Public Disclosure Authorized

Public Disclosure Authorized

Document of
The World Bank

Report No: ICR00003238

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-71470, IBRD-79590, TF-11939)

ON A

LOAN IN THE AMOUNT OF US$ 100.0 MILLION

AND ON

AN ADDITIONAL FINANCING LOAN IN THE AMOUNT OF US$59.124 MILLION

AND ON

A CO-FINANCING GRANT FROM THE AUSTRALIA-WB TRUST FUND FOR PHILIPPINES DEVELOPMENT IN THE AMOUNT OF US$10.0 MILLION

TO THE

REPUBLIC OF THE PHILIPPINES

FOR

KAPITBISIG LABAN SA KAHIRAPAN – COMPREHENSIVE AND INTEGRATED DELIVERY OF SOCIAL SERVICES PROJECT

November 24, 2014

Social, Urban, Rural and Resilience Global Practice
East Asia and Pacific Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective November 1, 2014)

Currency Unit = Peso
Php 44.9789 = US$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

4Ps	*Pantawid Pamilyang Pilipino Project* (conditional cash transfer program)
AF	Additional Financing
ACT	Area Coordination Team
BLGU	Barangay Local Government Unit
BUB	Bottom-Up Budgeting
CAS	Country Assistance Strategy
CCT	Conditional cash transfer
CDD	Community driven development
CEAC	Community Empowerment Activity Cycle
CIDSS	Comprehensive and Integrated Delivery of Social Services
COA	Commission on Audit
CPS	Country Partnership Strategy
CSO	Civil society organization
DILG	Department of the Interior and Local Government
DSWD	Department of Social Welfare and Development
FM	Financial management
GRS	Grievance Redress System
IBRD	International Bank for Reconstruction and Development
IE	Impact evaluation
IP	Indigenous People
ISR	Implementation Status Report
KALAHI	*Kapitbisig Laban sa Kahirapan*
KC	KALAHI-CIDSS
KCAF	KALAHI-CIDSS Additional Financing
KPI	Key Performance Indicator
LGU	Local Government Unit
MCC	Millennium Challenge Corporation
MCT	Municipal Coordination Team
MDC	Municipal Development Council
MDP	Municipal Development Plan
M&E	Monitoring and evaluation
MIAC	Municipal Inter-Agency Committee
MIBF	Municipal Inter-barangay Forum

MIS	Management Information System
MLGU	Municipal Local Government Unit
MOA	Memorandum of Agreement
MT	*Makamasang Tugon*
NSCB	National Statistical Coordination Board
NEDA	National Economic and Development Authority
NGO	Non-governmental Organizations
NPMO	National Project Management Office
O&M	Operations and Maintenance
PDO	Project Development Objective
PMO	Project Management Office
PSA	Participatory Situational Analysis
RPMO	Regional Project Management Office

Vice President:	Axel von Trotsenburg
Country Director:	Motoo Konishi
Global Practice Senior Director:	Ede Jorge Ijjasz-Vasquez
Global Practice Director:	Maninder S. Gill
Global Practice Manager:	Jan Weetjens
Sector Manager:	Ousmane Dione (through June 30, 2014)
Project Team Leader:	Maria Loreto N. Padua
ICR Team Leader:	Makiko Watanabe

REPUBLIC OF THE PHILIPPINES

Kapitbisig laban sa kahirapan – Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) Project

CONTENTS

A. Basic Information			
Country:	Philippines	Project Name:	Kapitbisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS) Project
Project ID:	P077012	L/C/TF Number(s):	IBRD-71470,IBRD-79590,TF-11939,TF-50944,TF-54218,TF-56159,TF-56975,TF-93563
ICR Date:	11/24/2014	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	REPUBLIC OF THE PHILIPPINES
Original Total Commitment:	USD 100.00M	Disbursed Amount:	USD 154.72M
Revised Amount:	USD 154.72M		
Environmental Category: B			
Implementing Agencies: Department of Social Welfare and Development (DSWD)			
Cofinanciers and Other External Partners: Department of Foreign Affairs and Trade (DFAT)			

B. Key Dates

Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	03/13/2002	Effectiveness:	12/16/2002	12/16/2002
Appraisal:	06/24/2002	Restructuring(s):		06/08/2007 11/27/2007 12/31/2009 09/30/2010 02/20/2014
Approval:	09/17/2002	Mid-term Review:	02/15/2005	01/19/2006
		Closing:	06/30/2009	05/31/2014

C. Ratings Summary

C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Satisfactory	Government:	Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	Highly Satisfactory
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
General education sector	20	24
General transportation sector		27
General water, sanitation and flood protection sector	20	15
Health	20	9
Other social services	20	25
Rural and Inter-Urban Roads and Highways	20	
Theme Code (as % of total Bank financing)		
Conflict prevention and post-conflict reconstruction		10
Decentralization	22	
Improving labor markets	22	
Indigenous peoples		10
Other accountability/anti-corruption	22	10
Participation and civic engagement	23	35
Rural services and infrastructure	11	35

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	Axel van Trotsenburg	Jemal-ud-din Kassum
Country Director:	Motoo Konishi	Robert V. Pulley
Practice Manager/Manager:	Jan Weetjens	Zafer Ecevit
Project Team Leader:	Maria Loreto Padua	Cyprian F. Fisiy
ICR Team Leader:	Makiko Watanabe	
ICR Primary Author:	Makiko Watanabe	

F. Results Framework Analysis

Project Development Objectives (from Project Appraisal Document)
Assist the government in strengthening participation of local communities in barangay governance, and developing their capacity to design, implement and manage development activities that reduce poverty.

Revised Project Development Objectives (as approved by original approving authority)
Empower local communities in targeted poor municipalities and selected urban areas to achieve improved access to sustainable basic public services and to participate in more inclusive Local Government Unit (LGU) planning and budgeting.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	1. Percentage of households that report better access to or use of basic services compared to KC AF initiation.			
Value (quantitative or Qualitative)	0		40%	90%
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under the additional financing (AF). Impact evaluation measured indicators related to access to services, consumption, and self-rated poverty.			
Indicator 2 :	2. Percentage of households that report an increase in knowledge, skills and confidence to participate collectively in community development activities compared to KC AF initiation.			
Value (quantitative or Qualitative)	0		30%	93%
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF. Relevant data was collected through management information system (MIS).			
Indicator 3 :	3. Percentage of members from marginalized groups that attend barangay assemblies.			

Value quantitative or Qualitative)	35%		50%	74%
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF. Relevant data was collected through MIS.			
Indicator 4 :	4. Percentage of legislated municipal budgets with at least 10% increase in allocation for community identified priorities compared to KC AF initiation.			
Value quantitative or Qualitative)	0		10%	84%
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF. Relevant data was collected through MIS.			

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	1.1 Percentage of completed sub-projects (SPs) implemented in compliance with technical plans and within schedule and budget.			
Value (quantitative or Qualitative)	0	80%	85%	KC: 98% (by May 31, 2011) KCAF: 97% (by May 31, 2014)
Date achieved	09/17/2002	05/31/2011	05/31/2014	05/31/2014
Comments (incl. % achievement)	Target value was formally revised as part of the restructuring under AF.			
Indicator 2 :	1.2 Percentage of completed SPs that meet basic financial standards based on approved Finance and Administration Manual.			
Value (quantitative or Qualitative)	0	80%	85%	KC: 99% (as of May 31, 2011) KCAF: 97% (as of May 31, 2014)
Date achieved	09/17/2002	05/31/2011	05/31/2014	05/31/2014
Comments (incl. % achievement)	Target value was formally revised as part of the restructuring under AF.			
Indicator 3 :	1.3 Percentage of communities with SPs that have functionality evaluation rating of satisfactory or higher.			
Value (quantitative or Qualitative)	0		KC: 70% KCAF: 85%	KC: 96% (as of May 31, 2011) KCAF: 98% (as of

				May 31, 2014)
Date achieved	09/17/2002		05/31/2014	05/31/2014
Comments (incl. % achievement)	This intermediate outcome indicator (IO) was added under the restructuring in November 2007. Target value was formally revised under AF.			
Indicator 4 :	1.4 Percentage of barangays that have completed training on participatory situation analysis (PSA), planning, project development, implementation, and monitoring & evaluation.			
Value (quantitative or Qualitative)	0		KC: 98% KCAF: 80%	KC: 97% (as of May 31, 2011) KCAF: 86% (as of May 31, 2014)
Date achieved	09/17/2002		05/31/2014	05/31/2014
Comments (incl. % achievement)	KC original IOs: "number and type of trainings to facilitators"; "number and type of trainings provided for LGU staff"; "number and type of training for community volunteers/barangay development committees" were revised as this IO in November 2007.			
Indicator 5 :	1.5 Percentage of barangays that have completed specific training on SP management and implementation.			
Value (quantitative or Qualitative)	0		40%	75%
Date achieved	09/17/2002		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF.			
Indicator 6 :	1.6 Percentage of PSA identified priorities funded with non-KC sources.			
Value (quantitative or Qualitative)	0	50%	10%	KC: 15% (as of May 31, 2014) KCAF: 12% (as of May 31, 2014)
Date achieved	09/17/2002	05/31/2011	05/31/2014	06/30/2011
Comments (incl. % achievement)	This indicator was introduced as part of the restructuring in November 2007.			
Indicator 7 :	2.1 Percentage of barangays with community development plans prepared in accordance with KC participatory process.			
Value (quantitative or Qualitative)	0	70%	80%	KC: 95% (as of May 31, 2011) KCAF: 93% (as of May 31, 2014)
Date achieved	09/17/2002	05/31/2011	05/31/2014	05/31/2014
Comments (incl. % achievement)	KC original's outcome indicator "Barangay Development Plans that integrate the community needs articulated through the barangay mapping and situation analysis" was revised as this IO in Nov. 2007 restructuring.			
Indicator 8 :	2.2 Percentage of LGUs that satisfactorily implement their Participatory, Transparency and Accountability (PTA) integration plans in accordance with the KC MOA and committed to sustaining the PTA as part of their sustainability plans.			
Value (quantitative	0	80%	80%	KC: 84% (as of May 31, 2011)

or Qualitative)				KCAF: 90% (as of May 31, 2014)
Date achieved	09/17/2002	05/31/2014	05/31/2014	05/31/2014
Comments (incl. % achievement)	KC original's outcome indicator "% of barangays that have adopted KC participatory practices" was revised as this IO in November 2007 restructuring.			
Indicator 9 :	2.3 Percentage of barangays with citizens, other than public officials, who participate in regular municipal-level resource allocation forum.			
Value (quantitative or Qualitative)	0		80%	95%
Date achieved	09/30/2010		05/31/2011	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF.			
Indicator 10 :	2.4 Percentage of Makamasang Tugon (MT)/LGU-led CDD modality municipalities that have established expanded Municipal Development Committees for broader consultation with civil society representatives to obtain inputs for the Municipal Development Plans.			
Value (quantitative or Qualitative)	0		85%	95%
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF.			
Indicator 11 :	2.5 Percentage of municipal LGUs that provide technical assistance in SP preparation, implementation and monitoring based on MOA.			
Value (quantitative or Qualitative)	0	80%	80%	KC: 89% (as of May 31, 2011) KCAF: 99% (as of May 31, 2014)
Date achieved	09/17/2002	05/31/2011	05/31/2014	09/30/2014
Comments (incl. % achievement)	KC original's outcome indicator "% of LGUs (municipalities) that honor signed MOAs and assist participatory management of SPs by barangays" was revised as this IO in November 2007 restructuring.			
Indicator 12 :	2.6 Percentage of municipalities that provide their local counterpart contribution (LCC) based on their LCC delivery plan.			
Value (quantitative or Qualitative)	0		KC: 80% KCAF: 80%	KC: 87% (as of May 31, 2011) KCAF: 87% (as of May 31, 2014)
Date achieved	09/17/2002		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added through restructuring in November 2007.			
Indicator 13 :	3.1 Multi-stakeholder oversight and coordinating committees at all levels are in place and functional in accordance with their respective terms of references.			
Value	0	Yes	Yes	KC: Yes (as of May

(quantitative or Qualitative)				31, 2011) KCAF: Yes (as of May 31, 2014)
Date achieved	09/17/2002	05/31/2011	05/31/2014	05/31/2014
Comments (incl. % achievement)	Under KC original, IOs: "external monitoring consultant engaged and functioning"; "participatory beneficiary monitoring functioning"; and "civil society involved in monitoring" were revised as this IO under November 2007 restructuring.			
Indicator 14 :	3.2 Percentage of national and regional project teams that meet performance targets set by project management.			
Value (quantitative or Qualitative)	0		85%	100%
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF.			
Indicator 15 :	3.3 Framework for mainstreaming KC policies and approaches into DSWD operations adopted.			
Value (quantitative or Qualitative)	0		Yes	Yes
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This indicator was added as part of the restructuring under AF.			
Indicator 16 :	3.4 Percentage of registered grievances satisfactorily resolved in accordance with the grievance redress system manual.			
Value (quantitative or Qualitative)	0		KC: 90% KCAF: 80%	KC: 99% (as of May 31, 2011) KCAF: 99% (as of May 31, 2014)
Date achieved	09/17/2002		05/31/2014	05/31/2014
Comments (incl. % achievement)	KC original IO: "grievance redress arrangements established and grievances resolved" was revised as this IO under the restructuring in November 2007.			
Indicator 17 :	4.1 Urban KC pilot implementation guidelines developed.			
Value (quantitative or Qualitative)	0		Yes	Yes
Date achieved	09/30/2010		05/31/2014	05/31/2014
Comments (incl. % achievement)	This IO was added as part of the restructuring under AF.			
Indicator 18 :	4.2 Pilot-testing in 4 urban poor areas completed.			
Value (quantitative or Qualitative)	0		Yes	Yes
Date achieved	09/30/2010		05/31/2014	05/31/2014

Comments (incl. % achievement)	This IO was added as part of the restructuring under AF.

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	10/17/2002	Satisfactory	Satisfactory	0.00
2	04/15/2003	Satisfactory	Satisfactory	3.00
3	10/08/2003	Satisfactory	Satisfactory	4.10
4	05/18/2004	Satisfactory	Satisfactory	8.54
5	08/09/2004	Satisfactory	Satisfactory	10.66
6	06/20/2005	Moderately Satisfactory	Moderately Satisfactory	15.16
7	06/22/2005	Moderately Satisfactory	Moderately Satisfactory	15.16
8	02/15/2006	Moderately Satisfactory	Moderately Satisfactory	26.94
9	06/14/2006	Satisfactory	Satisfactory	31.35
10	06/13/2007	Satisfactory	Satisfactory	48.81
11	06/26/2008	Moderately Satisfactory	Moderately Satisfactory	63.58
12	06/18/2009	Satisfactory	Satisfactory	89.55
13	06/30/2010	Satisfactory	Satisfactory	90.36
14	03/28/2011	Satisfactory	Satisfactory	97.85
15	12/10/2011	Satisfactory	Satisfactory	107.90
16	11/06/2012	Satisfactory	Satisfactory	134.53
17	07/07/2013	Satisfactory	Satisfactory	151.29
18	12/26/2013	Satisfactory	Satisfactory	156.00
19	05/31/2014	Satisfactory	Satisfactory	156.40

H. Restructuring (if any)

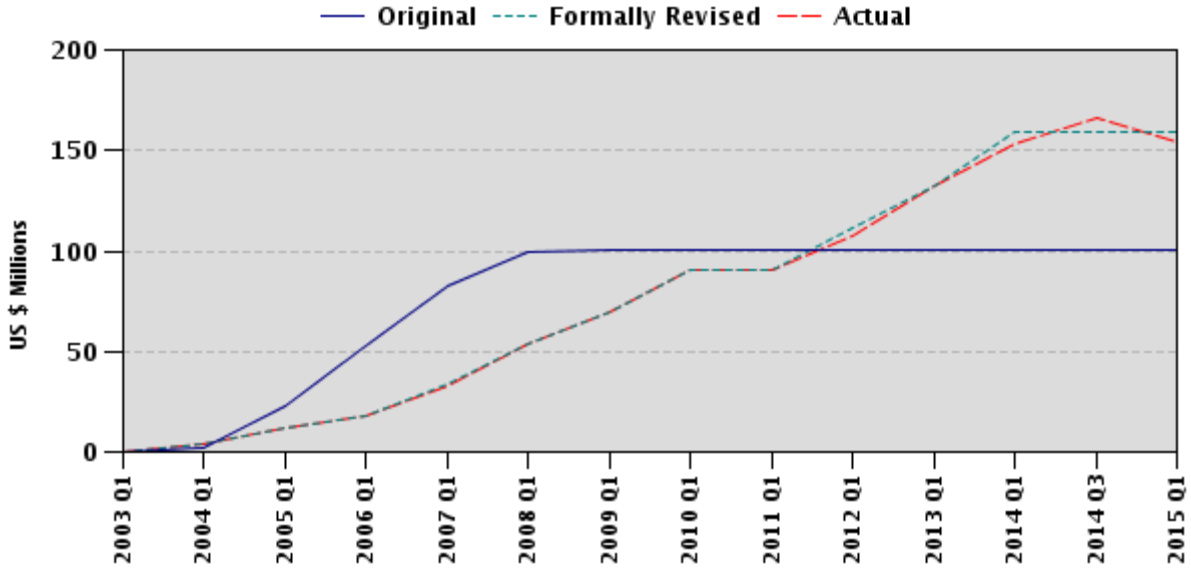
Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
06/08/2007	N	S	S	48.81	Project closing date was extended from its original June 30, 2009, to May 31, 2010, to allow sufficient time to make up for the delay caused by lack of sufficient Government counterpart funding.
11/27/2007	N	S	S	55.37	After the Mid-Term Review, the Loan Agreement Schedule 6 was amended to streamline the KPIs to ensure relevance and usefulness in monitoring the project progress.
12/31/2009		S	S	90.36	Project closing date was extended to

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
					May 31, 2011.
09/30/2010	Y	S	S	90.36	KC Additional Financing ($59.124 million) was approved with additional component on urban CDD pilot. PDO and KPIs were restructured.
02/20/2014	N	S	S	156.40	KC was restructured as an urgent measure to respond to the damage caused by the super typhoon Yolanda (international name Haiyan). $1.9 million community grants were used to re-engage community facilitators and repair 59 selected sub-projects.

If PDO and/or Key Outcome Targets were formally revised (approved by the original approving body) enter ratings below:

	Outcome Ratings
Against Original PDO/Targets	Satisfactory
Against Formally Revised PDO/Targets	Moderately Satisfactory
Overall (weighted) rating	Satisfactory

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

1. KALAHI-CIDSS (KC) Project was approved by the World Bank's Board of Directors in September 2002, at a time when the 1997 East Asian financial crisis and the subsequent El Nino phenomenon exacerbated the economic situation by causing a reduction in the average living standards. As a result, the national poverty incidence increased from 31.8% in 1997 to 34.2% in 2000. Average Gross Domestic Product (GDP) growth between 1999 and 2002 was less than 3% and unemployment rate reached 11% in 2001. Inequality across different regions and groups was evident. Rural poor constituted about 44% of the rural population and accounted for almost three-fourths of the poor in the country. The rural poor, predominantly engaged in agriculture, suffered from lack of access to infrastructure and basic services and were generally excluded from decision-making over resource allocations for their development.

