSWD staff; local government officials and staff; and the KALAHÍ communities for their support and openness during the Mission.

## II. MISSION FINDINGS

### A. Achievement of Development Objective and Key Performance Indicators

6. As of October 31, 2017, NCDDP has covered a total of 18,760 barangays (villages) in 799 municipalities. These represent 95 percent of the target 19,647 villages and/or 94 percent of the target 847 municipalities. The Project has financed a total of 24,790 community sub-projects of which 76 percent has been completed. These community sub-projects reached approximately 4.9 million beneficiaries (53 percent of 8.4 million target).

5. **The Project continued to make progress in achieving its development objectives** as evidenced by the following status of key performance indicators as of end of October 2017 (please refer to Table 1. Key Performance Indicators):

- **The project has exceeded most of the PDO-level performance indicators.** Access to and utilization of major investments in covered municipalities have increased by an average of 8 percent across different types of community sub-projects, which is 2 percentage points near the target of 10 percent. Participation of households in barangay assemblies is at 76 percent which is beyond the target of 70 percent, indicating broad-based decision making. Moreover, marginalized groups in villages registered an average of 63 percent participation rate. Specifically, an average of 53 percent participation rate among indigenous peoples' household; 60 percent among women and 75 percent among grantees of the conditional cash transfer program (i.e., 4Ps), representing the poorest in the village.
- **Most of the established targets related to empowerment have been achieved.** Ninety-seven percent of the villages have prepared poverty reduction action plans in accordance with NCDDP participatory processes. Community-based committees and/or community volunteers have been capacitated to implement their priority sub-projects: 76 and 54 percent of community sub-projects were completed in accordance with the planned schedule and technical plans, respectively; and of the completed sub-projects, 97 percent passed the sustainability evaluation with satisfactory rating which is beyond the target of 85 percent. Female participation rate in community labor was at 21 percent, nearing the target of 25 percent.
- **The Project has also contributed to the enhancement in local governance** by providing a mechanism for closer engagement between the municipal local government units (MLGUs) and communities. The Project has exceeded its target in terms of MLGUs which have increased representation of civil society organizations (CSOs) or peoples' organizations (POs) in any of the local special bodies of local development councils. The Project also continued to exercise transparency and accountability with 96 percent

resolution rate of grievances. However, the plan to train MLGU staff on participatory governance has yet to start in second quarter of 2018.

**Table 1: Key Performance Indicators:  
Accomplishments as of October 31, 2017**

<b>Performance Indicators</b>	<b>Closing Date Target</b>	<b>Current Progress</b>
<b>PDO level</b>		
% increase in access to and utilization of major investments in KC-NCDDP Municipalities	10% across various sectors	8%
% of households in KC-NCDDP municipalities with at least one member attending regular Barangay Assemblies	70%	76%
% of members from marginalized groups in KC-NCDDP municipalities who attend regular <i>Barangay</i> Assemblies	50%	63% IPs: 53% Women: 60% 4Ps: 75%
<b>Empowerment</b>		
% of KC-NCDDP <i>barangays</i> with poverty reduction action plans prepared in accordance with the KC-NCDDP participatory process	85%	97%
% of KC-NCDDP community sub-projects completed in accordance with technical plans, schedule and budget	85%	76% per schedule
% of completed KC-NCDDP sub-projects that have satisfactory or better sustainability evaluation rating	80%	96%
% of female participation in KC-NCDDP paid labor component during sub-project implementation	25%	21%
<b>Governance</b>		
% of KC-NCDDP municipalities with municipal poverty reduction plans prepared in accordance with KC-NCDDP participatory process	85%	99%
% of KC-NCDDP municipalities with increased membership of POs and CSOs in local development councils and special bodies (e.g., BDC, PTCAs, local school boards, local health boards, peace and order councils)	85%	100%
Number of KC-NCDDP municipalities w/ staff trained by DILG using the Local Governance modules.	477	Will start in 2018
% of registered grievances satisfactorily resolved in line with the Grievance Redress System	80%	96%

## **B. Implementation Progress By Components**

### ***Component 1: Barangay Sub-Grants For Planning and Investment***

**6. A total of 751 municipalities are in varying cycles and stages of the Community Empowerment Activity Cycle (CEAC). Most of these municipalities are in the final phase of**

completing their sub-project implementation. By 2018, only 179 municipalities will proceed to the succeeding cycle, with the rest having graduated or completed the maximum number of 4 cycles in every targeted poor municipality.

7. Nine out of 15 regions implemented social preparation within the standard 180 days. The Cordillera Administrative Region (CAR), Regions I, III and IV-B spent longer time for social preparation by almost 3 months. The duration of sub-project implementation (SPI), however, is much shorter than the standard of another 180 days thus, the whole CEAC was still completed within a year in almost all regions except in CAR, Regions I, IV-B and 5.