2. The Government launched various poverty reduction measures, most notably the 1997 enactment of the Social Reform and Poverty Alleviation Act (RA 8425) which aimed at alleviating poverty while empowering the people. RA 8425 institutionalized 10 poverty alleviation flagship programs, among which was the Comprehensive and Integrated Delivery of Social Services (CIDSS) with the Department of Social Welfare and Development (DSWD) as lead agency. The CIDSS provided block grants to disadvantaged barangays[1] for poverty reduction projects. The subsequent Arroyo administration (2001-10) launched KALAHI[2], a primary poverty reduction framework which comprised five pillars: (i) asset reform (redistributing resources and assets to the poor); (ii) human development (access to basic education, health, shelter, water and sanitation, electricity); (iii) employment and livelihood activities; (iv) participation in the governance of basic sectors[3]; and (v) social protection.

3. The primary responsibility for the provision of basic services and poverty reduction programs were decentralized to the local government units (LGUs) under the 1991 Local Government Code (LGC). The LGC aimed to promote citizen participation in LGUs' planning, budgeting and service delivery. For this purpose, the LGC created institutions such as local development councils and barangay assemblies with the aim to, among others, strengthen the relationship between citizens and the state, and improve the Government's accountability in service delivery. However, LGUs had historically struggled to fulfill their mandates as stipulated in the LGC due to a combination of factors such as: (i) entrenched patronage politics; (ii) limited technical capacity; (iii) the failure of mechanisms in the LGC to fully engage citizens in local development processes; and (iv) an inter-governmental fiscal framework that promotes vertical and horizontal inequities and has no link to either performance or poverty.

4. It was in this context that the Bank was requested to assist DSWD in designing a community-driven development (CDD) project which was situated within the KALAHI framework and built on the CIDSS experience. The program was to have a strong governance agenda to institutionalize the CDD

[1] Barangay is the lowest administrative unit in the Philippines, corresponding to a village.
[2] KALAHI stands for *Kapit-Bisig Laban sa Kahirapan* or "linking arms in the struggle against poverty".
[3] Basic sectors in the Philippines refers to disadvantaged sectors of Philippine society, namely: farmer-peasant, artisanal fisherfolk, workers in the formal sector and migrant workers, workers in the informal sector, indigenous peoples and cultural communities, women, differently-abled persons, senior citizens victims of calamities and disasters, youth and students, children, and urban poor (RA 8425).

principles in the broader local development process as enshrined in the LGC. Promoting community empowerment and good governance was expected to help address the structural problems of corruption and elite capture that perpetuated poverty and inequality in the Philippines. This led to KC's unique design which built in strong linkages between the communities and the LGUs and the eventual integration of key CDD elements into the government system from the outset. KC became effective in December 2002. KC additional financing (KCAF) was approved by the Board in September 2010 to address the continuing high rates of poverty and to deepen the institutional reform in local governance through people's empowerment. KC contributed to the Bank's 2003-2005 Country Assistance Strategy (CAS) that called for the empowerment of the poor to participate fully in development. KCAF was consistent with the Philippines Country Assistance Strategy FY10-12 contributing to its overall objective of inclusive growth by improving basic public service delivery in poor areas[4] and by enhancing local governance[5].

1.2 Original Project Development Objectives (PDO) and Key Indicators

5. The Project Development Objective (PDO) under the original project was to "assist the government in strengthening local communities' participation in *barangay* governance, and developing their capacity to design, implement and manage development activities that reduce poverty". The PDO captured two core objectives of: (i) community empowerment; and (ii) local governance strengthening. The Project Appraisal Document (PAD) listed 8 core outcome indicators for empowerment, governance and poverty reduction, although poverty reduction was not an explicit objective stated in the PDO:

[Empowerment]

- Percentage of barangays that have adopted KC participatory practices.
- Barangay Development Plans (BDPs) that integrate the community needs articulated through the barangay mapping and situation analysis.

[Governance]

- Percentage of LGUs (municipalities) that honor signed Memorandum of Agreement (MOA) and assist participatory management of sub-projects by barangays.
- Sub-projects are selected for funding by the Inter-Barangay Forum based on negotiated prioritization instead of barangay entitlements.
- Project transparency requirements complied with in sub-project preparation, selection, and implementation.
- Sanctions enforced in cases of non-compliance with project rules.

[Poverty Reduction]

- Improved poverty indicators in project barangays compared to without-project barangays.[6]
- Improved quality of life indicators in project barangays compared to without-project barangays.[7]

[4] CAS FY10-12 Strategic Objective 3.
[5] CAS FY10-12 Strategic Objective 5.
[6] The PAD did not specify what "poverty indicators" entailed, and no targets were set. During the course of implementation supervision, however, it was interpreted to measure development gains from the services provided through sub-projects funded under the Project.
[7] The PAD did not specify what "quality of life indicators" entailed, and no targets were set. During the course of implementation supervision, however, this indicator was interpreted to measure development gains from the services provided through sub-projects funded under the Project. `

1.3 Revised PDO and Key Indicators, and reasons/justification

6. As a result of the mid-term review (MTR), the key performance indicators (KPIs) were formally revised in November 2007. The aim was to streamline the KPIs to ensure their relevance and usefulness in monitoring the project progress. PDO remained unchanged but KPIs were revised through amendments of the Loan Agreement. As a result, some outcome indicators that were not directly relevant for the PDO or unmeasurable such as the poverty reduction indicators were discontinued while other intermediate outcome indicators were rephrased for clarity.

7. Under KCAF approved in 2010, PDO was formally revised as follows: "empower local communities in targeted poor municipalities and selected urban areas to achieve improved access to sustainable basic public services and to participate in more inclusive LGU planning and budgeting". The revision of the PDO was intended to sharpen the focus on the empowerment agenda, reflect the Project's aim to institutionalize CDD in the local planning process, include the access to services agenda, and highlight the inclusion of the urban communities. The revised PDO captured three core objectives of: (i) community empowerment; (ii) local governance strengthening; and (iii) improved access to basic services. Some of the outcome indicators were discontinued and some were rephrased for greater clarity and relegated as intermediate outcome indicators (IOs). Some IOs were rephrased or discontinued while new IOs were included to track progress toward the institutionalization of participatory approaches at the municipal level to be implemented through the LGU-led CDD approach. In May 2012, a $10 million co-financing grant was approved, but no changes were made to the PDO or the KPIs. The revised outcome indicators included the following: (See Annex 1 for comparative table of KPIs.)

[Empowerment]

- Percentage of households that report an increase in knowledge, skills and confidence to participate collectively in community development activities compared to KCAF initiation.
- Percentage of members from marginalized groups[8] that attend Barangay assemblies.

[Local Governance]

- Percentage of legislated municipal budgets with at least 10% increase in allocation for community identified priorities compared to KCAF initiation.

[Access to Services]

- Percentage of households that report better access to or use of basic services compared to KCAF initiation.

1.4 Main Beneficiaries

8. The KC originally targeted the poorest 25% of municipalities in the 42 poorest provinces. KCAF sought to expand the coverage to target up to 50% of the poorest municipalities in the same provinces. KCAF also included an urban pilot targeting 8 barangays in 4 urban areas. In May 2012, the Australian Department of Foreign Affairs and Trade (DFAT) provided a $10 million co-financing grant to improve access of poor communities to early childhood learning and development activities through the KC approach. Put all together, the Project benefitted nearly 2 million households[9] in 6,144 barangays across

[8] As identified by the communities during social preparation activities.

[9] There is an overlap in the target areas and beneficiary households between KC original, KCAF, and the DFAT grant but to accurately show the magnitude of beneficiaries under each financing, the ICR counts the beneficiary households separately.

273 municipalities in the 42 poorest provinces in the Philippines. While data on short-term employment generation was not collected under the original financing and the urban pilot, KCAF and the DFAT grant alone generated over 75,000 short-term jobs. (See Table 1 for details.)

Table 1: Breakdown of Total KC Coverage

Indicators	KC Original	KCAF	DFAT Grant[10]	Urban Pilot	Total Coverage
Province	42[11]	27	24	4	42
Municipality	200	176 (69 new)	76	4	273
Barangay	4,583	4,058 (1,553 new)	390	8	6,144
# of subprojects	5,876	2,330	390	11	8,607
# of direct household beneficiaries[12]	1,345,767	595,856	102,213	164	2,044,000
# of short-term jobs	No data	64,978	10,746	No data	75,724
% of women employed	No data	6%	5%	No data	5.5%
% of men employed	No data	94%	95%	No data	94.5%
Total short-term wages paid	$20,387,779	$5,340,031	$1,257,344	No data	$26,985,154

9. Under the Project, 267,197 community volunteers (of which 53% were women) were trained in participatory situation analysis (PSA), project development, financial management (FM), procurement, and operations and maintenance (O&M).

1.5 Original Components

10. **Component 1: Community Grants ($132.2 million)**[13]**.** The Project assisted communities (barangays in the selected municipalities) through a facilitated participatory planning process to analyze community situation and prioritize their needs then identify and develop proposals for sub-project that would address their prioritized need. Each municipality was allocated Php.300,000 (~$6,667) times the number of barangays. Funds were competitively allocated for sub-projects selected through the municipal inter-barangay forum (MIBF). Urban pilot was originally planned under this component but was never implemented as it was agreed to first focus on scaling-up and establishing KC in rural areas.

11. **Component 2**: **Implementation Support ($46.2 million).** This component included: (i) social mobilization and community organizing; and (ii) capacity building and technical support. The Project recruited and trained community facilitators, who in turn trained the community volunteers. Training was also provided to Municipal Local Government Unit (MLGU) staff to strengthen their capacity to support and monitor the community-level activities.

12. **Component 3: Monitoring and Evaluation (M&E) ($2.6 million).** Extensive M&E activities were carried out, which included: (i) participatory monitoring by communities; (ii) internal monitoring

[10] All DFAT target areas were either targeted by KC original, KCAF, or both.
[11] With the new boundary redrawing, the number of provinces at the time of ICR writing became 43.
[12] Households that benefitted under different financing are double-counted. Figures in ( ) indicate a subset of the total that were not covered under the original financing.
[13] The amount includes the total costs including IBRD, GOP, and community contributions.

by the national project management office (NPMO); (iii) independent external monitoring and evaluation by consultants; (iv) civil society monitoring by NGOs and the media; and (v) a rigorous impact evaluation (IE) using mixed quantitative and qualitative methods.

1.6 Revised Components

13. Given the satisfactory performance of KC, the components of the original project were retained but enhanced under KCAF based on lessons learned during the original KC implementation. Component names were changed slightly to reflect the enhancements. An additional component on the pilot-testing in urban areas was added. DFAT co-financing grant was added to components 1 and 3 in 2012.

14. **Component 1: Grants to Barangays in Rural Areas ($192.1 million).** As an improvement from the original financing, community grants were split into two categories in acknowledgement of social mobilization being an investment in community empowerment rather than as an administrative expenditure. The component provided funding for: (i) planning grants to support communities in the identification of barangay needs and assessment of local resources and capacity; and (ii) investment grants to fund sub-projects selected by the communities. This component also included the barangay grants for the LGU-led CDD pilot known as the *Makamasang Tugon* (MT) modality to enhance the institutionalization of CDD within the local development process. DFAT's supplemental grant for school building and day care center construction was added to this component.

15. **Component 2: Capacity Building and Implementation Support ($72.4 million).** As an enhancement, KCAF added orientation for the municipal coordination teams (MCTs), the LGU-designated staff that took over the responsibility for social mobilization under the MT cycle. The component covered: (i) social mobilization activities; (ii) capacity building for staff of barangay LGUs (BLGUs) and MLGUs; and (iii) social accountability activities, covering grievance redress system (GRS), third-party monitoring, and active information disclosure.

16. **Component 3: Grants to Barangays in Urban Areas ($0.9 million).** This component was added to cover both planning grants and sub-project investments in selected 8 urban communities in 4 cities. Activities included: (i) community-based poverty mapping, (ii) adaptation of the social mobilization and planning methodology to the urban context; and (iii) sub-project implementation.

17. **Component 4: Project Management, and M&E ($9.6 million).** This component financed incremental project management and operational costs along with M&E activities.

1.7 Other Significant Changes

18. While overall KC design was retained as it was deemed to be on track in achieving its development objective, some important enhancements were made in the design and implementation.

19. ***Makamasang Tugon* (MT)/LGU-Led CDD Pilot.** MT is an innovative approach that gives greater management autonomy with supplemental funding to well performing LGUs, while at the same time expecting them to cover a greater part of the operational cost requirements. Initially the handover of KC responsibilities from DSWD to the LGUs was to be completed by the 3rd cycle of implementation. However, as more time was deemed necessary from the implementation experience, piloting of MT as

an additional 4th cycle was agreed on during the MTR. Under MT, MCTs were in the driver's seat to supervise the KC implementation while DSWD provided support. A total of $1.2 million of unallocated funds was utilized for the pilot in 33 well performing LGUs. Based on the positive outcome, MT was scaled-up under KCAF. By project end, 76 LGUs had completed the MT cycle.

20. **Adaptation to Specific Community Needs/Contexts.** Based on field experience, assessments, and pilots conducted under separate projects, KC's design and implementation modality evolved to better respond to the varying local contexts and needs. For example, to further enhance the inclusion of the marginalized such as the indigenous peoples (IPs), women, and communities in conflict-affected areas to participate effectively in KC, the Project adopted customized facilitation tools/techniques and training for both the communities and the LGUs.[14] KC also incorporated strong disaster risk management (DRM) dimensions through: (i) inclusion of DRM profile/data or risk assessment in participatory situation analysis (PSA); (ii) adjustments of sub-projects' technical design to enhance resiliency; and (iii) promotion of sub-projects that mitigate disaster impacts.[15]

21. Aside from the abovementioned enhancements, the following changes were made:

- Project closing date was extended three times from the original closing date of June 30, 2009, to May 31, 2010; May 31, 2011; and finally to May 31, 2014. The initial extension was to make up for the significant delay caused by the shortfall in Government's counterpart funding due to national fiscal constraints. The second extension was to expand the geographical coverage to add 16 new municipalities, allow sufficient time for the MT pilot, and fully utilize the remaining loan amount worth $10 million. The final extension was associated with KCAF.
- KCAF was approved by the Board in September 2010 to provide additional $59.124 million to incorporate some design and implementation enhancements, expand the geographical coverage, scale-up the MT modality, and pilot the urban CDD. The project closing date was extended to May 31, 2014. (See 1.6)
- DFAT co-financing grant worth $10 million was approved in May 2012 and added to the Project. The original closing date for this grant was December 31, 2012, but was extended to December 31, 2013; and eventually to May 31, 2014 to align with the Project's closing date. (See 2.2)
- The Project was restructured in February 2014 as an urgent measure to respond to the damage caused by the super typhoon Yolanda (international name Haiyan). Approximately $1.9 million for community grants, utilizing the loan savings, was used to rehire community facilitators and repair 59 sub-projects damaged by the typhoon.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

[14] Japan Social Development Fund (JSDF)-funded Social Inclusion Project (SIP) was developed to support capacity building and sub-project support activities for the marginalized. Over 29,000 households in 106 barangays across 35 municipalities benefitted. The facilitation tools/techniques and targeted training modules and materials developed under SIP were adopted by KC to strengthen its inclusion.

[15] B. Eusebio and B. Laureto. (2010). Integrating Climate Change Adaptation and Disaster Risk Management into KALAHI-CIDSS. Draft report.

22. Quality Assurance Group rated KC's quality at entry as "highly satisfactory" in 2004 which can be attributed mainly to strong governance agenda aligned with Government policies and judicious use of lessons learned from similar CDD operations inside and outside the Philippines.

23. **Background Analysis.** KC's design was based on an in-depth understanding of the significance of key policies that supported citizen participation in governance and development, notably the 1987 Constitution and the 1991 LGC. The policy framework guided the KC design to emphasize on institutionalization of CDD in the local systems.

24. The design of KC drew heavily on two major CDD programs - the DSWD-implemented CIDSS program[16] and the World Bank-supported *Kecamatan* Development Program (KDP)[17] in Indonesia. KC incorporated a number of lessons learned from these programs into its design: (i) inclusion of good governance dimension in poverty alleviation, which is key to addressing the structural problems resulting in entrenched poverty and inequality; (ii) simple design that allows flexibility and timeliness; (iii) utilization/revitalization of existing government structure rather than creating new project specific committees to ensure sustainability; (iii) competitive grant allocation rather than equal allocation among the barangays to encourage better planning and avoid exacerbating sense of entitlement; (iv) open menu of sub-projects to be more responsive to community-identified priority needs; and (v) transparency and accountability measures built into the project design.

25. The Government recognized the principles of CDD as a core pillar of its poverty reduction strategy, highlighting the importance of people's empowerment and non-income aspects of poverty as espoused in the Social Reform and Poverty Reduction Act (RA8425). The Bank's 2003-2005 Country Assistance Strategy (CAS) supported the Government strategy and called for empowerment of the poor to participate fully in development. KC was fully aligned with both the Government's and the Bank's poverty reduction strategies which offered a strong rationale for the Bank's intervention.

26. **Project Design.** KC's objective to help tackle the structural issues that entrenched poverty and inequality by empowering the people and improving local governance was well aligned with the LGC. The design to transfer funds directly to the communities while involving the LGUs in the planning process helped mitigate elite capture or leakage while ensuring substantive involvement of the LGUs. The design was kept simple and focused on the three interlinked activities of community empowerment, local governance improvement, and grant provision for community investment programs, which directly contributed to the achievement of the PDO. KC had an innovative design that envisaged a gradual handover of KC responsibilities to the LGUs over 3 implementation cycles, where a fourth MT cycle was added under KCAF to strengthen the transition process. A built-in design to strengthen linkages with the government is a key feature of KC unlike some CDD programs that are criticized for bypassing the government system and facing sustainability challenges *ex post*.

[16] CIDSS, a DSWD-implemented CDD program, began in 1998. It initially supported 3 barangays in municipalities with high poverty incidence as selected through participatory process. While CIDSS succeeded in promoting community participation in development planning and in assisting the disadvantaged groups, its outreach, levels of community and government participation, and poverty reduction impacts were limited.

[17] KDP began in 1998 and owing to its success, was scaled-up as a national flagship community-driven poverty alleviation program in 2007. It aims to improve economic and social welfare of the poor and expand their employment opportunities through community consultation, empowerment, and capacity building at the local level. It is the world's largest CDD program covering over 70,000 rural villages (equivalent to the Philippine barangay) in Indonesia.

27. In terms of targeting, as no reliable poverty data at municipal level was available at the time, the poverty ranking was carried out according to a methodology developed by Professor Balisacan at the University of the Philippines. His methodology relied on census data on the age profile, quality of housing, access to water and electricity, education achievements, distance to center of trade, and quality of roads. This data was used to rank municipalities in the province according to a computed poverty index. The poorest 25% was then selected as eligible municipalities. Based on further validation through stakeholder consultation, 200 municipalities in 42 provinces were finally selected. The rankings proved to be consistent with official municipal rankings based on 2000 data, which was released by the National Statistical Coordination Board (NSCB) in 2005.[18] Under AF, up to 50% of all the municipalities that had poverty incidence above the national average of 33% within each of the existing 42 target provinces were targeted.[19] The selection was based on NSCB Small Area Estimates (SAE) 2009[20] which provides a municipal level poverty map. An overlay of poverty maps of the Philippines and KC target LGUs confirm that selected LGUs had higher poverty incidence and were in more rural areas, suggesting that the targeting method was successful. (See Map)

28. Given the need for close oversight, high volume of transactions, and specific skills requirement, the Project established a parallel management structure from the national level down to the community level. At the national level, NPMO, which comprised of both regular staff and consultants specializing in certain technical areas, provided oversight. At the Regional level, DSWD's Regional Offices provided oversight with support from a Regional Project Management Office (RPMO). At the municipal level, DSWD hired Area Coordination Teams (ACTs) comprising community facilitators and technical staff for areas such as engineering and accounting. ACTs worked directly with communities and liaised with MLGUs to facilitate coordination and eventual hand-over. The autonomous status of the NPMO allowed a direct line to the Secretary resulting in quick policy decisions, gave flexibility for testing innovative ideas, and helped maintain political and operational independence.

29. Despite the robust technical design, the original KPIs for the Project were not clearly articulated making it difficult to adequately measure the progress in achieving the project outcomes (see 2.3).

30. **Adequacy of Government's Commitment.** The Government considered KC a flagship poverty reduction project and allocated adequate resources and support during the design phase. Other key stakeholders such as line agencies and civil society were fully consulted in finalizing the project design.

31. **Assessment of Risks.** The significant risks identified at appraisal and corresponding mitigation measures included: (i) elite capture; (ii) lack of motivation and weak implementation capacity; (iii) creation of parallel delivery mechanism by establishing PMOs; (iv) possible negative impacts of competitive selection; and (v) sustainability. First, to mitigate elite capture, a number of measures were put in place which proved effective: (i) a transparent and systematic poverty targeting mechanism at both LGU and community levels to mitigate political manipulation; (ii) simple and direct fund flow mechanism from the central government straight to the communities; (iii) highly participatory sub-project planning, implementation, and management approach; (iv) robust M&E; and (v) built in

[18] NSCB. Small Areas Estimate.

[19] Not all municipalities with poverty incidence above 33% were targeted, however, to respect the sampling strategy of the rigorous quantitative impact evaluation.

accountability measures including GRS. Second, to strengthen the client's capacity, project design was kept simple, intensive technical assistance and supervision were built in, and measures to strengthen social audit were put in place. Third, to avoid the Project bypassing the traditional delivery channel, KC was designed to substantively involve LGUs, affirming the LGC goal of decentralization. Capacity building for LGUs was also designed as one of the core activities. Fourth, to mitigate any negative impacts of the competitive selection, KC was designed to scale-up in a phased manner and monitor any perverse impacts. Furthermore, mobilizing funds beyond KC for non-prioritized barangays was included as a key performance indicator. Finally, to ensure sustainability, sub-project selection criteria included existence of viable O&M plans, and all sub-project proposals were to be integrated into the municipal development plan.

2.2 Implementation

32. Notwithstanding the risks identified at appraisal (see 2.1), implementation of the Project was rated satisfactory or moderately satisfactory throughout the implementation. The Project disbursed 93% of all funding sources and achieved most of the KPIs exceeding the targets. (See Annex 3).

33. **Success Factors.** Two factors underlying the Project's satisfactory implementation are noteworthy. First, KC adopted a flexible learning-by-doing approach. The Project encouraged an approach of trying new innovations while keeping the fundamental principles intact, reviewing the experience systematically, distilling operational and broader policy implications, and adjusting the design and implementation. Such an experimental approach resulted in various innovations that improved the implementation viz. introduction of the MT modality, improvement of the community empowerment process, adjusted social mobilization to improve participation of the marginalized, and integration of climate change adaptation/DRM dimensions. The Bank made a strategic use of trust funds to build an empirical basis to inform policy and operational decisions. For example, PHRD funds were mobilized to strengthen capacity building for community volunteers by establishing community learning centers; JSDF funds were mobilized to explore means to improve inclusion of the marginalized; and a JSDF project on livelihood assistance for the urban poor was developed to inform how CDD programs can be adapted to the urban context.

34. Second, a relatively autonomous PMO structure contributed to flexible and timely project implementation. NPMO held an autonomous status with a direct line to the DSWD Secretary. This resulted in quick decisions, gave flexibility for innovations, and to recruit competent staff. Despite possible shortcoming of not being able to mainstream skills acquired under KC into the broader DSWD, overall, the benefits trumped the costs. Relative consistency in team leadership on both DSWD and the Bank side and the good relationship also helped KC stay on its course.

35. **Factors that Affected the Implementation of KC Original Financing.** While implementation was generally satisfactory, the original project faced implementation delays with up to 19 month disbursement lag between 2004 and 2006 due to the shortfall in Government counterpart funding. To address the situation, DSWD mobilized supplemental funding from different sources which enabled the Project to gradually expand its operations. The loan closing date was extended from the original June 30, 2009, to May 30, 2010, to provide sufficient time for proper completion of activities. With improvement in the national fiscal situation, the issue of counterpart funding was resolved after 2006.

36. The original financing also experienced mixed results in civil society organization (CSO) engagement. CSOs were engaged as advisory members of all inter-agency committees (IACs), training providers, social mobilizers, and external monitors of the Project. While CSOs played an important part in IACs and in providing training, the Project was less successful in engaging them as partners in social mobilization for two reasons. First, because it was difficult to find qualified CSOs especially in conflict-affected or remote areas. Second, not many CSOs were capable of complying with the Project's fiduciary and documentation requirements.

37. Given the satisfactory performance, no major restructuring took place at MTR in January 2006. However, important adjustments to the operational processes and procedures were made to maximize the Project outcomes. First, pilot-testing of the MT modality in 33 well-performing municipalities was initiated. Second, loan closing date was extended to May 2010 to make up for the delay. Third, the LA was amended to formally revise the KPIs. In December 2009, the loan closing date was further extended to May 2011 to accommodate the Project expansion to 16 municipalities and to give sufficient time for the MT pilot.

38. **Factors that Affected the Implementation of KCAF.** KCAF implementation progressed smoothly. There were minor delays due to: (i) armed conflict in Zamboanga City in September 2013 which forced the project activities in Zamboanga to stop for over a month; (ii) barangay election ban in October 2013 where barangay treasurers, one of the co-signatories to the community bank account, were banned from signing any transactions for sub-projects for over a month; and (iii) grave damages caused by super typhoon Yolanda in November 2013 which paralyzed the communities and damaged KC sub-projects. While none of these delays seriously disrupted the overall implementation, they resulted in DFAT's supplemental grant closing date extensions. To respond to Yolanda impacts, KCAF was restructured in February 2014 to use $1.9 million to finance 59 sub-projects that were damaged by Yolanda, all of which were completed by project end.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

39. **M&E Design.** The PDO of the original financing stated the Project's focus on: (i) community empowerment; and (ii) local governance strengthening. However, there were issues in how the outcomes were defined. First, two poverty reduction outcome indicators were included even though PDO did not explicitly state poverty reduction as its core objective. Second, there were discrepancies between the KPIs listed in the PAD and the LA which led to inconsistencies in the outcome indicators listed in the Implementation and Status Results Report (ISR). Third, some of the original outcome indicators should have been categorized as intermediate outcome indicators. Some were later moved to intermediate outcome level after restructuring in November 2007. (See 1.2) These made it challenging to adequately measure whether the Project was on track in achieving its PDO. The KPIs listed in the LA were amended in November 2007 upon agreement during the MTR.

40. Both PDO and the KPIs were revised under KCAF. The PDO clearly embraced the three core objectives of community empowerment, local governance strengthening, and improved access to services while noting the geographical expansion to selected urban areas. New outcome indicators were added. Some original KPIs were retained but relegated as intermediate outcome indicators while others were discontinued or refined for clarity. Additional intermediate outcome indicators were included to track progress toward the institutionalization of participatory approaches at the municipal level through

the MT modality. The new Results Framework under KCAF was appropriately defined and facilitated the measurement of project performance. However, it was structured only to measure the outcomes and outputs of KCAF rather than the entire Project.

41. DSWD's M&E was guided by a comprehensive M&E framework that included both internal and external M&E which took place at all levels of project implementation (community, municipality, regional and national levels). Internal M&E included regular monitoring of process and progress, engineering assessment, safeguards assessment, financial and procurement reviews, participatory monitoring by the communities and LGUs, and grievance redress mechanism (GRM). External M&E included third party monitoring by NGOs, a rigorous mixed methods impact evaluation (IE) that captured longitudinal and cross sectional data, and numerous evaluation studies on different aspects of project impact and design.[21]

42. **M&E Implementation.** While it took some time to develop KC staff's M&E capacity, the quality of M&E data collection gradually improved. Rigorous reporting system from community to the national level, close supervision, frequent training of the Project staff at all levels, contributed to the quality of data collected. Concurrent community participatory monitoring helped validate the data that was being collected internally. Aside from third party monitoring by NGOs which was hampered due to lack of capable local NGOs (see 2.2), all activities planned under the M&E framework were undertaken satisfactorily. Greater attention could have been devoted, however, to continuously monitor the outcome indicators and not just the intermediate outcome indicators.

43. **M&E Utilization.** KC established a strong empirical evidence base that helped inform policy and operational decisions, and the Bank played a pivotal role in establishing it. Findings of the rigorous IE were instrumental in designing KCAF and in assessing whether the implementation was on the right track. Numerous thematic studies contributed to important design adjustments (see 1.7).[22] GRM took a while to be developed, but once established, 99% of the registered grievances were resolved in a timely manner. Two challenges remained on M&E. One was the project staff's ability to effectively analyze the data. The Bank continued to provide substantive assistance on data analytics. The other was to get timely inputs from DSWD's NPMO into the design of M&E activities, as project staff were inevitably focused on operations.

2.4 Safeguard and Fiduciary Compliance

44. **Fiduciary.** Financial management and procurement have been satisfactory throughout the Project. CDD projects by nature have significant inherent fiduciary risks due to: (i) the wide geographic outreach, including hard-to-reach areas with security risks and remote areas that make effective supervision difficult; and (ii) communities who are the direct beneficiaries initially have minimal financial management experience. The Project managed to put in place systems and capacity for sound

[21] Evaluation studies that have been undertaken include among others: economic analysis that looks at the costs and benefits of 7 major subproject categories (Araral and Holmemo, 2007); analysis on how resources are allocated across villages during the Municipal Inter-Barangay Forum (Labonne and Chase, 2009); study on social capital impacts of the Project (Labonne and Chase, 2008); study on the Project's non-income impacts on poverty (Adriano, 2009); assessment of the LGU-led CDD modality (Canlas et. al., 2012); KC gender assessment (World Bank, 2012); and study on IP (Young, 2012).

[22] Among the numerous analyses are: KC's impacts on social capital, elite capture, local governance, non-income aspects of poverty; inclusion of vulnerable groups; climate change adaptation; economic and financial assessment; qualitative assessment of the MT pilot; and evaluations of the urban pilot.

financial management and procurement that adequately minimized these risks, notably through the extensive FM capacity building in the communities, development and roll-out of a Community Finance sub-manual, maintenance of separate books of accounts; regular financial and procurement monitoring conducted by DSWD and various stakeholders at the community level; community participatory monitoring; public disclosure of project accounts through Barangay Assembly meetings; establishment of a grievance redress mechanism (GRM); adoption of standardized designs for sub-projects; and capacity building. Commission on Audit (COA) carried out annual audit.

45. Due to the scope of the Project, DSWD put in place an FM staffing arrangement with adequate number of personnel for the duration of the project that ensured management of the project financial transactions, facilitation of the timely release and disbursement of funds to communities and field offices accounts and evaluation and analysis of claims for payments and liquidation. Separate books of accounts of the Project were maintained by the Central Office for NPMO using eNGAS, and manually by the field offices for the RPMO's. Project books are consolidated every quarter by the Consolidation Unit of the FMS Accounting Division at the Central Office. The Commission on Audit (COA) carried out annual audits for the project. Throughout the project life, DSWD had been consistent in submitting the required interim financial reports and audited financial statements.

46. KC established four key Governance and Anti-Corruption (GAC) mechanisms designed to promote transparency and accountability of operations: (i) GRM; (ii) independent third-party monitoring including media; (iii) active information disclosure at the community and national levels; and (iv) social audits. The GAC measures greatly contributed to instilling sound financial management and procurement practices.

47. **Safeguards.** The Project retained its Category B environmental classification throughout its implementation. No significant potentially adverse environmental impacts on communities or their surrounding areas were anticipated, and the negative list of prohibited investments with adverse environmental impacts was also introduced. The Project was in compliance with the safeguards covenants in the Loan Agreement, and the Bank supervision has consistently rated safeguards performance as satisfactory with no major issues. All sub-projects underwent screening for environmental risks/issues and proper mitigation measures were formulated and reflected in the Environmental Management Plans by the communities.

48. No involuntary resettlement took place as nearly all sub-projects financed by the Project were small-scale infrastructure that required minimal land acquisition most of which was publicly-owned land or was donated to the communities. The ACTs took steps to ensure that deeds of donation were executed and filed for annotation at the municipal Register of Deeds. By the very nature of its community empowerment process, the project also achieved the core social safeguards goals of undertaking broad-based and informed consultation, participation and inclusion of the marginalized sectors particularly women, indigenous peoples (IPs), and internally displaced persons.

49. The NPMO prepared an enhanced Environmental Impact Assessment Guidelines, IP Planning Framework and Land Acquisition and Resettlement Policy Framework for KCAF to incorporate the lessons learned from its years of implementation. A separate safeguards sub-manual was developed during the KCAF preparation to better guide the field implementation. These policies were publicly

disclosed on the DSWD website and Bank Infoshop. Project staff as well as communities was adequately trained on safeguards, which led to satisfactory compliance.

2.5 Post-completion Operation/Next Phase

50. **Sub-Project Sustainability.** KC developed the Sustainability Evaluation Tool (SET) to assess the sub-project functionality six months after completion and to determine the degree to which communities adhered to the O&M arrangements developed during the planning stage. KC set a target on the proportion of surveyed sub-projects that get satisfactory sustainability rating, and for both original financing and KCAF, the Project exceeded the targets. Longer-term sustainability remains a challenge, however, especially for access infrastructure (trails, bridges) and water facilities (drainage). To this end, KC endeavored to mitigate the sustainability risk through: (i) additional O&M training to the communities; (ii) better engagement with the line departments in the design and maintenance of the sub-projects; (iii) signing of MoA between LGUs to ensure proper O&M; and (iv) mandating LGUs to pass ordinances to allocate sufficient O&M funds for the sub-projects.

51. **NCDDP.** Building on its successful implementation, KC has been scaled-up as NCDDP, covering over 900 poorest municipalities and reaching out to 24.2 million people in poor communities. The Bank is providing a funding of $479.0 million. NCDDP will build on the foundation KC created and further enhance the mainstreaming of CDD in local development. Various enhancements were incorporated into NCDDP based on KC's lessons learned:

(i) **Harmonization with Local Development Process.** To deepen the institutionalization of the CDD principles in the local development process, NCDDP will actively engage DILG in strengthening capacity building of the LGUs. The project will also be closely aligned with the Bottom-Up Budgeting (BUB)[23] which mandates a joint LGU-CSO budget planning at the municipal level to make public investments more responsive. BUB has adopted the KC principles in KC target municipalities i.e.- KC barangay representatives are to be a part of the municipal-level team that selects sub-projects to be financed by the national budget, and LGUs are encouraged to incorporate the proposed community projects which were identified through the KC process.

(ii) **Block Grant Allocation.** As opposed to a standard allocation per barangay which was the case for KC, block grant allocations will be based on population size, municipal income classification and poverty levels, with an increasing per capita allocation as the poverty incidence increases. This is an important enhancement based on the KC IE finding that greatest gains in poverty reduction were realized in the poorest areas when combined with large enough capital investments.

(iii) **Inclusion of the Marginalized.** To further KC's efforts on inclusion of the marginalized, NCDDP will improve the diagnostic tools, community facilitation skills, provide specialized training, and encourage community investments that directly address the specific needs of

[23] BUB was launched by the Government in 2012 and is now rolled-out in all 1,634 municipalities across the country. To date, it has allocated a cumulative total of Php55.7 billion or US$1.3 billion - Php8.4 billion (US$210 million) for FY2013, Php20.6 billion (US$480 million) for FY 2014, and Php26.7 billion (US$620 million) for FY2015.

marginalized groups or areas. Gender dimension has been mainstreamed in all aspects of project implementation.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Rating: High

52. **Relevance of Objectives.** The relevance of Project's objectives is high given the local context that still manifests similar problems as at the time of appraisal i.e.- low levels of citizen participation in sectoral development program planning, persistent economic inequality, poor access to basic services especially in remote areas, and entrenched patronage politics that influence the distribution of local development funds. The current administration calls for social development programs to adopt the CDD approach and makes a specific reference to KC as an example that has been more responsive to the needs of the poor and the vulnerable.[24] The objectives of KC remain well aligned with the Bank's Country Partnership Strategy (CPS) (2015-18) which calls for: (i) transparent and accountable governance by supporting demand from citizens for government accountability; (ii) empowerment of the poor and vulnerable; and (iii) inclusive growth. The CPS also refers to CDD as a key instrument to support the vulnerable.

53. **Relevance of Design.** The relevance of KC's design is substantial. KC's design to take on the governance dimension in poverty alleviation, which is key to instigating institutional reform that helps address structural issues of poverty, was relevant to the Government's policies. The design also included GAC measures and a comprehensive M&E framework to strengthen the Project's accountability. These elements contributed to QAG's "highly satisfactory" quality-at-entry rating. The Government's decision to scale-up KC and utilize CDD approach as the major vehicle for poverty reduction and good governance is a testament that the design of KC remains highly relevant. However, there was room to improve the structure of KPIs to better articulate how the Project's outcomes would be measured.

54. **Relevance of Implementation.** KC adopted a flexible learning-by-doing approach that allowed the Project to make design adjustments based on emerging needs. Such adjustments were guided by evidence that was collected through comprehensive M&E activities including a wide range of analytical works. The fact that 76 LGUs that experienced KC passed ordinances to mainstream CDD approach in other service delivery and that the Government has mandated adoption of CDD for poverty reduction programs under PDP are manifestations of the high relevance of implementation.