**8. In the process of implementing CEAC, NCCDP mobilized and trained a total of 235,285 community volunteers of which approximately 62% are women.** The majority of the community volunteers are within the age group of 31-60 years and have completed high school. These leaders were instrumental in leading the participatory situation analysis, preparing the detailed proposals, coordinating various aspects of sub-project implementation (e.g., labor, procurement, financial management) and ensuring broad participation in barangay assemblies. It is noteworthy that 59 percent of volunteers in leadership positions are women.

**9. As earlier mentioned, the average household participation rate in barangay assemblies is 76 percent which is more than the target of 70 percent.** Eleven out of the 15 regions reported participation rate within target with Regions IV-A, IX and XI registering the highest at 86 percent. Regions I, III, and CAR still have low participation rates as of October 2017 primarily due to difficult geographical conditions and inadequate skills of community workers, but more recent reports, during the mission field visits, indicated that Regions I and III have been able to comply with the standard as result of coaching and mentoring from regional supervisors

**10. NCDDP has financed a total of 24,790 community sub-projects in more than 18,000 barangays and with total cost of Php17.4 billion (US\$404million), benefiting about 4.4 million households.** At the time of the Mission, approximately 76 percent of all sub-projects were completed. Access services (e.g., village road, footbridge, footpath) continue to be the leading type of sub-project at 37 percent, followed by basic social services facilities (e.g. water system, school buildings, day care center, health stations) at 33 percent.

11. The sub-project implementation provided opportunities to engage 338,952 community labor with a cost of Php925 million (US\$21M) for compensation. About 21 percent of those who were involved as community labor were women.

12. During the Mid-Term Review in February 2017, the Mission learned that some regions accelerated the CEAC implementation mainly as a catch-up scheme since the disaster-response modality took more than 18 months to complete. Consequently, the start-up of the subsequent cycles was pushed back thus leaving limited period before the closing of the ADB loan which requires obligation of all community grants by end of December 2017 and disbursement by end of June 2018. To facilitate the utilization of the ADB community grants, some regions adopted the so-called “combo-combi scheme” which involved combining block grants from two cycles in one Municipal Inter-Barangay Forum or sub-project prioritization (combo) and/or initiating the subsequent social preparation before 80 percent of the SPI is completed per set standard which means overlapping of community activities. Since it has been established that the CEAC needs to

be undertaken for 3-4 rounds to have an impact on poverty and to ensure that the MGLUs can gradually implement the participatory process of NCDDP, the “combo-combi” could undermine the overall impact of the project and increase the risk in terms of the quality of community mobilization as well as the technical aspect of the sub-projects.

13. Per agreements reached during the MTR, the NPMO discussed this issue with all regional project management teams (RPMT) during the Program Review and Evaluation Workshop (PREW) in March 2017, disallowing the “combo-combi” and instructing all RPMTs to back track on activities or undertake supplemental social preparation activities. This was followed-up by regional discussions which resulted in:(i) re-tagging of 40 municipalities some areas from ADB to WB financing to provide more time to do full CEAC; and (ii) identifying supplemental activities to undo or back-track on social preparation activities. The NPMO continues to monitor the implementation of supplemental activities and it was agreed that updates on this matter will be included in subsequent progress reports.

14. Following are updates on other MTR agreements related to Component 1:

Agreements	Updates as of December, 2017
Analyze O&M arrangements and identify improvements. Share analysis with WB for review	A review of existing KC-NCDDP O&M related-materials and coordination with the Livelihood and Enterprise Project (ADB grant) to build-on their ODM tools was conducted in August 2017. Enhancement to O&M Groups Rapid Assessment Tools and Guidelines was discussed in a workshop among regional community-based infrastructure coordinators in November 2017. Copy of proceedings will be forwarded to Bank in January 2018. A Meeting with WB Team will also be scheduled to discuss draft enhancements.
Address shortcomings on SPs as highlighted in independent review	Findings and recommendations of Technical Audit was forwarded to the Engineering Sector and to RPMOs for action. Recommendations related to completed sub-projects are being coordinated with respective LGUs as part of their O&M commitment. Shortcomings identified were highlighted among Engineering Sector members to prevent similar problems for re-occurring in other sub-projects.
Review recommendations to strengthen Sustainability Evaluation Tool (SET and send proposal to WB for feedback)	This was part of the workshop in November 2017.
Undertake thematic review of utilization of planning grants	M&E has yet to consider conduct of special study on utilization of planning grants as part of its research agenda.

**Component 2: Local Capacity Building and Implementation Support**

15. As of October 2017, a total of 3,5276 staff comprising the Area Coordination Team (ACT) had been hired and trained, constituting 96% of target (Table 2). The reduced number of ACT staff as compared to end of December 2016, is due to the reduced staffing in Regions 4A, 4B, 5, 6, 7, 8 and Caraga Region. Further streamlining of staff is planned in mid- 2018 as more areas graduate from the project. The streamlining will mainly involve the closure of Sub-regional Project Management Offices (SRPMOs) except in Regions IV-B, VII and X, which will remain to have large numbers of municipalities. Supervision and technical assistance for ACTs in areas where the SRPMOs will be closing will be assumed by the Regional Project Management Team (RPMT) which may have additional support from former SRPMO staff, if deemed necessary. Agreement: NPMO to furnish World Bank with the complete staff complement for 2018 within the first quarter of 2018.

Table 2: Hiring Status: Area Coordination Team

<b>Position</b>	<b>Plan</b>	<b>Actual</b>	<b>% Hired</b>
Area Coordinator	614	589	98%
Technical Facilitator	672	653	97%
Municipal Finance Analyst	769	749	95%
Community Empowerment Facilitator	1472	1385	96%
<b>Total</b>	<b>3527</b>	<b>3376</b>	<b>96%</b>

16. All of the agreements reached during the MTR were implemented, highlights of which are as follows:

Review planned scaling back of staff at regional level and community level (ACT)	RPMOs were given the flexibility to utilize non-grant funds to hire necessary ACTs and S/RPMO staff depending on extent of coverage, difficulty of area of assignment, and capacity of Municipal Coordination Teams. Copy of DSWD Memorandum forwarded to the Bank
Include orientation on IP guidelines and gender mainstreaming guidance note in enhancement training of ACTs	Done
Continue orientation and training on guidance document CAA to ACTs and MCT	Done
Convene all regional capacity building specialist to design a core enhancement training for ACTs and SRPMOs	Done

Assess the capacity building needs of MCTs and design a basic training program, including learning materials	Administration of Learning Needs Assessment to MCTs using the online tool was started in October 2017.
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17. The Mission acknowledges the various capacity building or enhancement trainings for the NCDDP staff across regions. Training efforts have moved forward to involve the Municipal Coordination Teams (MCTs) which covered a total of 4,121 personnel for CEAC trainings and 3,570 personnel for non-CEAC trainings. It is interesting to note a broad range of non-CEAC trainings several of which are deemed related to CEAC such as Project Management Training for ACTs, Basic Emergency Response Training, MCT Skills Training on CDD implementation and sustainability; Community Organizing for MCTs, Personnel Development involving stress management and time management; and Workshop on Crafting CDD-LPP Harmonization Initiatives and Developing Municipal Program Implementation for LGU-led Municipalities.

18. The Mission also noted the efforts of the NPMO in enhancing the competency requirements for ACTs viz-a-vis their expected roles/tasks. Based on the enhanced competency matrix, the regional and national capacity building teams consolidated and analyzed the learning needs of the various project teams. The mission appreciates the initiative of NPMO to consolidate and synthesize the learning needs and prepare a more strategic learning agenda. This initiative is in line with the MTR agreement for NPMO to systematize the capacity building needs assessment particularly for ACT member since quality of CDD implementation is largely contingent on the effectiveness of facilitation. Identified priority learning needs are classified into three main areas: Managing KC-NCDDP Coordinating teams; Coaching and Mentoring for CDD; and Organizing for Sustainable CDD (for Community Empowerment Facilitators). Field visits and various reports still indicated the need to enhance the facilitation skills of the ACT members particularly in terms of building consensus in village assemblies and managing influence from elected officials to avoid elite capture.

19. Although the Project would not likely recruit new staff, the Mission recommended that the NPMO finalize the competency requirements for ACTs as a reference material that can be used by other agencies or LGUs should they implement CDD initiatives. Since a lot of areas will be going through the last 2 CEAC cycles, the Mission recommended that priority be given to enhancement trainings on effective facilitation of: (i) barangay assemblies to ensure more inclusive or broad-based decision making; (ii) community-managed committees to facilitate sub-project implementation as platform for formation of community-based organizations; and (iii) municipal inter-agency committee meetings/activities to maximize technical assistance and facilitate integration of CDD elements in MLGU processes. Moreover, the Mission recommends using a case-based approach or on-the ground problem-solving technique to increase probability of immediate application which at the same time could serve as training on coaching/mentoring for SRPMO/RPMO field coordinators.

### ***Component 3: Project Administration, Monitoring and Evaluation***

19. During the MTR, the Results Framework was reviewed and some revisions were agreed on. The DSWD has adopted the agreed revisions in its second and third quarterly progress reports for

2017. In this Mission, further revisions were agreed on with regard two KPIs as described below. A restructuring paper will be developed to formalize these agreed upon revisions.

Key Performance Indicators	End of Project Target	Agreed Changes during MTR	Further changes in this Mission
% of members from marginalized groups in KC-NCDDP municipalities who attend regular Barangay Assemblies	40 %	Target revised to 65% to reflect higher baseline data	Target revised to 50% since accelerated CEAC was adopted in 547 Yolanda-affected areas which did not require the standard participation rate in assemblies
% of KC-NCDDP community sub-projects completed in accordance with technical plans, schedule and budget	85%	In future, budget variation will not be measured as SP budgets are fixed. Basis for time and technical variation assessment going forward agreed with DSWD	Further clarification on measuring performance: Measure for timeline/schedule is based on following standards: <ul style="list-style-type: none"> <li>• SPs completed in 180 days from date of first tranche download to date of completion as planned;</li> </ul> Measure for compliance to technical plan: <ul style="list-style-type: none"> <li>• SPs with accomplished final inspection report which certifies that percent of SP physically completion against planned program of work</li> </ul>

20. The MIS continues to provide timely and adequate data for the decision-making at management levels. The M&E Unit has initiated the Outcome survey and data gathering as well as cleaning which are targeted to be completed by March 2018. Moreover, a research agenda for 2018 has been finalized which includes the review of Makamasang Tugon or MT (LGU-led implementation of CEAC), thematic review of the use of planning grants, and the study on community volunteerism. It was agreed that the TORs for the researches will be forwarded to the Bank for comments by February 2018.