3.2 Achievement of Project Development Objectives

Rating: Substantial

55. The PDO was restated under KCAF in September 2010, and KPIs were restructured twice; first in November 2007 through LA amendment and again under KCAF. While the original PDO focused on community empowerment and local governance strengthening, the revised PDO added a third dimension: improved access to basic services. At the time of the PDO change, these three core dimensions were articulated by the following outcome indicators:

[24] Chapter 8 of the Philippine Development Plan (2011-2016).

[Empowerment]

- Percentage of households that report an increase in knowledge, skills and confidence to participate collectively in community development activities compared to KCAF initiation.
- Percentage of members from marginalized groups[25] that attend Barangay assemblies.

[Local Governance]

- Percentage of legislated municipal budgets with at least 10% increase in allocation for community identified priorities compared to KCAF initiation.

[Access to Services]

- Percentage of households that report better access to or use of basic services compared to KCAF initiation.

56. **Community Empowerment.** The Project made positive contributions to empowering the people. KC was designed to empower the people through a five-stage process called the Community Empowerment and Activity Cycle (CEAC) [26] which encompasses social preparation to sub-project management. CEAC was repeated three times for all target municipalities, while some well performing municipalities underwent a fourth cycle under the MT modality. (See 1.7) This organized experience in collective action was designed to develop the capacity of the poor to help themselves and engage better with the government. As the capacity developed, communities were also expected to take on a more active role in improving the delivery of other pro-poor services and initiate new development activities.[27] The Project exceeded the outcome target of 30% as 93% of the target households to reported increase in knowledge, skills and confidence to participate in community development activities compared to KCAF initiation (Outcome indicator 2). While this specific outcome indicator was not used for the original financing, data on other various indicators that measure empowerment were collected.

57. Qualitative IE [28] for the original financing found that communities' ownership on local governance was heightened through capacity building and experiential learning through CEAC. Empowerment impacts were especially evident among the community volunteers. KC trained a total of 267,197 community volunteers under the Project, of which 53% were women. Community volunteers became motivated to monitor the local officials more closely, and they became more confident to share their opinions. They emerged as a new cadre of community leaders who were empowered and confident to effectively engage the LGUs. BLGUs also came to acknowledge the community volunteers as useful resources. 1,005 community volunteers who were trained under KC, 32% of which were women, became public officials at BLGUs. KC started focusing on developing the community volunteers into grassroots leaders who could apply the CDD principles in broader local governance and development beyond the Project. Quantitative IE found that more households indicate being willing to contribute money to projects that benefit the community as a result of KC, and KC led to an increase in the proportion of households indicating that other community members are willing to help if needed. Sixty percent of the sampled beneficiary households expressed their satisfaction with KC.

[25] As identified by the communities during social preparation activities.

[26] CEAC entailed: (i) social preparation stage; (ii) sub-project identification stage; (iii) sub-project preparation, selection, and approval stage; (iv) sub-project implementation, M&E, O&M stage; and (v) transition stage to the subsequent cycle. CEAC evolved from being a sequence of activities to an experiential learning process to empower the communities.

[27] "Philippines: Kapitbisig Laban sa Kahirapan (KALAHI-CIDSS project" Shanghai Conference.

[28] Qualitative IE, using focus groups discussions, key informant interviews and direct observations, took place in a subset of qualitative IE sites totaling 20 barangays in 4 municipalities in 2 provinces.

58. MIS data shows that participation rates in KC barangay assemblies were high where 72% and 75% of the target households participated under KC original and KCAF respectively (Outcome indicator 3). Women's participation was high under both at 51% and 59% respectively, most likely as women who stay at home were more likely to have time to participate. Such high participation rates indicate that community members came to appreciate the importance of collective decision making through KC experience. While the quantitative IE[29] was only able to detect marginally significant effects of KC on households' participation in barangay assemblies in general, qualitative IE found that KC led to changes in how barangay assemblies are perceived. Prior to KC, they were considered as avenues for leaders to report on budget and plans, and people did not have an appreciation of participating. After KC, people came to perceive the barangay assemblies as mechanisms for participation, transparency and accountability. These findings suggest that in Project areas, officials as well as households' perception of the benefits associated with participation in village meetings increased by gaining experience with similar process through KC.

59. MIS data also shows that the Project influenced the barangay and municipal-level development planning process. About 93% of the target barangays under both the original financing and KCAF prepared community development plans in accordance with the KC participatory process based on the PSA results. Ninety-five percent of the target municipalities under both original and KCAF established expanded Municipal Development Councils (MDCs) – a mandatory local development planning body – to include community representatives for broader consultation and inputs for the Municipal Development Plans.

60. KC was successful in targeting the poorest municipalities and the poorest villages. KC's municipal poverty ranking proved to be consistent with the official ranking. The IE found that within the poor municipalities, funds reached the poorest villages. IE also found that KC was not subject to elite capture. It found that local elites such as elected village officials or the wealthy and more educated families did not influence the proposal selection. Poor households' needs were equally represented as those of the elites, although women and individuals with no schooling were less likely to have their preferences represented. [30]

61. **Improved Local Governance.** KC measured improvement in local governance by the extent LGUs institutionalized the CDD approach in the broader local development process as a result of KC. MIS data shows that 82% of the total target municipalities under KC original accepted the turnover MOAs, which signifies that these LGUs agreed to take-over the KC management responsibilities from DSWD and to comply with all the pre-conditions that they are required to meet including the provision of sufficient resources. Under KCAF, 76 LGUs (67%) of the 114 LGUs that completed the 3 cycles moved onto the MT cycle, indicating that they passed an ordinance to institutionalize the CDD principles in local development process and met other good governance criteria set by KC. The quantitative IE found that 75% of the LGU officials surveyed indicated being satisfied with the Project.

62. The magnitude of local counterpart contribution (LCC) that MLGUs provide for the Project is another important indicator to gauge the level of MLGUs' appreciation of the KC approach. MIS data shows that under both KC original and KCAF, 87% of the target municipalities provided at least 80% of

[29] The quantitative IE surveyed 2,400 households in 135 barangays across 16 municipalities in 4 provinces. Data was collected in 2003 (baseline), 2006 (mid-term), and 2010 (endline).
[30] Labonne and Chase. "Who is at the Wheel When Communities Drive Development? Evidence from the Philippines."

the LCC that they committed to. Eighty-four percent of the 76 LGUs that went on to the MT cycle in KCAF had at least a 10% increase in their budget allocation for community identified priorities. In fact, the allocated budget for community priorities increased on average by 76% which greatly exceeded the target threshold of 10% (Outcome indicator 4). MIS data also shows that MLGUs endeavored to diversify the LCC funding sources such as from the provincial government, private sector, and civil society. Finally, 15% of the barangays targeted under original financing mobilized additional funds from other government sources to finance their priority needs that KC could not finance. Under AF, 12% of the community priorities that were not financed by KC were funded from other government resources. These indicators show that there was considerable support from the MLGUs for KC's participatory decision-making process.

63. KC also measured improvement in local governance by how transparent and accountable the local development process became. MIS data shows that 84% and 90% of the target municipalities under KC original and KCAF respectively complied with the KC transparency and accountability requirements such as increasing citizen representation in the municipal development committee and passing ordinances to adopt the CDD approach in broader local development process. Nevertheless, the quantitative IE did not detect significant impacts on these measures of local governance.[31] There are two possible explanations to this. First, very little direct capacity building was initially targeted at MLGUs, therefore great changes in behavior could not be expected. Second, the relatively small and short-term nature of the project funding may have been insufficient to influence great changes.

64. **Improved Access to Basic Services.** Access to basic services was added as a core objective when the PDO was restructured under KCAF in September 2010. This was to be measured by the percentage of households that report better access to basic services (Outcome indicator 1). Under KCAF, 90% of the households reported better access to services against the target of 40%.

65. The most common types of sub-project defined by the proportion of investments were: (i) road works (38%); (ii) water systems (16%); (iii) schools (15%); (iv) drainage and flood management facilities (8%); (v) health facilities (6%); and (vi) day care centers (5%). Together, they accounted for nearly 90% of the total capital investments.

66. The quantitative IE found that KC's investment in roads, which was by far the largest sub-sector, resulted in a 9 percentage-point increase in the proportion of households whose house is accessible year-round. This is associated with greater mobility, reduced transportation costs, and more regular visits to the municipal center. No positive effects in access to improved water sources, use of health facilities, and school enrolment in project areas.

67. There are several possible reasons for this. First, as KC was targeting the poorest barangays, KC's size and frequency of the investment might have been too small to result in any significant changes. KC original financing provided approximately Php.300,000 (~$6,666) multiplied by the number of barangays per cycle to each municipality. As the block grants were competitively allocated, 17% of the barangays never got any funding in the 3 cycles, whereas 57% only got funding once. Furthermore, as block grant allocation was on a per barangay, rather than on a per capita basis, in some cases it resulted in limited per capita allocations. Second, KC most likely contributed to the

[31] The quantitative IE used trust in local and national government officials and knowledge of village budget as governance indicators.

improvement of the *quality* of the basic services rather than the *quantity* or access, but changes in quality were not captured in the IE. This is backed by the baseline survey data that shows, for example, that primary school enrolment was already high[32], which is then logical that no significant impacts were observed for primary school enrollment rate[33]. Third, given the competitive funding allocation, it was impossible to discern *ex-ante* which barangays will get the funding. The treatment municipalities under IE therefore included both barangays that received funding and those that did not, possibly underestimating the overall impact. Fourth, given the open menu nature of KC, only a limited number of treatment barangays chose the same sub-project type. Once the effect was averaged out across all sample barangays, estimated impact might have become too small with insufficient power. Finally, qualitative IE suggested that some barangays did not manage to adequately maintain the investments.

68. Qualitative IE found positive outcomes that were not quantified. KC made schools more accessible to children by reducing the distance they had to travel and improved the learning environment by building new classrooms and toilets. Health centers built under KC made health services more accessible and improved the environment. Day care centers provided children with pre-school education and enabled stay-at-home mothers to work part-time. Livelihood facilities led to lower production costs of as much as 30% and increased beneficiary revenues. Schools and community centers were built with disaster resilient standards that they are utilized as community evacuation centers. And importantly, consistent with the project objectives, these sub-projects were completed through enhanced participation of the communities.

69. In addition to the positive impact on access to services, KC also had a substantive impact on the other key dimension of poverty, namely income poverty (measured through household consumption). Quantitative IE found that per capita consumption increased by about 12% as a result of the Project. This finding is consistent with findings from the evaluation of KDP, a similar national CDD program supported by the World Bank in Indonesia.[34] The impact on consumption was stronger for households that were classified as poor before the Project started, which experienced a 19% increase. The Project also led to a 5 percentage-point increase in the non-food share of consumption. One possible source for the increase in per capita consumption is the 4 percentage-point increase, or 8 percentage-point for women, in the likelihood of employment that can be attributed to KC. Importantly, the improvements in employment reflect increased economic activity generated by the Project rather than direct, project-related short-term employment opportunities as the endline survey was conducted at least one year after the sub-project related employment ended.[35]

3.3 Efficiency

Rating: Substantial

[32] World Bank (2005). "CDD and Social Capital Impact. Designing a Baseline Survey in the Philippines." The World Bank. Washington, DC.

[33] Quantitative IE found a decline in school enrollment but in 5 sample barangays (4%) of the total sample. The survey did not distinguish primary and secondary enrollment.

[34] Voss, John. (2008). *"Impact Evaluation of the Second Phase of the Kecamatan Development Program in Indonesia."* The World Bank. Jakarta.

[35] Project data showed that, throughout the life of the project, it was able to generate an estimated 40,000 full-month jobs and employed about 66,500 individuals including those in the Area Coordination Team (or 2% of the estimated working-age beneficiary population in project areas), were a number of them were possibly engaged on multiple short contracts.

70. **Economic Returns.** Economic analysis for KC was carried out in 2002, 2006, and 2010 to estimate economic internal rates of return (EIRR) for the project. At project appraisal in 2002, ex-ante EIRR was estimated at 30.1% for the project overall. Ex-ante EIRR was highest for barangay health stations at 52.6% and lowest for educations facilities at 16.4%. The PAD did not indicate the estimated net present value of the project at that time. At project mid-term (2006), ex-post EIRR was estimated at 21% and a net present value of Php1.04 billion. The rates of return for specific sub-projects ranged from 16% for school building and day care centers to 65% for water supply projects. These estimates were based on 82% of all subprojects completed and ongoing at the time of assessment. In 2010, another set of estimates were generated by MCC. Their estimated rates of return varied from 9.4% for road concreting works to 65.6% for post-harvest facilities, and 12.6% for the project overall. These were based on slightly different assumptions and a hurdle rate of 12.4%.

71. At completion, EIRR is estimated based on all sub-projects that fall under the top 6 sub-project categories covered by the original project and additional financing on account of their share to the overall project capital cost. The six sub-projects included in the analysis are: (i) road works (which include roads, bridges, and footpaths); (ii) water systems; (iii) school buildings and classrooms, mainly in elementary schools; (iv) drainage and flood management facilities; (v) health facilities; and (vi) day care centers. Together, these six sub-project categories totaled nearly Php8.5 billion[36] ($188.3 million) or 90% of the total capital investments, and 88% of all sub-projects in areas covered by the original financing and KCAF. The overall EIRR at project completion is estimated at 22.1% with a corresponding net present value of Php1.8 billion. Compared to the 15.0% standard hurdle rate applied by NEDA for infrastructure projects, KC sub-projects are generally economically gainful and beneficial investments. EIRRs for common sub-project type based on the proportion of investments in descending order are: (i) 27.2% for roads; (ii) 31.3% for water systems; (iii) 5.6% for schools; (iv) 23.1% for flood/drainage; (v) 18.2% for health facilities; and (vi) 8.9% for day care centers. (See Annex 4)

72. **Cost Effectiveness.** KC subprojects have been shown to generally cost lower than similar projects contracted out by line agencies at comparable technical standards. Cost savings from KC implemented sub-projects is highest for water supply sub-projects at 76% followed by roads at 8%-59%, the two largest investments, which also have the highest EIRR.[37]

73. Although school buildings/classrooms constructed through KC were not found to be economically gainful investments based on the modest EIRR, they are cost effective and in some cases built with better quality, if not at par with third-party constructed school facilities. The cost of school buildings and classrooms constructed through KC were 10-40% cheaper than standard DepED cost parameters by third-party contractors.[38] Savings were mainly attributed to the absence of contractor fees and associated value added tax, which were estimated to cost around 15-25% of the total project cost,[39] and the practice of "*bayanihan*" system which encourages community members/residents to volunteer in school construction. Similar results were found for Indonesia PNPM-III, where sub-projects developed through the CDD program were found to be 15-20% less costly than similar projects by line ministries. Cost savings for Sri Lanka CDD sub-projects were at 30-50%.

---

[36] This includes indirect costs for operations and local counterpart funds in all sampled subprojects.
[37] Araral and Holmemo (2007).
[38] Coffey (2014). "KALAHI-CIDSS UTF Process Evaluation Synthesis Report."
[39] Adriano, Fermin (2010). Evaluating the Impacts of a Large-Scale Social Development Project on the Non-Income Dimensions of Poverty: The Case of KALAHI-CIDSS. World Bank.

74. Overall, 74% of KC project costs went directly to community activities. This includes the cost of social preparation and trainings in participating communities as well as the cost of building and maintaining the subprojects. The rest (26%) is used for indirect costs, which includes the cost of staff and overall project administration and management of the National Project Management Office and the Area Coordination Teams. This means that for every Php100 spent in the Project, the government (national and local) spends Php26 (~$0.58) to deliver Php76 (~$1.65) of community funds to build priority infrastructure. Indirect costs for KC are slightly higher compared with similar CDD programs. For example, indirect costs are estimated at 18% for the Sri Lanka CDD program and 22% for Liberia.[40] While economic benefits from these indirect costs are not quantifiable, they are essential in the overall Project design. They are likely to have contributed to the KC's overall achievements in improving community empowerment, especially that of women; in establishing participatory development planning/processes; more equitable allocation of resources with poverty focus; and improved governance and transparency at the local level.

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

75. The overall outcome rating is assessed as Satisfactory. Taking into account the Project's relevance, achievement of the PDOs, and efficiency, the Project is assessed as Satisfactory against the original PDO and Moderately Satisfactory against the revised PDO, weighted by the disbursement rate at the time of the PDO change.[41] The relevance of KC's objectives to the Philippines' situation and strategic priorities was high at the time of appraisal and remains high today. KC also remains relevant vis-à-vis the Bank's CPS at the time of appraisal through today. While articulation of KPIs was not ideal under the original financing, the relevance of its design and implementation were substantial. The Project was appreciated by the Government as it brought substantive benefits to the poor especially in remote areas where the Government could traditionally not reach. The Project was highly appreciated by both the communities and the LGUs, with high satisfaction rates mainly due to community empowerment and better access to services and infrastructure. The fact that the Government scaled up KC nationally is a testament of their satisfaction with the Project. KC has met the PDO to a substantial extent, as measured by the achievement of a majority of the KPIs. It contributed to discernible community empowerment as evidenced by the emerging group of community leaders. KC laid an important foundation of good governance by helping to institutionalize CDD in the broader local development process, though more needs to be done to achieve institutional reform. The Project had mixed outcomes in improving access to services. This could have been due to the modest size and frequency of the investments and IE not capturing the quality improvement. Efficiency outcomes were favorable compared to other CDD programs in the region and are rated substantial.

3.5 Overarching Themes, Other Outcomes and Impacts

3.5.1 Poverty Impacts, Gender Aspects, and Social Development

[40]Based on respective Implementation Completion Reports of both WB supported projects, World Bank (2010) and World Bank (2014).

[41] Disbursement amount was nearly $90 million (55%) out of $163.96 million of the total project cost at the time of PDO change in September 2010.

76. **Elite capture.** KC had features to minimize the risk of elite capture. At the national level, the Project directed resources to some of the poorest municipalities as identified through the poverty ranking. At the local level, quantitative IE found that project processes were not subject to elite capture.[42] Barangay captains (elected village heads) did not appear to be controlling which proposals were put forward to the MIBF, as their preference and those of community members were equally represented. Women and those with less education were less likely to influence the prioritization process. The evaluation also found that the poorest, best organized villages were most likely to get funding.

77. **Women's Participation.** Due to a number of measures instituted to ensure gender balance in participation and benefits, women's overall participation in the Project was high. By Project end, 53% of the community facilitators were women; 55% of the community members that participated in barangay assemblies were women; and 58% of KC committee members were women, over half of which had leadership positions. Gender analysis[43] undertaken in 2012 found two areas that needed improvement. First, in very small number of communities, women were found to be facing significant barriers to participating in public decision-making. Second, women had limited access to paid construction work opportunities for community infrastructure funded by the Project. Based on the findings, KC made provisions for additional training for women to better equip them to participate. KC also allowed 3% of the community grant to be used to buy technical services or training to allow women to acquire skills.