### C. Cross-cutting Concerns

#### ***Convergence and Partnership Development***

21. Since 2011, NCDDP has been in partnership with other national agencies to implement sectoral programs that used CDD as a delivery mechanism for reaching the poorest municipalities and marginalized communities. These programs include the PAMANA program (a peacebuilding initiative) with the Office of the Presidential Adviser on Peace Process (OPAPP); the Construction of Classrooms for Lumads (CCL) with the Department of Education; and the Bottom-Up Budgeting Program with the National Anti-Poverty Commission (NAPC), Department of Budget and Management (DBM) and the Department of the Interior and Local Government (DILG). The table below shows the coverage and financing support for each program:

Table 3: Coverage and Financing of BUB, CCL and PAMANA

22. All the aforementioned programs are winding down by end of 2017. The Mission recommended that the DSWD documents the experiences in implementing these convergence programs to elucidate the lessons learned in using CDD as delivery mechanisms for thematic/sectoral national programs particularly for purposes of reaching the underserved.

23. As part of its implementation arrangements, the NCDDP formed a National Inter-Agency Project Implementation Team (NIAPIT) in 2011 to provide technical guidance since the Project involves multi-sectoral interventions as well as to ensure coordination among the various community-based poverty reduction programs. During the first half of Project implementation, the NIAPIT provided valuable guidance in terms of sub-project standards as well as facilitated the NCDDP participation of their respective counterparts at the sub-national levels. In the long term, the inter-agency partnership was intended to promote CDD as an approach for local service delivery particularly for poor municipalities as part of the envisioned institutionalization. At the time of the Mission, the NPMO conducted a 2-day workshop to orient the NIAPIT about NCDDP since majority of the members were newly designated as a result of the change in administration and to review/revise its Terms of Reference. The NPMO targets to complete the enhanced TOR before the end of 2017 and seek approval of the NIAPIT by end of January 2018. The NPMO agreed to provide WB and ADB with the outputs of the Workshops and the revised TOR.

Coverage	BUB	CCL	PAMANA
No. of regions	18	5	
No. of municipalities	999	91	
No. of barangays			1,391
Financing (Php)	758.5 M (2016)	500 M	1,901.2 B (2011-16)

### **Institutionalization**

24. In anticipation of NCDDP's closing by end of 2019, the NPMO has prepared a draft Successor Program. However, the OIC-Secretary Leyco informed the Mission that the proposed Successor Program has yet to be discussed by the DSWD Executive Committee. He also emphasized the need to review any successor program in the broader context of social protection and DSWD's mandate and core functions. Cognizant of the valuable lessons learned through more than 16 years of KC implementation as well as the strong support from LGUs, DSWD clarified, however, that the program will not be abruptly stopped. Nevertheless, it is important to clarify which dimension of CDD should rightfully be retained by DSWD considering its strategic competence and/or contribution to participatory poverty reduction initiative and which dimensions would be in better position to be mainstreamed in other agencies for which purpose, the DSWD should assume the role of policy/program advocacy.

25. On its part, the National Economic and Development Authority (NEDA) confirmed that CDD is articulated in the long-term plan “Ambisyon” as a strategy to improve access of marginalized/ disadvantaged communities to basic services and, in the process, enable the poor to participate in local governance (social inclusion). NEDA also agreed that there is a need to synthesize the lessons learned from more than 16 years of implementation.

26. The Mission recommended that DSWD focuses its effort on building consensus around the key parameters of its long-term vision for CDD as a development strategy which should involve other agencies, especially those that also implement CDD-related programs. Further, the Mission recalled that DSWD held a series of workshops/consultations among a broad number of national and local stakeholders to clarify the vision of CDD as a strategy as part of its preparation of NCDDP and more recently in 2014. It would be worthwhile to revisit the highlights of these consultations. Moreover, the Bank has undertaken various analytical work to provide policy/strategic options relation to mainstreaming CDD in local and national development which could be synthesized for policy discussions. Towards this end, it was agreed that the NPMO will convene a series of research colloquium/learning forums to share the various lessons learned on CDD and their implications for CDD institutionalization.

#### **Governance and Anti-corruption (GAC) – Integrity Management Program**

27. On October 23, 2017, as part of pre-mission activity, the GAC WB Team member met with DSWD counterparts led by the Officer-in-Charge of Internal Audit Services (IAS), Ms. Marissa Fabricante, together with the Program Management Committee Representatives from the Office of the Ombudsman, Mr. Favila, and from the Office of the President, Atty Chito Montalban, to discuss the actions taken to the agreement during the June 2017 Mission (Table 4). These actions/agreements refer to the whole Department and would cover both NCDDP and the Social Welfare and Development Reform Project II, which is also a Bank-supported project.

28. The Mission took note of the following key items for DSWD Management consideration:

- The Special Order for the reconstitution of the Integrity Management Committee (IMC) was approved on June 13, 2017. The Bank recommends that when the new Secretary is appointed, the Special Order should be amended to include the change in the DSWD Leadership.
- Capacity building through trainings of the new members of the central and regional IMC, including the CSO members, are still to be conducted because of budgetary constraint. Although the trainings are budgeted for 2018, the Mission recommended that other projects and programs should be tapped to provide supplemental financial support considering that the integrity perception survey is DSWD-wide.
- The external and internal perception survey was delayed due to budgetary constraints. The DSWD Management requested that the Development Partners fund the surveys. the Bank Mission requested that the Terms of Reference for the Survey be shared with the Bank to explore options.

**Table 4: GAC Actions Taken as of November 22, 2017**

<b>Agreement as of June 2017 Mission</b>	<b>Update as of November 22, 2017</b>	<b>WB Recommendation</b>
Office Order reconstituting the DSWD – Integrity Management Committee	Done. The Special Order for the reconstitution of the IMC was approved on June 13, 2017. A copy was shared with the Bank.	When the new Secretary is appointed, the Special Order should be revised to reflect the leadership change following the requirements of the IMP Guidelines.
DSWD-wide IMAP to be submitted to and reviewed by the Program Management Committee (PMC) comprising OMB and OF	Done. DSWD Integrity Management Committee led by Assistant Secretary Aleli Bawagan and the head of Secretariat, Ms. Marisa Fabricante had an exit conference last August 8, 2017 with PMC representatives from OMB (Mr. Favila) and the OP (Atty. Montalban). The revised IMP Version 2 was submitted to the PMC formally on October 4, 2017.	The final IMP Version 2 be shared with the Bank as part of the Project’s GAC Outputs, particularly those pertaining to SWRDP integrity findings and risks mitigation measures.
Conduct monitoring of the implementation of the IMP through spot checks of 6 key areas (Pantawid, KC, SLP, Social Pension, Supplemental Feeding)	Did not push through due to the IMP version 2 finalization and budgetary constraint. Tentatively scheduled in September to December 2018	As IMP action plan implementation involves several programs and projects, the IMC should consider involving other projects in the provision of technical and financial support.
Capacity building of the new members of IMC and secretariat and counterparts in Regional IMC.	M & E training done for members of IMC and Secretariat. But the full IMP trainings, that included the CSO and regional IMC representatives are not yet conducted. The trainings are budgeted in 2018 and tentatively, will be conducted in March 2018.	As the IMP is a DSWD wide program, consider involving the other project in the provision of financial support to the training activities.
Internal and External Perception Survey on integrity	Not yet done. The reason is insufficient technical and financial support for the survey. The IMC discussed the issue of funding with the heads of the Project Management of SWRDP2 and NCDDP. The conduct of the survey is tentatively scheduled in February to May 2018.	DSWD Management requested that funding for the internal and external survey be handled by the donors. The Bank’s TTL replied that the Bank will find ways to fund the two surveys. The Mission requested that the Terms of Reference for the Survey be shared with the Task Team.

## **D. Compliance to Covenants**

### **Procurement**

29. Most of the agreed actions in the MTR have been completed except for: (i) submission of the Updated Procurement Plan to the Bank for review and no objection; (ii) simplification of procurement documents and forms for the CPPM/CMP; and, (iii) translation and simplification procurement documents and forms in local language.

30. **Procurement Post Review.** The mission conducted post review of a few contracts handled by the Central Office and Field Offices of Regions IV-A and B. Overall, the sampled contracts substantially complied with the procurement provision of the Loan Agreement. The mainstreaming of procurement function from the NPMO to DSWD Procurement Service (PS) is being pursued to strengthen the capacity of PS to oversee, supervise and monitor community led procurement. Director Angelene Arabit-Tolentino shared with the Mission, the proposed creation of the Procurement Management Service that includes a Procurement Management Section in the Field Offices. In addition, the Mission suggested that a procurement transition plan be prepared by NPMO Procurement Unit, and submitted for approval by DSWD Management. Transfer of some positions and personnel should be considered. Future training should include the personnel of PS to ensure that they would be capacitated to take over the project's full procurement function. (Please refer to Annex B for detailed report.)