3.5.2 Institutional Change/Strengthening

78. An assessment of MT[44] found that the results of the PSA were integrated into barangay development plans (BDPs), which were consolidated into MDPs. Memberships of BDCs and MDCs were expanded to accommodate community representatives, enabling community needs to be reflected in the annual local development plans. As a result of KC, BDCs were revitalized, and the quality of BDPs was improved. From the community perspective, MT increased accessibility and visibility of the LGU officials. That said, there remain two key challenges. First, limited Local Development Funds (LDF), an annual appropriation for local investments, especially in poor municipalities targeted by KC constrained the impact of participatory planning as funding was not available to accommodate the community needs. Second, the capacity and resource constraints of MCTs pose a risk to the sustainability of the KC impacts.

3.5.3 Other Unintended Outcomes and Impacts

79. **Perverse Effect of Competitive Funding.** Competitive resource allocation through MIBF is a key feature of KC. The Project made a conscious design choice as competitive selection leads to higher quality of subproject proposals and community ownership. MIBF was also meant to promote transparent decision-making by making selection criteria explicit and by using an open voting system. In reality, 17% of the barangays never got any funding and 57% only got funding once throughout the 3 cycles. This resulted in some barangays disengaging from the KC process in subsequent rounds. Such a risk was flagged from the outset that "percentage of non-prioritized barangays that have secured funding per

[42] Labonne, Julien and Robert Chase. (2009). "Who's at the Wheel when Communities Drive Development? The case of the KALAHI-CIDSS in the Philippines". *World Development, 2009, 37(1).*
[43] World Bank. (2012). *KALAHI-CIDSS Gender Assessment.* The World Bank. Manila.
[44] C. Canlas, C. Laysa and A. Manahan. (2012). *Makamasang Tugon: An Analytical Study of the LGU-Led CDD Program.* Manila.

cycle" was included as a KPI under KC original. Efforts were made to strengthen DSWD's role as a facilitator to link the unselected barangays with other sources of funds. Yet, at the end of the KC original financing, only 15% against the target of 50% was achieved. Under AF, the target was set at 10%, and the Project achieved 11%.

80. **CDD as a Platform for Broader Service Delivery.** As part of DSWD's efforts to rationalize its three key poverty reduction programs[45], DSWD adopted a policy that ensures harmonization among the programs in terms of targeting, complementation of services each program offers, synchronization of community mobilization, and LGU engagements. DFAT's co-financing for KC for school and/or day care center construction which aimed to enhance synergy between KC and the ongoing conditional cash transfer program called the *Pantawid Pamilyang Pilipino* Program (4Ps) also implemented by DSWD was one of such attempts. It demonstrated that CDD approach can be an effective service delivery mechanism for sectoral programs especially in remote areas. The evaluation of the grant found that: (i) classrooms constructed under KC were not only compliant with Department of Education (DepEd)'s technical standards but had added features such as restrooms, water system and furniture; (ii) the cost of KC classroom was less than DepEd's standard unit cost by as much as 40%; (iii) there was stronger community ownership resulting in better O&M; and (iv) stronger relationship between the school and community.[46]

81. Partnerships with line agencies other than DILG developed albeit more slowly than anticipated. DepEd and Department of Health (DoH) came to support the CDD approach through their partnership with KC under 4Ps. They provided technical guidance to the design and maintenance of their respective sectoral programs/services that KC financed. KC was also used as a vehicle to channel Government's peace and development funds to conflict-affected barangays in KC target municipalities.[47] However, there are two broader policy issues that need to be addressed to enable line departments to mainstream CDD as their service delivery modality. One is the need to change the existing laws that prohibit public funds to be transferred directly to the communities without any foreign funds and for communities to undertake procurement for publically funded projects. Another is how to interface the area-based bottom-up development planning promoted by CDD and the line agencies' sectoral top-down development planning. While the resolution of this issue is well beyond KC's mandate, KC contributed to initiating an important policy dialogue.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

82. The ICR mission held focus group discussions with various stakeholders such as community beneficiaries, LGU representatives, KC regional and national staff, to understand what were the key accomplishments, benefits and issues of KC. Main findings are in Annex 5 and summarized below:

[45] In addition to KC and 4Ps, DSWD implements Sustainable Livelihood Program which provides capacity building and non-interest capital for micro-enterprises as well as link poor households to other government, microfinance institutions and private organizations for enterprise development and job placement.
[46] DFAT co-financing grant evaluation undertaken by DSWD.
[47] In 2011, the Office of Presidential Adviser on the Peace Process chose KC as the vehicle for implementation of its PAMANA program, a peace and development program. This was based on the recognition that KC's highly participatory approach not only results in effective service delivery but also enhances social cohesion within the communities. PAMANA provided grants worth Php300,000 (~US$6,667) to all conflict-affected barangays in KC target municipalities.

(i) **Capacity building and empowerment of the communities**, especially the emergence of community volunteers who are not elites as a pool of new community leaders, was cited as one of the most significant contributions KC made.
(ii) **Transparency, accountability, and participation**, the core principles of CDD, were highly appreciated by all stakeholders. This was evident from the high number of LGUs that passed ordinances to mandate CDD as the local service delivery modality.
(iii) **Economic efficiency and impacts** of KC sub-projects especially those for livelihoods were appreciated by the beneficiaries. Going forward, how to maximize the impact of livelihood investments would be important.
(iv) **Ensuring quality and impacts under MT modality** can be a challenge, as LGUs have resource constraints and cannot afford to provide the same level of support DSWD was providing under KC. Perhaps LGUs' commitment for certain level of resource allocation should be a pre-condition for LGUs to be qualified for MT.
(v) **Alignment between KC planning and annual local budgeting cycle** is a challenge. Making the Barangay Action Plans developed under KC/NCDDP a multi-year plan could help address this issue.
(vi) **Sub-project O&M** is another area that needs more attention. O&M costs for the sub-projects should be allocated under the local counterpart contributions, and more investments should be provided for organizational strengthening of the O&M committees.

4. Assessment of Risk to Development Outcome

Rating: Moderate

83. KC faces three sustainability challenges: (i) sustainability of the sub-projects; (ii) sustainability of the community empowerment impacts; and (iii) sustainability of the participatory development process upon handover to the LGUs. KC established important and successful measures to minimize these risks. Moreover, these risks are mitigated by the follow-on NCDDP which has incorporated measures to address them based on the KC experience.

84. **Sustainability of Sub-Projects.** KC developed SET to systematically measure the functionality and sustainability of sample sub-projects from each sub-project type six months after completion. The satisfactory ratings are high at 97% on average. However, there could be possible risks to longer-term sustainability. SET has found that road works (38% of total investments), water facilities (16%) and drainage (8%) are especially prone to O&M challenges. To this end, KC developed various safeguarding measures, which have proven successful. They include: (i) additional O&M training to the communities; (ii) better engagement with the line departments in the design and maintenance of the sub-projects; (iii) signing of memorandum of agreement between KC and LGUs to ensure proper operation and maintenance (O&M); and (iv) mandating LGUs to pass ordinances to allocate sufficient O&M funds for the sub-projects. It would be useful nonetheless to undertake a follow-up SET to capture the longer-term sustainability and analyze what factors lead to better or worse longer-term O&M.

85. **Sustainability of Community Empowerment Impacts.** KC has had positive results on empowerment and there is evidence that communities are starting to hold the local governments accountable. [48] Yet much more needs to be done to strengthen the communities' ability to influence the broader transparency and accountability agenda in the local development process. There is a need to

[48] Qualitative IE.

further strengthen the community volunteers so that they can function as community leaders or change agents for good governance. It is commendable that KC already began studying how to strengthen grassroots leadership, but more efforts are needed to extend the impacts beyond community volunteers to broader communities. DSWD needs to explore how to sustain and scale-up the empowerment to have a broader impact. To achieve this, capacity building for communities must go beyond the technical training to equipping the communities with transformative leadership skills.

86. **Sustainability of the Participatory Development Process.** KC envisioned integration of the CDD principles in the local development system as its end goal. MT modality was designed to partner with and progressively hand-over the KC responsibilities to the LGUs. However, due to capacity and resource constraints, LGUs have not been able to match the level of resources and talent that DSWD provided under KC. This poses significant risk in sustaining the benefits KC managed to provide. NCDDP will allow more CDD experience and capacity building opportunities for the LGUs. Meanwhile, DSWD and DILG must continue to explore various options to strengthen the LGUs' capacity and ways to increase the LGUs' resource allocation to provide adequate support.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Satisfactory

87. The Bank's role in ensuring quality at entry was satisfactory. Preparations drew on successful domestic and international CDD program experiences. The design was well aligned with the policy contexts and KC was designed in a way that contributed to the implementation of the LGC. The team also consulted closely with DSWD during preparation to ensure that the design was in line with the Government's policies. Poverty targeting was done in a methodical and transparent manner which proved consistent with the official municipal ranking. The parallel project implementation structure put in place was appropriate for the context at appraisal. A comprehensive M&E framework was put in place to ensure strict accountability of the Project. Safeguards put in place and risk assessment were satisfactory. Quality Assurance Group rated KC's quality at entry as "highly satisfactory". The ICR downgraded the rating to satisfactory, however, due to lack of clear articulation of the outcome indicators under the original financing which constrained tracking the Project's progress toward achieving its objective.

(b) Quality of Supervision

Rating: Satisfactory

88. The quality of Bank supervision was satisfactory. The task team helped DSWD to strengthen its program management and analytical capacity through hands-on support, training, supervision missions, and facilitation of cross-country learning opportunities. The task team put in place a continuous approach to supervision holding regular management review meetings with DSWD together with frequent field missions. The team also responded swiftly with specially focused fiduciary mission when FM rating dropped to remedy the situation. The task team had adequate skill mix. The team was proactive in identifying potential issues and acted swiftly by carrying out analytical works and consultations with the government to explore solutions. This is evident in the broad range of analytics

that were carried out and a number of design adjustments made along the way. The relationship between the task team and DSWD was very good, which may in part be a result of continued presence of the task team leadership in the country office. An area where the task team could have devoted greater attention is some aspects of M&E. First, while the team closely monitored the intermediate outcome indicators, the progress toward achieving the outcome indicators was not as closely monitored. This resulted in having to scramble for data at the end of the Project. Second, relatedly, the Project would have benefitted from a second round of economic analysis as the last one was carried out in 2006. This would have helped collect more accurate evidence on efficiency indicators.

(c) Justification of Rating for Overall Bank Performance

Rating: Satisfactory

89. The overall quality of Bank performance was satisfactory. DSWD has acknowledged that the Bank's support in the design and supervision was an integral factor that led to the success of the Project, achieving its project development objective. KC has laid an important foundation for the Government to build on in further institutionalizing CDD approach in the broader local development process.

5.2 Borrower Performance

(a) Government Performance

Rating: Satisfactory

90. The Government embraced the CDD approach as a core pillar of its poverty reduction strategy and considered KC a flagship project. They allocated adequate resources and support for project preparation and implementation while complying with all the credit covenants. Despite the failure to provide adequate counterpart funding in the initial stage due to the national budget shortfall, the Government prioritized KC and mobilized additional funds. Fiduciary compliance was satisfactory as DSWD established sound FM and procurement systems, recruited adequate skilled staff, and put in place four key GAC mechanisms that minimized risks. Safeguards compliance was satisfactory as safeguards were well integrated into the design and implementation. The Government has shown its commitment to mainstream the KC approach by scaling it up nationally, and also by linking it to BUB.

(b) Implementing Agency Performance

Rating: Satisfactory

91. DSWD was committed and responsive throughout the Project period. DSWD through NPMO implemented and scaled-up KC in an effective manner, achieving or exceeding most of its KPI targets. DSWD was also adept at evolving KC to cater to various emerging needs while rectifying weaknesses by improving its design or processes. Issues raised during ISMs were usually addressed in a timely manner. DSWD invested in staff training that all staff from national down to the community level fully understood and embraced the CDD principles and put the communities at the forefront, which was commendable. There were a couple of challenges that were observed. First, although the Project grew in scale and complexity, due to turn-over, the pool of senior staff at NPMO that had the capacity and authority to make decisions diminished. This led to delays in both policy and operational aspects of the Project. Second, while NPMO's M&E capacity improved significantly over the course of the years, there is still room to strengthen analytical skills to effectively utilize the data.

(c) Justification of Rating for Overall Borrower Performance

Rating: Satisfactory

92. Overall borrower's performance is rated satisfactory. At project closing, the borrower had complied with all the covenants and agreements needed to achieve the Project's development objective.

6. Lessons Learned

93. KC laid an important foundation of community empowerment and local governance while contributing to some extent in improving access to basic services. Many of the lessons derived from KC have been incorporated into NCDDP. They include:

(i) ***Adopt phased scaling-up and flexible learning-by-doing approach informed by empirical evidence to enhance prospects of success.*** KC's phased scale-up and learning-by-doing approach, augmented by empirical evidence, allowed the Project to adjust and innovate, and to build confidence and capacity of the Project staff. The Bank made a strategic use of trust funds to undertake various analytical works which helped establish an empirical basis that informed KC's policy and operational decisions. Establishing an iterative process of operations and analysis enhances prospects of success.

(ii) ***Build in design to institutionalize the CDD approach in local development.*** KC is distinct from other similar CDD programs that tend to bypass the government. Deepening linkages with the LGUs and the line agencies was a critical design feature to mainstream the CDD principles into the local development system as enshrined in the LGC. While much remains to be done, KC managed to lay an important foundation for NCDDP to build on. Future CDD programs should build in means to strengthen linkages between the communities and the local governments/ sectoral agencies from the outset, rather than try to link them retrospectively which is much harder. Early engagement in policy dialogue with governments is also important to develop an enabling policy framework that allows CDD to be adopted in the government system, as public funds transfer to the communities or community-based procurement can often be restricted.

(iii) ***Provide large enough investments with regular frequency to ensure impacts.*** KC IE found that greatest poverty reduction gains were realized in the poorest areas when combined with large enough capital investments. KC's modest impacts on access to services could partly be due to a per barangay allocation with competitive selection which resulted in too small an investment to yield significant outcomes. If a CDD program is to realize substantive impacts in access to services, adequate block grants must be provided based on population size and poverty levels, and at regular intervals to encourage communities' forward planning. At the same time, support should be provided for communities to leverage funds from other resources as an exit strategy.

(iv) ***Balance the quality of the project with enhanced use of project structure through careful phasing.*** KC incrementally took on a variety of functions such as channeling peace and development funds, including post-disaster reconstruction, and harmonizing with the 4Ps with relative success. It is worth noting, however, that the expansion in scope took place gradually over the course of nearly 12 years. For CDD to be perceived as a "service delivery modality" rather than a "project" is something all CDD programs aspire to. However, the more the project

structure gets utilized for other agencies'/program needs, the more complex project management becomes. Careful calibration is thus required to phase the expansion of the scope so as not to undermine the quality and the original objective of the project. Any expansion also needs to be accompanied by sufficient resources and technical assistance to ensure quality.

(v) ***Invest in M&E especially at entry.*** Despite its robust M&E framework, KC suffered from Results Framework (RF) that was not articulated well enough to appropriately measure its outcome. Lack of well-defined outcome indicators can hamper capturing the impacts accurately and may lead to unfair evaluation of its performance. Investing in developing a robust RF at entry is essential not only for evaluation but also to ensure that the project is on the right track. Furthermore, it is strongly recommended that a rigorous mixed methods IE is carried out. KC followed the "gold standard" approach to evaluation by collecting quantitative and qualitative data before, during, and after the project implementation in treatment and control sites. Such a rigorous mixed methods IE allows collection of data that not only captures "what" the project achieves but also explains "why" and "how" the project achieved (or not) certain outcomes. The IE should be funded by the Project and not by external funding which may render the design and implementation of IE beyond the Project's control.

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

94. In an official letter dated November 19, 2014, the Secretary of DSWD provided the following comments on the draft ICR[49]:

- While we generally agree with the ICR since our NPMO have actively participated in its preparation, we would like to express our regret that the overall rating of the project was moderately satisfactory. It is our understanding that this was mainly due to the limited evidence of the achievement of the development objective specifically in terms of improved access to basic services. Related to this, we offer the following counter argument that supports our position that the overall PDO rating should be satisfactory:

    - As indicated in paragraph 67 (63 in the final ICR) of the report, the original KC project (including the AF) reached the poorest municipalities which had poverty incidences that are double the national average. This is supported not only by the SAE but also described in the baseline study as being highly marginalized and disempowered communities. Thus, the seemingly/perceived low increase in access to basic services should not simply be attributed to low investment but could be seen otherwise (or considered significant) if seen in the context of a highly marginalized area. Even if the KC showed low or not so significant increase in access to services, the project provided better facilities and this is supported by the statement in page 21 (15 in the final ICR) that 60% of the community respondents were satisfied with the project since it improved access to services (among others). Such opinion or views from the community should be

[49] The draft ICR sent to DSWD for comments initially had an overall outcome rating of Moderately Satisfactory, and hence the comments are primarily regarding that rating.

given more weight in measuring the achievement of improved services which is consistent with the principles of CDD.

- The operative word in the PDO is the empowerment of communities that enables them to have better access to services. The reports or data showed that the trained community volunteers were able to complete the sub-projects in accordance with standards and community-managed sub-projects were evaluated to be functional (per KPI report). The report further indicated that the quality of KC sub-projects were found to be resilient (stood the test of Yolanda). All of these indicators do prove that the KC have been able to capacitate the communities to build better quality of sub-projects which can then be considered as access to better services.

- Lastly, the report indicated a strong mobilization of resources from various other sources. The project met its target to generate at least 10% additional MLGU funds that would support community-identified sub-projects; the BUB now declared the KC as platform for village participation in local poverty reduction planning (in other words, the results of KC are now being used to identify priorities for national support) and the government peacebuilding program (i.e., PAMANA) used KC as platform for support to conflict-affected areas. All these additional investments that were generated on top of the KC investments do suggest by all imagination that more and more sub-projects are reaching the poor target areas of KC.

- In summary, we are strongly suggesting that the ICR go beyond the outcome indicators to prove that KC did improve access to better basic services. More broadly, the WB should probably re-consider how it measures CDD program in terms of empowerment by accepting more qualitative data and doing more participatory research.

(b) Cofinanciers

N.A.

Annex 1. Comparative Table of KPIs

Original (as per KC PAD)	Changes to the Original	Revised (as per KCAF PAD)
Outcome Indicators		
1. % of barangays that have adopted KC participatory practices.	Rephrased and continued as intermediate outcome indicator 2.2 in revised Results Framework (RF).	1. % of households that report better access to or use of basic services compared to KCAF initiation.
2. Barangay Development Plans (BDPs) that integrate the community needs articulated through the barangay mapping and situation analysis.	Rephrased and continued as intermediate outcome indicator 2.1 in revised RF.	2. % of households that report an increase in knowledge, skills and confidence to participate collectively in community development activities compared to KCAF initiation.
3. % of LGUs (municipalities) that honor signed MoAs and assist participatory management of sub-projects (SPs) by barangays.	Rephrased and continued as intermediate outcome indicator 2.5 in revised RF.	3. % of members from marginalized groups that attend barangay assemblies.
4. SPs are selected for funding by the inter-barangay forum based on negotiated prioritization instead of barangay entitlements.	Discontinued.	4. % of legislated municipal budgets with at least 10% increase in allocation for community identified priorities compared to KCAF initiation.
5. Project transparency requirements complied with in SP preparation, selection, and implementation.	Rephrased and continued as intermediate outcome indicator 2.5 in revised RF.	
6. Sanctions enforced in cases of non-compliance with project rules.	Discontinued.	
7. Improved poverty indicators in project barangays compared to without project barangays.	Discontinued.	
8. Improved quality of life indicators in project barangays compared to without project barangays.	Discontinued.	
Intermediate Outcome Indicators		
1. Community Grants		
1.1 % of barangays w/ SPs implemented at technical standards and within budget.	Rephrased and continued as 1.1 in revised RF.	1.1 % of completed KCAF SPs implemented in compliance with technical plans and within schedule and budget.
1.2 % of barangays with SPs that meet basic financial reporting standards in Financial Management and Administration (FM&A) manual.	Continued as 1.2 in revised RF.	1.2 % of completed KCAF SPs that meet basic financial standards based on approved Finance and Admin Sub-manual.
1.3 % of SPs where flow of funds was timely.	Discontinued.	1.3 % of communities with KCAF SPs that have functionality evaluation rating of satisfactory or higher.
1.4 Target population benefitting from SPs.	Discontinued.	1.4 % of barangays that have completed training on PSA, planning, project development, implementation, and M&E.
		1.5 % of barangays that have completed specific training on SP management and implementation.

Original (as per KC PAD)	Changes to the Original	Revised (as per KCAF PAD)
		1.6 % of PSA identified priorities funded with non-KCAF sources.
2. Capacity Building and Implementation Support		
2.1 Information on project approach provided to stakeholders at regional, provincial, and municipal levels.	Discontinued.	2.1 % of barangays with community development plans prepared in accordance w KCAF participatory process.
2.2 Balanced gender composition of community and area facilitators.	Discontinued.	2.2 % of LGUs that satisfactorily implement their Participatory, Transparency and Accountability (PTA) Integration Plans in accordance with the KCAF MOA and committed to sustaining the PTA as part of their sustainability plans.
2.3 Planned number of community facilitators and area coordination teams (ACTs) recruited.	Rephrased and continued as intermediate outcome 3.2 in the revised RF.	2.3 % of barangays with citizens, other than public officials, who participate in regular municipal-level resource allocation forum.
2.4 # and type of trainings to facilitators.	Discontinued.	2.4 % of MT municipalities that have established expanded MCDs for roader consultation with civil society reps to obtain inputs for the MDP.
2.5 # and type of trainings provided for LGU staff.	Rephrased and continued as intermediate outcome 1.5 in the revised RF.	2.5 % of MLGUs that provide TA in SP preparation, implementation and monitoring based on MOA.
2.6 # and type of training/technical support provided for community volunteers/barangay development committees.	Rephrased and continued as intermediate outcome 1.4 in the revised RF.	2.6 % of municipalities that provide their KCAF LCC based on their LCC delivery plan.
3. Monitoring and Evaluation		
3.1 Internal computerized MIS established and reporting conducted as scheduled by all levels.	Discontinued.	3.1 Multi-stakeholder oversight and coordinating committees at all levels are in place and functional in accordance with their respective ToRs.
3.2 External monitoring consultant engaged and functioning.	Rephrased and continued as intermediate outcome 3.1 in the revised RF.	3.2 % of national and regional project teams that meet performance targets set by project mgt.
3.3 Participatory beneficiary monitoring functioning.	Rephrased and continued as intermediate outcome 3.1 in the revised RF.	3.3 Framework for mainstreaming KC policies and approaches into DSWD operations adopted.
3.4 Civil society involved in monitoring.	Rephrased and continued as intermediate outcome 3.1 in the revised RF.	
3.5 Financial audits conducted.	Discontinued.	
3.6 Grievance redress arrangements established and grievances resolved.	Rephrased and continued as intermediate outcome 3.4 in the revised RF.	3.4 % of registered grievances satisfactorily resolved in accordance w GRS manual.
3.7 Monitoring results used for learning and adjustments of project activities and/or approach.	Discontinued.	
4. Grants to Urban Areas		
		Pilot implementation guidelines developed.
		Pilot-testing in 4 urban poor areas completed.

Annex 2. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Total Baseline Cost	-	-	
Community Grants	132.20	193.04	146%
Capability Building	46.20	72.37	157%
Project Management	2.60	9.61	370%
Physical Contingencies	-	-	-
Price Contingencies	-	-	-
Total Project Costs	181.00	275.02	152%
Front-end fee PPF		-	-
Front-end fee IBRD	1.00	1.15	115%
Total Financing Required	182.00	276.17	152%

(b) Financing

Source of Funds	Type of Cofinancing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower		82.00	111.06	135%
International Bank for Reconstruction and Development		100.00	155.87	156%
Australia WB Trust Fund for Philippines Development		-	9.24	100%
Total		182.00	276.17	152%

Annex 3. Outputs by Component

1. The components of the original financing were retained under KCAF with additional component on the pilot-testing in urban areas. However, as some enhancements were made in each of the original components based on the lessons learned during the implementation of the original financing, this section lists the component names and descriptions as per KCAF. Types of enhancements made under KCAF are clearly explained for each component. Performance indicators for each component under KC original referred in this section reflect those that were restructured in the letter dated November 27, 2007.

Component 1: Grants to Barangays in Rural Areas

2. The component provided funding for: (i) planning grants to support communities in the identification of barangay needs and assessment of local resources and capacity; and (ii) investment grants to fund sub-projects selected by communities through a competitive inter-barangay forum comprising of all participating barangays. As an improvement from the original financing, under KCAF, community grant was split into two in acknowledgement of social mobilization being an investment in community empowerment rather than as an administrative expenditure. This component also included the barangay grants for *Makamasang Tugon* (MT) which was an LGU-led implementation modality as part of transitioning or institutionalization of CDD within the local development process. Under KC original financing, 90.6% of Bank financing was allocated for this component, whereas under KCAF it was 84.6%.

3. KC provided participating municipalities an annual grant equivalent to Php.300,000 (~US$6,667) for each barangay per cycle under KC original financing, which was increased to Php.500,000 (~US$11,000) under KCAF. The total municipal grant was then allocated competitively between barangays in the municipality at the municipal level inter-barangay forum. This corresponds to about 19% of the Internal Revenue Allotment (IRA)[50] in KC municipalities and to an average per capita per cycle allocation of approximately Php.300 (~$6.7) [51], which is comparable to other Bank-financed CDD programs around the world.[52] KC original financed a total of 5,876 sub-projects worth Php.5.93 billion (~US$141 million) in 4,583 barangays across 200 municipalities, benefiting about 1.3 million households. The sub-project construction generated over $20.3 million in short-term labor wages. The KCAF financed a total of 2,334 sub-projects worth Php.2.7 billion (approximately US$66 million) in 4,058 barangays in 176 municipalities across the 27 poorest provinces, benefitting about 573,000 households. Under KCAF, sub-project construction generated over $5.3 million in labor costs and short-term employment opportunities for 64,978 people. (Table 1.1)

Table 1.1: Breakdown of Sub-projects

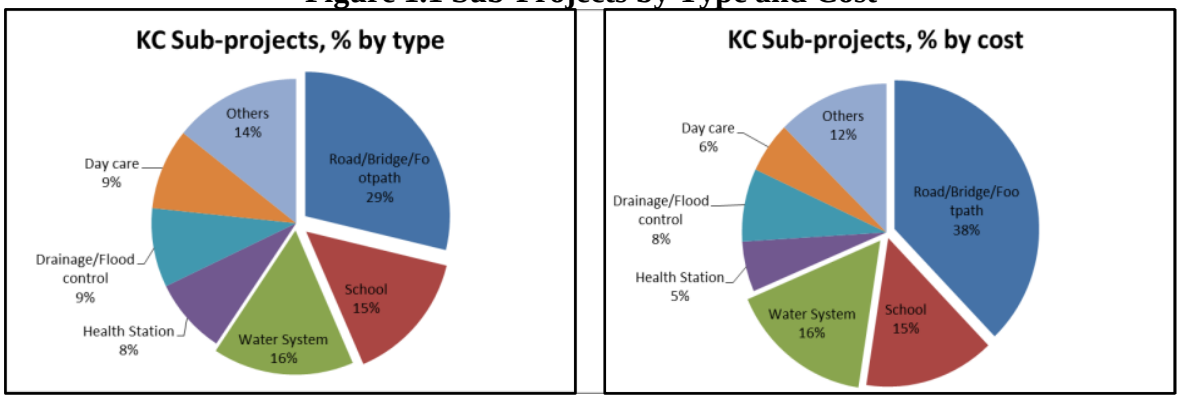
Indicators	KC Original	KCAF
Region	12	10
Province	43	27
Municipality	200	176 (69 new)

[50] Annual fiscal transfers from the central government to the municipal LGUs.
[51] World Bank (2013). The KALAHI-CIDSS Impact Evaluation: A Revised Synthesis Report.
[52] World Bank internal research has found that per capita block grant allocation per cycle for similar Bank-supported CDD programs are as follows: PNPM in Indonesia ($1.04-$18.5); NUSAF 2 in Uganda ($1.0 – $6.18); NCDDP in Myanmar ($1.35 - $6.75); and CDD program in South Sudan ($5.85-$7.19).

Indicators	KC Original	KCAF
Barangay	4,583	4,058 (1,533 new)
# of subprojects	5,876	2,330
# of direct household beneficiaries[53]	1,345,767	595,856
# of short-term employment generated	N.A.	64,978
Total short-term wage paid	$20,387,779	$5,340,031
% of women employed	N.A.	6%
% of men employed	N.A.	94%

4. The most common types of sub-project defined by the proportion of investments were: (i) road works (38%); (ii) water systems (16%); (iii) schools (15%); (iv) drainage and flood management facilities (8%); (v) health facilities (6%); and (vi) day care centers (5%). Together, they accounted for nearly 90% of the total capital investments. (Figure 1.1)

Figure 1.1 Sub-Projects by Type and Cost



5. To gauge the technical quality and sustainability of the sub-projects, and to determine the degree to which communities adhered to the O&M arrangements developed during the sub-project planning stage, DSWD designed a Sustainability Evaluation Test (SET). SET was conducted on a sample basis under both KC original (for 476 sub-projects) and KCAF (for 369 sub-projects) for all representative sub-project types. The Project set a target on the proportion of surveyed sub-projects that get satisfactory sustainability rating, and for both original financing and KCAF, the Project exceeded the targets at 96% and 98% respectively. Longer-term sustainability remains a challenge, however, especially for access infrastructure (trails, bridges) water facilities (water systems, drainage), and pre-/post-harvest facilities. To this end, KC endeavored to mitigate the sustainability risk through: (i) additional O&M training to the communities; (ii) better engagement with the line departments in the design and maintenance of the sub-projects; (iii) signing of memorandum of agreement between LGUs to ensure proper operation and maintenance (O&M); and (iv) mandating LGUs to pass ordinances to allocate sufficient O&M funds for the sub-projects.

6. Importantly, sub-projects were completed with strong participation of the communities. MIS data shows that 86% of the total target barangays completed the core training on participatory situation

[53] Households that benefitted under different financing are double-counted. Figures in ( ) indicate a subset of the total that were not covered under the original financing.

assessment (PSA), participatory development planning, and sub-project management. The training resulted in 93% of the communities preparing community development plans in compliance with the Project standards, and 98% of the 8,210 sub-projects financed by the Project completed in compliance with the technical and financial standards set by the Project.

7. Overall, based on MIS data, the results of Component 1 exceeded all key indicators, as summarized in Table 1.2 below.

Table 1.2 Intermediate Outcome Indicators for Component 1

Indicators	Target	Achievement
KC Original Financing		
% of completed sub-projects implemented in compliance with technical plans and within budget.	80%	98%
% of completed sub-projects that meet basic financial reporting standards based on approved Finance and Administration Manual (FAM).	80%	99%
KCAF		
% of barangays that have completed training on PSA, planning, project development and M&E.	80%	86%
% of barangays that have completed specific training on sub-project management and implementation.	40%	75%
% of completed sub-projects implemented in compliance with technical plans and within schedule and budget.	85%	97%
% of completed sub-projects that meet basic financial standards based on approved Finance and Administration Sub-Manual.	85%	97%
% of communities and/or barangays with KCAF sub-projects that have functionality evaluation rating of satisfactory or higher.	85%	98%
% of PSA identified priorities funded with non-KC sources.	10%	12%

Component 2: Capacity Building and Implementation Support

8. The component funded: (i) social mobilization activities**;** (ii) capacity building for staff of barangay and municipal LGUs (B/MLGUs); and (iii) social accountability activities, covering the grievance redress system (GRS), third-party monitoring, active information disclosure, and social audit. As an enhancement, the KCAF included the orientation of the municipal coordination team (MCT), which is the LGU-designated staff that took over the responsibility for social mobilization during the MT implementation as well as more systematic coordination activities with the provincial LGUs.

9. In terms of social mobilization, KC mobilized and provided capacity building for 140,998 community volunteers under KC original, of which 51% were women, and another 116,604 under KCAF of which 56% were women. These volunteers were trained on PSA, project development, community finance and procurement, and O&M. These community volunteers became a new cadre of community leaders who were empowered and confident to deal with the local governments. In fact, 1,005 of them, 32% of which were women, became public officials at barangay LGUs. KC started focusing on developing the community volunteers into grassroots leaders who could apply the CDD principles in broader local governance and development beyond the Project. Community volunteers are

very much an important asset that KC created aside from the community infrastructure created under sub-projects.

10. By the end of the Project, KC had trained 97% and 86% of the target barangays under original financing and KCAF respectively. The Project's capacity building efforts for LGU staff also resulted in 89% (original) and 99% (AF) of the target municipal LGUs providing support to communities in sub-project preparation, implementation and monitoring. Impacts of community empowerment have translated into improved local governance as well. For example, 95% of the target municipalities under both original and AF expanded the membership of the Municipal Development Councils – the mandatory consultative body to develop municipal development plans - to include community representatives. 84% (original) and 90% (AF) of the target municipalities committed to sustaining the KC participatory, transparency, and accountability integration plans.

11. Participation in barangay assemblies, where important local administrative and development issues are discussed, was maintained at 72% and 75% under KC original and KCAF respectively. Women's participation was high under both KC original and KCAF at 51% and 59% respectively, most likely as women who stay at home were more likely to have time to participate. Such high participation rates indicate that community members came to appreciate the importance of collective decision making through KC experience. MIS data is backed by findings from the IE. Quantitative analysis conducted by the Bank in 2008 found that after the first cycle of the Project, the percentage of households participating in barangay assemblies increased by about 20 percentage points. The average number of assemblies attended by households also increased. Similarly, there was a positive impact on the frequency the elected barangay leaders met with the community members. These findings suggest that in Project areas, officials as well as households' perception of the benefits associated with participation in village meetings increased by gaining experience with similar process through KC. The increase in participation in barangay assemblies was larger in villages which were successful in receiving funding from the Project. Trust toward local officials increased by 10.7 percentage points in those villages as well.[54] The quantitative evaluation detected positive impacts on the proportion of households willing to contribute money to projects that benefit the community as a result of KC, and on the proportion of respondents who thought that most people in the village are willing to help if needed. This is a manifestation of improved social cohesion as a result of the KC.

12. KC established a robust Governance and anti-corruption (GAC) mechanism designed to promote transparency and accountability of operations. Four key GAC measures included: (i) GRS; (ii) independent third-party monitoring including media; (iii) active information disclosure at the community and national levels; and (iv) social audits. Typical grievances that were registered include: Under both KC original and KCAF, 99% of the registered complaints were successfully resolved. KC also engaged media for independent monitoring and CSOs for social audits. While there were issues identifying capable CSOs, the media monitoring was successful. As active information disclosure, project website was improved, and availability of information both about the project operations and local planning and budgeting process was enhanced. At the community level, KC supported efforts to embed transparency mechanisms in governance.

[54] Labonne and Chase. (2008). "Do Community-Driven Development Projects Enhance Social Capital?" The World Bank.

13. The results of Component 2 exceeded all but one key indicator. The one indicator that was not met is on the percentage of non-prioritized barangays that have secured funding beyond KC to finance their priority sub-projects, which has proven to be a challenge under both KC original and KCAF.

Table 1.3 Intermediate Outcome Indicators for Component 2

Indicators	Target	Achievement
KC Original Financing		
% of Area Coordination Teams (ACTs) with a satisfactory annual performance appraisal based on their work plan.	80%	97%
# of barangays that have completed the core trainings for KC volunteers.	4,280 brgys	4,460 brgys
% of barangays that have committed to sustain the participatory process as part of the Barangay sustainability plan.	70%	93%
% of completed community sub-projects that passed the sustainability evaluation.	70%	96%
% of non-prioritized barangays that have secured funding per annual cycle of operations.	50%	**15%**
% of Municipal LGUs (MLGUs) that meet with barangay representatives for inputs to the Municipal Development Plan.	70%	95%
# of MLGUs that provide technical assistance in sub-project preparation, implementation and monitoring based on MOA with MLGUs.	146	178
# of MLGUs that provide at least 80% of the counterpart based on the MOA.	146	174
# of MLGUs that substantially comply with transparency requirements per MOA.	146	167
# of MLGUs with turnover MOAs.	100	164
% of registered grievances resolved in accordance with grievance redress system manual.	90%	99%
KCAF		
% of barangays with community development plans prepared in accordance with KCAF participatory process.	80%	93%
% of LGUs that satisfactorily implement their Participatory, Transparency and Accountability (PTA) Integration Plans in accordance with their KCAF MOA and committed to sustaining the PTA as part of their sustainability plans.	80%	90%
% of barangays with citizens, other than public officials, who participate in regular municipal-level resource allocation forum.	80%	95%
% of *Makamasang Tugon* municipalities that have established expanded Municipal Development Councils (MDC) for broader consultation with civil society representatives to obtain inputs for the Municipal Development Plan (MDP).	85%	95%
% of MLGUs that provide technical assistance in sub-project preparation, implementation and monitoring based on MOA.	80%	99%
% of municipalities that provide KCAF Local Counterpart	80%	87%

Indicators	Target	Achievement
Contributions (LCC) based on their LCC delivery plan.		
% of registered KCAF grievances satisfactorily resolved in line with KCAF Grievance Redress System Sub-Manual.	80%	99%

Component 3: Grants to Barangays in Urban Areas

14. This component was added under KCAF to cover both planning grants and sub-project investments in selected 8 urban communities in 4 municipalities across 4 regions (1 each from Luzon and Visayas and 2 in Mindanao). Preparatory activities under this component included: (i) community-based poverty mapping, (ii) the adaptation of the methodology used for social mobilization and planning to the urban context and development of specific operations manuals; and (iii) testing of a grant-making mechanism for urban poor communities.