31. To further enhance transparency, competitiveness and efficiency, the following mitigation measures are recommended:

- i. Review of the Shopping procedures towards simplifying and achieving efficiency of completing the process following Section 3.5 of the Bank's Procurement Guidelines. As an additional control measure, the Bids and Awards Committee should verify the acceptability of the selected awardee's offer in comparison to reputable price indices prevailing in the region or particular area.
- ii. The DSWD Procurement Service to formulate actions to mitigate the issues relating to transparency, competitiveness and effectiveness as cited above. Eventually, the NCDDP procurement function will be mainstreamed to ensure sustainability. Hence, strengthening of DSWD's procurement system is of utmost importance. Thus, the Mission suggest that the Project funds be allocated to support, both technically and financially, the actions that Procurement Service will eventually decide to implement.

### **Financial Management**

32. Overall, financial management arrangements are in place and implementation is considered acceptable. Audit issues were properly addressed. Financial covenants (audit reports and interim financial reports) are generally complied with. Complete accounting records (disbursement vouchers and supporting documents) are kept and maintained at the NPMO, and are reviewed by the RPMOs reviewed. (Please refer to Annex C for detailed report.)

33. ***Status of Disbursements*** - As of January 2018, disbursements under the WB loan totaled US\$392.74 million or 82 percent of the total loan amount of US\$479,000,000.00.
34. ***Quarterly Interim Financial Reports*** - The Interim Financial Reports (IFRs) for the periods ending March 31, June 30 and September 30, 2017 were submitted within the due dates.
35. ***Annual Project Audited Financial Statements*** - The audited Project Financial Statements and Management Letter for the year ended December 31, 2016 was received on June 30 (Financial Report on Designated Account) and July 4, 2017 (Financial Statements). The Commission on Audit (COA) rendered an unqualified opinion on the financial report of the Designated Account and an adverse opinion on the audited project financial statements due to certain deficiencies (i.e. weak internal control in the processing and release of checks, and custody of accountable forms). DSWD Management reported the following actions which were also included in the Management's comments of the audit report:
- a) The Management through Cash Division issued Stop Payment Order to LBP to prevent the unauthorized usage of the remaining unissued checks;
  - b) DSWD requested the assistance of the National Bureau of Investigation (NBI) on the above matter; and
  - c) DSWD already strengthen the internal control within the Financial Management Services – Cash Accounting Division in the processing of the financial transactions. In addition, the following actions were undertaken:
    - All unused checks are now kept in the vault and can only be accessed by the Chief Administrative Officer of Cash Division;
    - Inventory of unused check is being done monthly; and
    - Maintaining a logbook for the release of new checkbook wherein all releases are being logged and acknowledged by the concerned Cashiers.

### **Environmental and Social Safeguards**

#### **36. Overall compliance to the Environment and Social Safeguards Management**

**Framework:** The NPMO reported high compliance of Environment and Social Management Plan (ESMP) documentation across the various regions with several regions already reporting 99% ESMP submission. During the field visits, environmental and social safeguards documents were reviewed and were found to be generally in order and consistent with the agreed safeguards framework. The reviewed ESMPs were found responsive to the issues and risks identified in the environmental screening done during the subproject preparation stage. Community volunteers underscored the important role of the community facilitator in helping them to understand the Environment and Social Safeguards Checklist (ESSC) and for them to develop a relevant ESMP later. The mission also confirmed during the field visit that the O&M plans have been developed and safeguards-related tasks were implemented. Some enhancements on O&M were recommended including further training of O&M team to strengthen planning and implementation and to further capacitate volunteers to do appropriate cost estimates for the O&M plans.

37. As agreed with NPMO, ESMPs would be made more dynamic and more relevant to the subprojects. One step to accomplish this was to allow the community volunteers to update the ESMP matrix at least one month after construction where the implementation and effectiveness of mitigating measures listed in the ESMP will be assessed and enhanced whenever necessary. This updated ESMP will be made as a supporting document to the subproject completion report.

38. Specific to **compliance with all the social safeguards**, the Project continues to implement techniques and processes to ensure participation of indigenous peoples through-out the community mobilization processes. As earlier mentioned, participation rate among IPs is at 53 percent which is beyond the target of 50 percent. In terms of land acquisition, the identification of project sites and the needed land was facilitated through the project’s participatory planning processes. The NPMO maintains a listing and classification of land acquisition/donations. Of 18,898 completed sub-projects, a total of 14,194 or 75 percent used government-owned land and covered by LGU resolutions or Department of Education (DepEd) certification in the case of school buildings; 4,713 sub-projects were on private and titled and covered by Deeds of Donations or usufruct agreements.

38. **Status of MTR agreements on safeguards:** The following are the actions taken so far with regard MTR agreements:

Agreements	Status as of December 13, 2017
Update supervision protocol for ESMP monitoring.	To enhance the ESMP implementation, the NPMO Safeguards Team started doing purposive and random checks to monitor the implementation of ESMPs in the various regions. In September 2017, a guidance note in the conduct of spot checks for ESMP was issued by the NPMO with an objective of ensuring that the safeguards instruments are being utilized and complied with through regular monitoring and that the NPMO can provide timely technical assistance to the RPMOs. The NPMO is also simplifying the ESMP format that will allow the community volunteers appreciate more the relevance and benefits of the ESMP in the project implementation including its impact on project sustainability through enhanced O&M. An updated facilitator’s guide for the preparation of the ESMP was also submitted to the Bank for further review and comments.
Undertake a thematic review focusing on: (i) quality of IP participation; (ii) the extent to which the design and implementation arrangements of the SPs have been responsive/sensitive to IP cultural realities; and (iii) trends in land acquisition.	The concept notes of various thematic studies have been prepared with funding support from ADB. The studies would focus on: (i) the nature and extent of IP participation; and (ii) responsiveness sensitivity of the program/SPs to IP cultural realities. Procurement of researchers-consultants is on-going. NPMO has also engaged consultants to conduct an external monitoring on KC-NCDDP’s compliance to IP and LARR safeguards. Inception Reports were already submitted by the consultants. The TOR for the thematic studies and Inception Report for the IP/LARR compliance will be shared with WB.
Revisit DSWD’s partnership arrangement with National Commission on Indigenous Peoples (NCIP)	Two consultation dialogues with tribal leaders (Mindanao and Luzon cluster) were conducted in preparation for the MOA review. Meeting with NCIP has been held in abeyance or deferred due to change in composition of the NCIP Board of Directors. original schedule for the MOA review for finalization in coordination with NCIP is by October 2017. NPMO will re-schedule the meeting with NCIP after completion of the external assessment during first quarter of 2018.

39. **Other issues on safeguards:** The mission noted the NPMO's report on the safeguards-related issues scoped from the project's GRS. Two issues were flagged: one on the complaint lodged by a concerned citizen on the use of 'endangered trees' as an equity of the BLGU for a project and another on the nuisance brought about by stockpiling of aggregates during subproject construction. Based on reports from the concerned regional PMOs these issues have been satisfactorily resolved.

40. For water supply projects, it was consistently observed in the past missions that there were lacking arrangements on the regular water quality testing. To ensure that health of the community members is not compromised from drinking unsafe water from NCDDP subprojects, the mission recommended to NPMO the integration of water safety planning to the sustainability evaluation tool and that this be reinforced in the O&M of water supply subprojects (i.e., proper design and construction, safe O&M, and enhanced monitoring). It was agreed that the NPMO will send a memorandum to all Field Offices reminding them to monitoring periodic potability testing.

### III. WORK AND FINANCIAL PLAN FOR 2018-2019

41. The DSWD and Bank team discussed the financing position of project in view of completion by December 2019:

- a) The Forward Obligation Authority for the project provided for a total financing of PhP51.11 Billion of which PhP40.16 B is from loan proceeds (LP) and PhP10.94 B will be government counterpart (GOP). However, the Project became effective almost a year after the approval of the NEDA during which the FOA was issued. Furthermore, there is a substantial foreign exchange gains with peso-US\$ exchange of 1:48 as against 1:43 during project preparation. Consequently, the revised multi-year financing plan will amount to PhP47.81 only.
- b) Specific to IBRD LP, budget appropriated until CY2017 totaled PhP40.01 Billion while budget utilization is at PhP37.90 Billion. Unutilized budget as of November 30, 2017, is at PhP2.10 Billion. Out of this amount, PhP48.2 million already lapsed but the remaining PhP2.06 Billion is expected to be utilized before the end of CY2017. For 2018 and 2019, the IBRD LP would be used solely for community grants (Component 1) while the other components would be financed from government counterpart. It is estimated that the Project will disburse community grants in the amount of PhP3.13B and PhP1.23B, in 2018 and 2019, respectively. Overall estimated utilization by end of 2019 is US\$450.25 M which is about 94 percent of the approved US\$477.80 M. At project completion, it is estimated that around US\$27.54 million of unprogrammed funds will be available due to foreign exchange gain and savings from completed sub-projects.

42. For the remaining 2 years of implementation, the following are the major planning parameters:

- a) Major activities involve the completion of 3 cycles of CEAC in 243 municipalities in 2018 and 179 municipalities in 2019;
- b) 2018 operations will also involve carry-over of sub-project implementation with a value of PHP2.061 B which will almost double the community grant allocation of PHP3.1B for 2018, indicating very heavy workload for ACTs;
- c) Major support services will include continuing enhancement trainings for ACTs as well as closer/frequent supervision and monitoring due to scale of operations and closing of ADB-financed operations;
- d) Staff complement will be substantially reduced starting in July 2018 due to closing of ADB-supported areas. This will largely involve reduced number of ACTs and closure of SRPMO except in Regions 4B, VII and X where the number of covered areas will remain high. Supervision and monitoring functions of SRPMO will be revert to the RPMO. In regions where there is still a sizeable number of areas but not big enough to justify continued SRPMO operations, the Field Offices will be allowed to re-hire some SRPMO staff to ensure adequate monitoring/ supervision;
- e) Budget parameters for community grants will remain the same; and
- f) In terms of disbursement schedule, DSWD will continue to allow a buffer of 3 months or a 3-month advance estimates to allow sufficient time from withdrawal to transfer of funds to project designated account.