15. By Project end, a total of 11 sub-projects worth Php10.4 million (~$236,000) were funded, benefiting over 820 individuals. Sub-projects were predominantly catered to livelihoods. In terms of distribution, vocational skills training sub-projects accounted for 45.5%; livelihoods support 27.2%; day care center 9.1%; school building 9.1%; and community center 9.1%.

16. NPMO prepared a consolidated report on the lessons learned and options for follow-up operations based on the pilot-testing of KC in urban areas through the urban pilot under KCAF and ongoing JSDF Livelihood for Vulnerable Urban Communities (LVUC) implementation. The pilot-test indicated that the KC modality in rural areas can be applicable in peri-urban areas but with adjusted features in terms of mobilization techniques, taking into consideration the large number of households; inclusion of livelihood as a major agenda; and stronger alliance building or partnership with the city LGUs as well as the private sector. For large cities or highly urbanized areas, CDD would be best positioned as part of a broader city development plan and would provide a participatory mechanism for ensuring inclusion of the poor/marginalized communities in the overall city development planning process.

17. This component also met all the performance indicators as shown below.

Table 1.4 Intermediate Outcome Indicators for Component 3

Indicators	Target	Achievement
KCAF		
Pilot implementation guidelines developed.	Completed during first 6 mos of implementation.	Completed.
Pilot-testing in 4 urban poor areas completed.	Completed at end of Project.	Completed.

Component 4: Project Management, and Monitoring and Evaluation

18. This component financed incremental project management and operational costs. It also covered the costs associated with: (i) strengthening the Project's management information system; (ii) conducting regular monitoring of project's outcomes; (iii) carrying out external impact evaluations and specialized studies; and (iv) capacity building interventions for project staff and communities.

19. The PDO of the original financing stated the Project's focus on: (i) community empowerment; and (ii) local governance strengthening. However, there were issues in how the outcomes were defined. First, two poverty reduction outcome indicators were included even though PDO did not explicitly state poverty reduction as its core objective,and were ill-defined without any targets set. Second, there were discrepancies between the KPIs listed in the PAD and the LA which led to inconsistencies in the outcome indicators listed in the Implementation and Status Results Report (ISR). Third, some of the original outcome indicators should have been categorized as intermediate outcome indicators, which were later moved to intermediate outcome level. (See 1.2) These made it challenging to adequately measure whether the Project was on track in achieving its PDO. The KPIs listed in the LA were amended in November 2007 upon agreement during the MTR.

20. Both PDO and the KPIs were revised under KCAF. The PDO clearly embraced the three core objectives of community empowerment, local governance strengthening, and improved access to services while noting the geographical expansion to selected urban areas. New outcome indicators were added. Some original KPIs were retained but relegated as intermediate outcome indicators while others were discontinued or refined for clarity. Additional intermediate outcome indicators were included to track progress toward the institutionalization of participatory approaches at barangay and municipal levels, to be implemented through the MT modality. The new Results Framework under KCAF was appropriately defined and facilitated the measurement of project performance. However, it was structured only to measure only the outcomes and outputs of KCAF rather than the entire Project.

21. The Project established a comprehensive M&E framework that included both internal and external M&E which took place at all levels of project implementation (community, municipality, regional and national levels). Internal M&E included regular monitoring of process and progress, engineering assessment, safeguards assessment, financial and procurement reviews, participatory monitoring by the communities and LGUs, and grievance redress mechanism. External M&E included third party monitoring by NGOs, impact evaluation using a mixed methods approach (qualitative and quantitative) providing baseline, midline, and endline surveys to capture longitudinal and cross sectional data, and numerous evaluation studies on different aspects of project impact and design.[55]

22. While it took some time to develop KC staff's M&E capacity, the quality of M&E data collection gradually improved. Rigorous reporting system from community to the national level, close supervision, frequent training of the Project staff at all levels, contributed to the quality of data collected. Concurrent community participatory monitoring helped validate the data that was being collected internally. Aside from third party monitoring by NGOs which was hampered due to lack of capable local NGOs (see 2.2), all activities planned under the M&E framework were undertaken satisfactorily. Greater attention could have been devoted, however, to continuously monitor the outcome indicators and not just the intermediate outcome indicators.

23. Two factors underlying the Project's satisfactory implementation are noteworthy. First, KC adopted a flexible learning-by-doing approach. The Project encouraged an approach of trying new

[55] Evaluation studies that have been undertaken include among others: economic analysis that looks at the costs and benefits of 7 major subproject categories (Araral and Holmemo, 2007); analysis on how resources are allocated across villages during the Municipal Inter-Barangay Forum (Labonne and Chase, 2009); study on social capital impacts of the Project (Labonne and Chase, 2008); study on the Project's non-income impacts on poverty (Adriano, 2009); assessment of the LGU-led CDD modality (Canlas et. al., 2012); KC gender assessment (World Bank, 2012); and study on IP (Young, 2012).

innovations while keeping the fundamental principles intact, reviewing the experience systematically, distilling operational and broader policy implications, and adjusting the design and implementation. Such an experimental approach resulted in various innovations that improved the implementation viz. introduction of the MT modality, improvement of the community empowerment process, targeted measures to improve participation of the marginalized, and integration of climate change adaptation/DRM dimensions. The Bank made a strategic use of trust funds to build an empirical basis to inform policy and operational decisions. For example, PHRD funds were mobilized to strengthen capacity building for community volunteers by establishing community learning centers; JSDF funds were mobilized for SIP to explore means to improve inclusion of the marginalized; and two JSDF projects on livelihood assistance for the urban poor and development of community enterprises were developed to inform how CDD programs can be adapted to the urban context.

24. Second, a relatively autonomous PMO structure contributed to flexible and timely project implementation. NPMO held an autonomous status with a direct line to the DSWD Secretary. This resulted in quick decisions, gave flexibility to test innovations, and to recruit competent staff. Despite possible shortcoming of not being able to mainstream skills acquired under KC into the broader DSWD, overall, the benefits trumped the costs. Relative consistency in team leadership on both DSWD and the Bank side and the good relationship also helped KC stay on its course.

25. The results of Component 4 met all key indicators, as summarized below.

Table 1.5 Intermediate Outcome Indicators for Component 4

Indicators	Target	Achievement
KCAF		
Multi-stakeholder oversight and coordinating committees at all levels in place and functional in accordance with their respective Terms of Reference.	Completed	Completed
% of national and regional project teams that meet performance targets set by project management.	85%	100%
Framework for mainstreaming KC policies and approaches into DSWD operations adopted.	Completed	Completed

DFAT Co-Financing Grant

26. Co-financing grant worth US$10 million was provided by the Australian Government through Australia-WB Philippines Development Trust Fund which became effective on May 30, 2012. The Grant aimed to enhance synergy between KC and the *Pantawid Pamilyang Pilipino* Program (4Ps or Philippines Conditional Cash Transfer Program) also implemented by DSWD to maximize the effectiveness of the KC investments. It supported the construction/rehabilitation of 143 day care centers and 178 classrooms in 390 barangays in 76 municipalities covered both by KC and the 4Ps, benefitting 102,213 households, of which 39% are 4Ps beneficiaries. It generated 10,746 short-term jobs, where 95% men and 5% women benefitted. 100% of the grant was disbursed. KC process was used to identify which specific barangays would receive the grant funding.

27. Aside from being an additional financing facility, the grant served to demonstrate a modality by which a national sectoral program such as the School Building Program of Department of Education (DepEd) can use CDD as an alternative or supplemental mechanism to accelerate delivery of basic

facilities particularly in remote areas. The process evaluation of the grant revealed the following major findings: (i) classrooms which were constructed through KC were not only compliant with the DepEd technical standards but had added features such as restrooms, water systems and educational amenities; (ii) the construction cost of KC classroom was less than the standard cost parameter of DepEd by as much as 40%; and (iii) there was stronger community ownership which enhances the relationship between the school and community members as well as facilitates counterpart contribution for maintenance. Based on the positive outcome, Australian Government provided an additional grant worth $10.5 million in May 2014 to construct about 470 classrooms and day care centers.

Annex 4. Economic and Financial Analysis

1. **Summary:** The overall economic rate of return (EIRR) at project completion is estimated at 22.1% with a corresponding net present value of Php1.8 billion. Compared to the 15.0% standard hurdle rate applied by government for infrastructure projects, this means that KALAHI-CIDSS projects are generally economically gainful and beneficial investments. Water system sub-projects have the highest rates of return while educational facilities (school buildings/classrooms and day care) have the lowest, although classroom and school building construction through KALAHI-CIDSS were generally more cost-effective – able to bring savings of up to 40% than standard cost parameters of third-party contractors. Economic returns were found to be more sensitive to reduction in benefits than to increase in costs. Results underscore the need to focus more on sub-projects that not only have a high potential to affect outcomes of interest but also those that benefit a greater number of people to maximize return on investments. Ex-ante EIRR at project appraisal was estimated at 30.1% while mid-term estimates range between 12.6% and 21%, based only on simulations and of similar ongoing projects in the Philippines at that time.

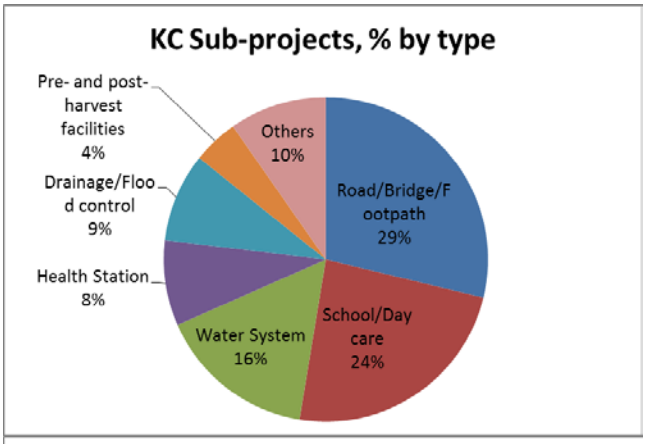
---

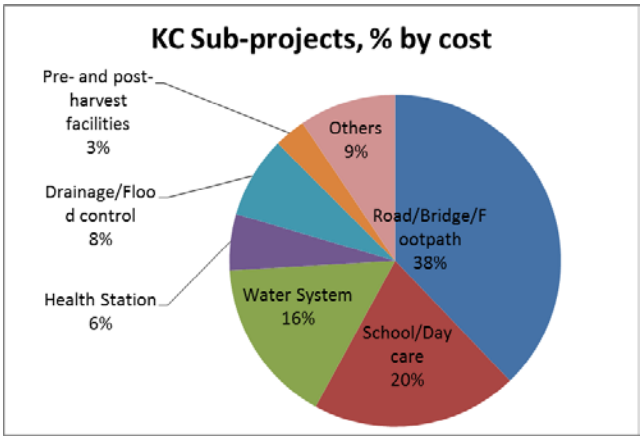
2. *Ex ante* economic analysis is difficult for CDD projects due to: (i) the demand-driven "open menu" approach, which makes it impossible to know with precision which investment proposals will be pursued by the communities, and which ones will actually receive funding; and (ii) the difficulty in quantifying the benefits incurred by empowerment of the communities. Nevertheless, the Bank task team carried out a cost-benefit analysis at appraisal using conservative assumptions, making use of available data from ongoing and past projects of a similar nature in the Philippines. Profiles of generic sub-projects were modeled for estimating the "expected" benefits and costs per sub-project. Similar ongoing projects in the Philippines were used as benchmark distributions to determine the percent of the Project budget that would be distributed across the sub-projects. Based on these assumptions, the study derived EIRRs for a representative sample of sub-projects. Subsequently, in 2006, an economic analysis was carried out.[56]This economic analysis utilizes the same methodology adopted in the 2006 analysis with updated assumptions and MIS data.

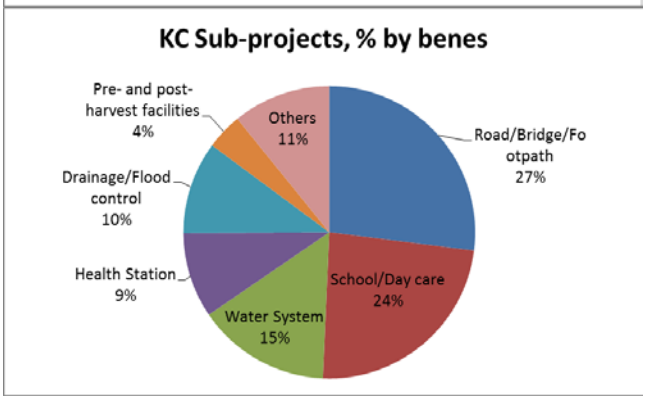
3. By Project end, KC, through its original financing and the AF, had supported 8,607 community infrastructure sub-projects in 6,144 barangays, 273 municipalities out of 804, and 43 provinces[57] (Table 1, page 4). A total of Php9.4 billion (about US$219 million[58]) of project funds, including local counterpart funds, have directly benefited about 9.1 million Filipinos in project areas. The biggest sub-projects supported by KC are road works, water systems, and school buildings/classrooms (Figure 1). Together, these three sub-project categories comprise about 70% of total project investment funding and 60% of all sub-projects approved.

[56] Araral and Holmemo.
[57] Includes Dinagat Island which was carved out of Surigao del Norte and created into an independent province in December 2006.
[58] US$1=Php43. This amount includes 5% of project costs for Operations and Maintenance (O&M).

Figure 3.1: Distribution of KALAHI-CIDSS Sub-projects







Impact on Household Welfare

4. Quantitative and qualitative evaluations for the original financing were done in 2003, 2006, and 2010. Results from these evaluations consistently showed that the Project was effective in raising the welfare level of the poor target municipalities and households.

5. Baseline survey for KC in 2003 confirmed the poverty focus of the Project. Results showed that poverty is widespread in project areas, with estimated poverty incidence ranging from 68% to 90% in project municipalities and having poor infrastructure. In addition, the baseline evaluation also showed that (i) road conditions in project areas were generally poor, (ii) the nearest health care facilities were not being used because of inadequate services villagers get from these facilities, (iii) households had limited access to clean water systems, and (iv) elementary schools were accessible and widely utilized so that enrolment rates were found to be high and near universal in project areas (Table 3.1). In comparison, access to college institutions was lower.[59] It is important to note of these baseline indicators for two reasons: first, they show that the communities' needs were mirrored in the choice of priority sub-projects as indicated above, and second, the baseline indicators are informative of the level of impact and benefits the sub-projects were later found to have.

Table 3.1 Service provision in KALAHI-CIDDS municipalities at Baseline, 2003[4]

[59] World Bank (2005). "CDD and Social Capital Impact: Designing a Baseline Survey in the Philippines."

	Albay	Capiz	Zamboanga del Sur	Agusan del Sur
HHs accessible by road all year (%)	55.9	14.2	42.2	61.0
Villages with health center (%)	61.9	80.0	58.3	100.0
Elementary school enrolment (%)	92.7	97.7	86.0	99.5
HHs with direct water supply for own use (%)	37.0	24.2	4.8	8.7

6. The end-line impact evaluation (IE) carried out in 2010 for the original project found that, overall, the project led to a 12% increase in per capita spending among beneficiary households and an even higher increase (19%) for households that were identified as poor at project start-up. This is similar to results of Indonesia's *Kecamatan* Development Program (KDP), a similar CDD project like KC, which was found to have led to an 11% increase in per capita consumption. The KC impact on income was also estimated to result in a 6-percentage point reduction in the likelihood of beneficiary households being classified as poor using the official government metric. It must be noted that the Project provided modest per capita allocation size equivalent to about Php300 per cycle (about US$6.7). Therefore observed impacts are presumably due to multiplier effects of investments in infrastructure that allow communities to access markets and seize better income earning opportunities.[60] The IE indeed found strong positive impacts in accessibility of beneficiary residences (a 9-percentge point increase) through improved road networks as well as increased labor force participation (4 percentage point increase in employability) in project areas. The latter was attributed mainly to increased economic activity in project areas generated by the Project rather than direct project involvement or employment.[61] The qualitative evaluation in 2010 showed consistent results with the quantitative evaluation, that is, the Project led to lower transport and production costs (by as much as 30%), which increased beneficiary revenues.

7. While construction of schools, health facilities, and water systems were priority sub-projects of the communities, the end-line evaluation did not find positive program effects in access to improved water sources, use of health facilities, and school enrolment in project areas. In fact, the evaluation found that the Project led to a decline in school enrolment. This may be attributed to increasing opportunity costs of schooling because of better income earning opportunities opened by the project. Lack of impact on access to water and use of health facilities were attributed to inadequate maintenance of these sub-projects.

Economic Returns

8. At Project appraisal in 2002, ex-ante EIRR was estimated at 30.1% for the project overall. Ex-ante EIRR was highest for barangay health stations at 52.6% and lowest for educations facilities at 16.4%. The PAD did not indicate the estimated net present value of the project at that time.

[60] In the case of Indonesia's PNPM Rural project, the overall income multiplier effect of infrastructure projects was estimated at 1.2. The highest income multipliers were observed in irrigation (1.34), water supply (1.28), and roads (1.18). Source: WB, 2013. ICR for the Third National Program for Community Empowerment in Rural Areas.

[61] Project data showed that, throughout the life of the project, it was able to generate an estimated 40,000 full-month jobs and employed about 66,500 individuals including those in the Area Coordination Team (or 2% of the estimated working-age beneficiary population in project areas), were a number of them were possibly engaged on multiple short contracts.

9. At mid-term in 2006, ex-post EIRR was estimated at 21% and a net present value of Php1.04 billion.[62] The rates of return for specific sub-projects ranged from 16% for school building and day care centers to 65% for water supply projects. These estimates were based on 1,175 completed and ongoing sub-projects within seven major sub-project categories that comprise 82% of all subprojects at the time of assessment.

10. Millennium Challenge Corporation (MCC) who provided $120 million for expansion of KC in 2011 conducted an economic analysis which estimated ex-post EIRR of the Project at 12.6%. The results were based on 70% of all sub-projects under eight different sub-project categories supported by the project at the time of assessment. The rates of return varied from 9.4% for road concreting works to 65.6% for post-harvest facilities. The MCC estimates were based on slightly different assumptions and a hurdle rate of 12.4%.

11. At Project completion, we estimate the EIRR based on all sub-projects that fall under the top 6 sub-project categories covered by the original financing and KCAF on account of their share in the Project total capital investment for community infrastructure projects. The six sub-projects included in the analysis are: (i) basic access infrastructure (which include roads, bridges, and footpaths); (ii) water systems; (iii) school buildings and classrooms mainly for elementary schools; (iv) drainage and flood management systems; (v) health stations; and (vi) day care centers. Together, these six sub-project categories totaled nearly Php8.5 billion[63] ($188.3 million) or 90% of the overall KC capital investments, and 88% of all sub-projects in World Bank-financed KC areas across the country. They also directly benefited 1.9 million households equivalent to about 7.9 million individuals. Sub-project categories that comprise less than 5% of the total project cost were excluded in the analysis.