43. Given the technical discussions that transpired, the DSWD and the Bank agreed to include the following planning considerations for the remaining implementation period:

- a) Since there are nearly 2,000 sub-projects that have yet to be completed under ADB financing, DSWD would determine by end of March 2018 if some of the SPs could realistically be completed by end of June 2018 or would need to be retagged for WB financing;
- b) The NPMO would revisit its assumption/parameters for staff complement based on: (i) preliminary assessment of Makamasang Tugon or LGU-led cycle (4<sup>th</sup> cycle) which indicated that there might be need to extend the services of the ACTs in areas where the LGUs are not prepared or does not have sufficient capacity to implement CEAC. NPMO is undertaking a more thorough assessment of MT in 2018 as basis for final decision; (ii) some of the hand-over activities and/or post-CEAC activities such as functionality audit of SPs might necessitate extension of ACT services for another 6 months; (iii) the volume and overlapping of communities in 2018 might spill over to 2019 and could also necessitate retaining the services of some ACTs longer than originally projected;
- c) In the course of the technical discussions, the DSWD agreed to explore the following new activities to possibly utilize the balance in LP: (i) trigger the disaster response operations modality (DROM) for disaster-affected areas; (ii) pursue pilot-testing in semi-urban areas or CDD for livelihood/enterprise development; (iii) preparatory activities, including analytical work, consultations and trainings in preparation for

institutionalization; and (iv) finance additional sub-projects since there is existing protocol on use of unutilized grants or savings from community grants;

- d) The NPMO also informed the Bank that it is considering the possibility of requesting for a 1-year extension of the Project to ensure that all SPs are completed within standards. A proposed extension would inherently include provisions for staff complement with corresponding budget allocation

44. The NPMO informed the Mission that the 2018 detailed Work and Financial Plan would be submitted to the Bank during the first week of January 2018. Further, the DSWD agreed to study all the options/recommendations for consideration of the DSWD-EXCOM as well as the Project National Steering Committee. DSWD will inform the Bank of its decisions on or before the next mission which is tentatively scheduled in the last weeks of April 2018 (keeping in mind that there will be local election in May 2018) to ensure that proposed adjustments in the work plan would still be timely and feasible for the remaining period of implementation.

#### IV. Summary of Agreements/Recommendations

Agreements/Recommendations	Target Completion Date
Enhancement to O&M Groups Rapid Assessment Tools and Guidelines was discussed during recent workshop among regional community-based infrastructure coordinators in November 2017. Copy of proceedings of the workshop will be forwarded to Bank. A Meeting with WB Team will also be scheduled to discuss draft enhancements.	Within January 2018
M&E to share TORs for special study on utilization of planning grants 2018.	Within 1Q 2018
NPMO to furnish WB with complete staff complement for 2018	February 2018
Recommended that NPMO finalize competency requirements for ACTs as a reference material that can be used by other agencies or LGUs should they implement CDD initiatives.	For consideration
Recommended that priority be given to enhancement trainings on effective facilitation of (i) barangay assemblies to ensure more inclusive or broad-based decision making; (ii) community-managed committees to facilitate sub-project implementation and, (iii) municipal inter-agency committee meetings/activities to maximize technical assistance and facilitate integration of CDD elements in MLGU processes.	For consideration
TORs for the researches on volunteerism and Tier 2 process documentation will be forwarded to the Bank for comments.	February 2018
Recommended that DSWD documents the experiences in implementing these convergence programs to elucidate the lessons learned in using CDD as a delivery mechanisms	TBD by DSWD
NPMO agreed to provide WB and ADB with the outputs of the NIAPIT Workshops and the revised TOR.	January 2018
NPMO will convene a series of research colloquium/learning forum to share the various lessons learned on CDD and their implications to CDD institutionalization.	1Q 2018
Updated procurement plan for submission to the Bank	on or before Dec. 31, 2017
Review of the Shopping procedures towards simplifying and achieving efficiency of completing the process following Section 3.5 of the Bank's Procurement Guidelines	TBD by DSWD
TOR for the thematic studies and Inception Report for the IP/LARR compliance will be shared with WB.	January 2018

It was agreed that the Bank will be provided updates on the resolution of the aforementioned issues as part of the subsequent quarterly progress report	
It was agreed that the NPMO will send a memorandum to all Field Offices reminding them to monitoring periodic water potability testing	January 2018
2018 detailed Work and Financial Plan would be submitted to the Bank	First week of January 2018
DSWD to inform Bank re adjustments in Work and Financial Plan	by end of April 2018
Next mission	Last 2 weeks of April 2018

## V. DISCLOSURE

45. Consistent with the current practice of the DSWD, the Mission reached agreement with Government, represented by Undersecretary Ma. Lourdes Turalde-Jarabe, that this Aide Memoire, as reviewed, amended and agreed upon at the wrap-up meeting that took place on December 15, 2017 will be disclosed at the Department's website, among others.