12. Box 3.1 provides the assumptions used in the computation of ex-post EIRR for each of the 6 major sub-projects. For lack of more updated estimates on the benefit level of roads and day care centers, the EIRR presented below maintain the conservative assumptions used at the mid-term assessment. For school buildings/classrooms, water systems, and health facilities, benefit assumptions were adjusted downward based on the results of the end-line IE.

Table 3.2 Economic Returns at Project Completion

Sub-project category	Life of project (Yrs)	No. of Sub-projects	% to total SPs	Total Cost (Php Mn)	% to total cost	Direct HH Beneficiaries	NPV @15% (Php Mn)	EIRR (%)	EIRR Rank
Road/Bridge/Footpath	10	2,225	27%	3,263	36%	496,905	1,172	27.2%	2
Water System	5	1,396	17%	1,546	17%	297,650	554	31.3%	1
School	15	1,166	14%	1,287	14%	310,715	(351)	5.6%	6
Drainage/Flood control	10	869	11%	929	10%	243,520	217	23.1%	3
Health Station	15	763	9%	545	6%	192,528	57	18.2%	4
Day care	15	786	10%	525	6%	145,544	(97)	8.9%	5
ALL SAMPLED SUB-PROJECTS		**7,205**	**88%**	**8,096**	**90%**	**1,686,862**	**1,770**	**22.1%**	

[62] Araral and Holmemo (2007).
[63] This includes indirect costs for operations and local counterpart funds in all sampled subprojects.

13. Based on these assumptions, the overall EIRR at project completion is estimated at 22.1% with a corresponding net present value of Php1.8 billion. Compared to the 15.0% standard hurdle rate applied by NEDA for infrastructure projects, this means that KC sub-projects are generally economically gainful and beneficial investments. EIRR for the six sub-project categories, however, vary from 5.6% for school buildings/classrooms to 31.3% for water systems (Table 3.2).

14. The estimated rates of return at project completion differ from those at appraisal and mid-term mainly because of the following: On costs, the results here use the latest project data on the distribution of capitalization (ie, costs of sub-projects) over a longer period. At appraisal, none of these data are available. Compared to ex-post estimates at mid-term, these new data effectively lowers estimates of net benefit streams and EIRR viz cost distribution used at mid-term which covered only 3 years of capitalization (2003-2005). On benefits, the number of direct beneficiaries of the Project increased more than 6 times since mid-term. This counters the effect of longer capitalization and raises overall benefits. Adjustments were also made in estimating benefit levels based on results of the project end-line impact evaluation, as provided in Box 3.1. In terms of ranking, however, the results at project completion maintain findings at mid-term with water systems having the highest rates of return while educational facilities (school buildings/classrooms and day care) have the lowest. While a significant portion of programs investments went to building schools/classrooms, they were not found to be gainful and beneficial investments to bring more children to school and eventually increase their future earnings. As reported in the baseline survey, enrolment rates were already high in project areas even at start-up to see significant impact on outcomes of interest, which greatly affects the assessment of economic benefit streams from these sub-projects.

15. Again, the estimated benefits and EIRR presented in Table 3.2 are considered to be conservative. First is because the assumptions used were already on the conservative side. Second is because estimates do not include other potential benefits that the Project was not able to monitor and quantify. These other benefits may include reduction in morbidity due to potable water systems, better access to social services and technology, and increased property values from road projects, social returns to education, other benefits from early childhood development, and possible benefits from improvements in barangay governance and empowerment leading to better use of resources and/or better maintenance of community infrastructure/assets.[64]

Sensitivity Analysis

16. As at mid-term, rates of return were also computed when either the cost are higher or benefits are lower than expected. If costs escalate by 20%, the overall rate of return would be 17.3% (Table 3.3). If benefits decline by 20%, the overall rate of return would be at 16.4%. Although in both cases, the Project's overall rate of return would remain higher than the standard 15% hurdle rate, the Project in general is highly sensitive to a reduction in benefits than to an increase in costs. Specifically, rates of return are pushed below the hurdle rate for health facilities in addition to school buildings/classrooms and day care centers when benefits are reduced by 20%. **The results underscore the need to focus more on sub-projects that not only have a high potential to affect outcomes of interest but also those that benefit a greater number of people to maximize return on investments.** In this case, educational facilities have low potential to further affect outcome of interest since enrolment rates are

[64] Araral and Holmemo (2007).

already near-universal in project areas even at baseline. Meanwhile, overall benefit from health facilities is low because they reached a relatively smaller number of beneficiaries compared to other sub-projects.

Table 3.3 Sensitivity of EIRR

	20% cost increase		20% benefit reduction	
	NPV @15% (Php Mn)	**EIRR (%)**	**NPV @15% (Php Mn)**	**EIRR (%)**
Road/Bridge/Footpath	778	21.9%	543	20.9%
Water System	367	24.4%	257	22.9%
School	(506)	3.3%	(436)	2.9%
Drainage/Flood control	105	18.4%	62	17.4%
Day Care Centers	(9)	14.6%	(20)	13.8%
Health Facility	(160)	6.3%	(141)	5.8%
ALL SAMPLED SUB-PROJECTS	**680**	**17.3%**	**326**	**16.4%**

Cost Effectiveness

17. The cost of building KC sub-projects has been shown to be generally lower than similar projects contracted out by line agencies. Cost savings from KC constructed sub-projects is highest for water supply sub-projects at 76% followed by roads at 8%-59%, two sub-project categories that also have the highest EIRR.[65]

18. Although school buildings/classrooms constructed under KC were not found to be economically gainful investments based on benefits that accrue to program beneficiaries, they are cost effective and in some cases built with better quality, if not at par with third-party constructed school facilities. The cost of school buildings and classrooms constructed under KC were 10-40% cheaper than standard DepEd cost parameters by third-party contractors.[66] Savings were mainly attributed to the absence of contractor fees and associated value added tax, which were estimated to cost around 15-25% of the total project cost,[67] and the practice of "bayanihan" system which encourages community members/residents to volunteer in school construction. Similar results were found for Indonesia PNPM-III, where sub-projects developed through the CDD program were found to be 15-20% less costly than similar projects by line ministries. Cost savings for Sri Lanka CDD sub-projects were at 30-50%.

19. Overall, 74% of KC project costs went directly to community activities. This includes the cost of social preparation and trainings in participating communities as well as the cost of building and maintaining the infrastructure subprojects. The rest (26%) is used for indirect costs, which includes the cost of staff and overall project administration and management of the National Project Management Office and the Area Coordination Teams. This means that for every Php100 spent in the Project, the government (national and local) spends Php26 (~$0.58) to deliver Php76 (~$1.65) of community funds to build priority infrastructure. Indirect costs for KC are slightly higher compared with similar CDD programs. For example, indirect costs are estimated at 18% for the Sri Lanka CDD program and 22% for

[65] Araral and Holmemo (2007).
[66] Coffey (2014). "KALAHI-CIDSS UTF Process Evaluation Synthesis Report."
[67] Adriano, Fermin (2010). Evaluating the Impacts of a Large-Scale Social Development Project on the Non-Income Dimensions of Poverty: The Case of KALAHI-CIDSS. World Bank.

Liberia.[68] While economic benefits from these indirect costs are not quantifiable, they are essential in the overall Project design. They are likely to have contributed to the KC's overall achievements in improving community empowerment, especially that of women; in establishing participatory development planning/processes; more equitable allocation of resources with poverty focus; and improved governance and transparency at the local level.

[68]Based on respective Implementation Completion Reports of both WB supported projects, World Bank (2010) and World Bank (2014).

Box A1: Key assumptions for the EIRR and NPV estimates at Project Completion

Following are key assumptions used in estimating economic returns at project completion of the six (6) major sub-project categories of the KALAHI-CIDSS program in this report:

1. Investment starts at year 0 and the full benefits of the sub-project is realized immediately the following year and over the lifetime of the project. When analyzing large-scale projects, it is commonly assumed that full benefits will not be realized until a few years after the start of project operations. In the case of KALAHI-CIDSS, sub-projects are small scale and were implemented within 6-8 months.
2. Expected benefit realization immediately ceases after the subproject lifetime is complete. For example, in the case of a school building with a project life of 15 years, no benefits from that subproject are realized in year 16 onward. While this is likely not the case for subprojects that have been operated and maintained properly throughout their project life, the analysis nonetheless makes this simplifying and conservative assumption.
3. The estimated benefits per household for each sub-project category were computed based on additional assumptions as provided in the table below.
4. O&M and administrative costs were imputed at varying levels depending on the subproject type.
5. A discount rate of 15 percent is used in computing the Net Present Value (NPV) and evaluating the Expected Internal Rate of Return (EIRR). This is the discount rate applied by NEDA. The NPV of an investment compares the present value of the cost stream, including the initial capital cost, to the present value of future expected benefits. The EIRR is the rate of discount for which the present value of the net benefits stream equals zero, i.e., the rate of discount at which the present value of the cost stream is equal to the present value of the benefit stream.

Sub-project type	Benefits at midterm	Benefits at completion
Road/Bridge/Footpath	Additional earnings or cost savings to farmers in transporting good to markets associated with road improvements (with expected lower benefits than road construction).	Maintained assumptions at midterm to be conservative.
Water system	Time saved in fetching water, cost savings on non-incremental water consumption, and value of increased water consumption assuming all HHs in the community are able to access improved water source.	Adjusted benefits downward for consistency with results of the end-line impact evaluation (IE). Updated benefit estimate assume only 44% of HHs were able to access improved water source, same as at baseline. Life of project also reduced to 5 years – half the expected project life at midterm – due to the qualitative finding of low/inadequate maintenance of these sub-projects.
School	Increase in annual earnings per 1 year of extra schooling due to a significant increase in enrolment among children 6-12 y.o.	Adjusted benefits downward for consistency with results of the end-line IE. Updated benefit estimate use no-significant increase in school enrollment among 6-12 y.o.
Drainage/Flood control	None reported.	Annual income increase of 12% secured as reported in end-line IE assuming reduced or minimal disruption in farm production or work caused by flooding.
Day care	Additional time for parents that can be devoted to other productive purposes for livelihood generation.	Maintained assumptions at midterm to be conservative. No specific finding reported at end-line IE.
Health station	Better health of the local population and workforce due to availability of health services (facility, personnel and supplies) that lead to reduced morbidity rates, as valued by willingness to pay	Adjusted benefits downward for consistency with results of the end-line IE. Updated benefit estimate assumed reduced availability of health personnel and supplies by half the expected levels at midterm.

Annex 5. Supervision Processes

(a) Task Team members

Names	Title	Unit	Responsibility/ Specialty
Lending			
Supervision/ICR			
Preselyn Abella	Senior Finance Officer	CTRLN	
Agnes Albert-Loth	Sr Financial Management Specialist	GGODR	
Lourdes L. Anducta	Program Assistant	GSURR	
Dominic Reyes Aumentado	Senior Procurement Specialist	GGODR	
Ernesto Diaz	Sr Financial Management Specialist	EAPDE	
Patricia Maria Fernandes	Social Development Specialist	GSURR	
Camilla Holmemo	Senior Economist	GSPDR	
Gia Mendoza	Program Assistant	EACPF	
Jose Tiburcio Nicolas	Operations Officer	EASSO - HIS	
Maria Loreto Padua	Senior Social Development Specialist	GSURR	
Gerardo F. Parco	Senior Operations Officer	GENDR	
Tomas JR. Sta.Maria	Financial Management Specialist	GGODR	
Fe Timonera	E T Consultant	CTRLA	
Roberto B. Tordecilla	Social Development Specialist	GSURR	
Josefo Tuyor	Senior Environmental Specialist	OPSOR	
Cecilia D. Vales	Lead Procurement Specialist	GGODR	
Mei Wang	Senior Counsel	LEGAM	

(b) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY02	41	203.09
FY03	15	69.00
FY04		0.00
FY05		1.23
FY06		1.05
FY07		0.01
FY08		0.00
Total:	56	274.38
Supervision/ICR		
FY02		0.00
FY03	25	160.46
FY04	47	169.11

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
FY05	44	192.46
FY06	41	137.51
FY07	38	114.92
FY08	36	104.67
FY09	22	0.00
Total:	253	879.13

Annex 6. Stakeholder Workshop Report and Results

The ICR mission held consultation workshops in a staggered manner with various stakeholders, namely with 16 community volunteers, municipal LGU (MLGUs), and Municipal Coordination Teams (MCTs) from Jabomga City; 9 community volunteers in Butuan City; and 15 DSWD Regional Coordinators from 7 Regions. The primary purpose of these workshops was to get feedback from different perspectives what KC's perceived key achievements/benefits, challenges, and recommendations for the follow-on NCDDP were. While anecdotal in nature, the findings are in line with quantitative and qualitative evaluations.

Main Achievements of the Project

[Community Volunteers]

- **Capacity building and empowerment:** Training on participatory situation analysis (PSA), community mobilization, project development, management, financial management, procurement etc. have opened up opportunities for personal development as well as collective development. Many CVs feel confident to deal with barangay LGUs (BLGUs) to seek assistance or hold them accountable. BLGUs also see them as helpful resources that several CVs have been recruited as barangay officials e.g.- health officer, councilor, barangay justice, gender officer. Furthermore, using their skills, they were able to mobilize assistance from other line agencies to address other development needs in the barangay.
- **Economic benefits:** KC funded sub-projects serve as an opportunity for economic growth. In the interviewees' community, they had a boat stop constructed and started collecting fees from any boats that use the facility, which has become an additional income for barangay development.
- **Transparency:** Communities are never informed of other line agencies' programs and only find out about them when the projects are completed, whereas under KC, there was transparency in the decision-making process as well as budget allocation which allowed the communities to monitor better.
- **Participation:** Under KC, communities were involved in the design, selection, and implementation. But for other programs, communities' knowledge is limited as they only involve the LGUs.

[Mayors]

- **Transparency:** KC channels funds directly to the communities and therefore the communities know the budget, whereas other programs only consult the LGUs with limited community participation in the design and implementation.
- **Economic efficiency:** KC allows community infrastructure to be built at a cheaper rate with better quality because of community ownership compared to line agencies' contractor implementation model. CVs help expedite the work. All agencies' projects should adopt the community-driven model. Jabomga LGU has provided LGU's own budget and also leveraged funds from the provincial LGU and BLGUs to sustain KC beyond the Project.

[MCTs]

- **Additional resources for community development:** Before KC, LGU had limited resources for community development, but KC helped ease the financial constraints.

- **Transparency and accountability:** Before KC, LGU used to unilaterally identify development projects. But under KC, communities drove the project identification and managed the projects. This led to higher transparency and accountability, resulting in better quality projects.
- **Empowerment:** CVs are on average high school graduates, and are not necessarily well-educated or wealthy. But with capacity building and KC experience, they played a critical role in the whole KC process and they eagerly volunteered to fulfill their mandates. KC transferred skills on procurement, financial management, construction etc. to CVs, which helped them go on to work for other projects or for BLGUs.

[DSWD Regional Coordinators]

- **Empowerment:** The number of CVs that were not only trained under KC but were hired as BLGU officials is a testament of how KC helped empower the poor that do not possess any high education qualifications, wealth, or political connections. Empowerment of the vulnerable, especially the women and the indigenous peoples (IPs), was also another key achievement. Women were the majority who were CVs. Some even ventured into unconventional occupations and participated as skilled laborers in sub-project construction.
- **Replication of KC approach by the LGUs:** Many LGUs have passed ordinances that mandate other agencies to adopt the CDD approach in their service delivery. These LGUs have also mobilized their own funds to finance priority sub-projects that were not funded under KC. This demonstrates that LGUs appreciated and embraced the CDD principles.
- **Revitalization of Barangay Development Councils (BDCs) and improvement of BDPs:** Before KCs, BDPs were rarely being updated, and BDCs were not active. After KC, however, both the communities and the LGUs came to appreciate the importance of collective action and BDCs were revitalized. The quality of BDPs was also improved as it integrated the BAPs developed based on PSA enforced under KC.

Challenges

[Community Volunteers]

- **Balancing KC commitments with work/domestic responsibilities:** Community volunteers (CVs) are farmers, fisherfolk, housewives, scavengers, tailors etc. that do not come from a wealthy background. They volunteered as Community Volunteers because they wanted to help their communities' development. However, balancing the requirements as CVs and their work was often a challenge as it meant that they sometimes had to forego their daily wage and/or could not fulfill their domestic responsibilities. They universally noted that it took time to gain understanding of their families, but once they saw the outcome of their work i.e.- sub-projects, and CVs' names on the plaques, they became convinced and became supportive.
- **Unmet livelihood needs:** CVs noted that KC helped address their basic service needs, but that livelihood needs remained unaddressed. They said that if there is a follow-on project, they would like to get assistance for livelihoods to improve their incomes. They also explained that they plan to prepare proposals to solicit funds from LGUs, line agencies, and NGOs, using the skills they acquired through KC.

- **Broadening the benefits of capacity building:** CVs noted that they benefitted from a series of capacity building activities under KC, but broader community members did not, and suggested that if KC could broaden the target beneficiaries of the capacity building, it will further help empower their communities.

[Mayors]

- **Conflict among barangays:** Initially there were conflict/tension between barangays that got the KC funding versus those that didn't as sub-project funding is based on competitive selection. Eventually, however, they realized that they were all part of the program and managed to solve the conflict among themselves.
- ***Makasamasan Tugon* (MT)/LGU-led CDD:** For LGUs to replicate KC using its own budget can be challenging as their financial incentives are limited and there is high turn-over of staff.

[MCT]

- **Lack of alignment between KC cycle and budgeting cycle:** The annual local development budgeting process needs to be completed by October every year, whereas KC cycle only begins around April. This lack of alignment makes integration of the Barangay Action Plan (BAP) developed under KC into the Barangay Development Plan (BDP) and Municipal Development Plan (MDP) difficult.
- **Lack of sufficient time for proposal development:** For each barangay to develop quality sub-project proposals, at least one month is needed. However, under KC, they were forced to complete within 2 weeks, which was not sufficient.
- **Resource constraints:** MCTs received sufficient training to take over the primary responsibility of KC management. However, they have limited resources e.g.- only 2 motorbikes for 10 MCT members that impede them to satisfactorily carry out their jobs. Moreover, while KC had one engineer specifically for KC at the LGU level, under MT, the LGUs have to make do with 2 civil engineers that oversee all projects within a specific LGU leaving little time to focus on KC.
- **High staff turn-over:** LGU civil servants cannot allocate sufficient time for KC as they have other responsibilities, and they only get honorarium to take on additional work for KC. MCTs therefore depend on externally recruited consultants. However, due to low levels of compensation, there is a high turn-over of consultants and MCTs end up with inexperienced staff.

[DSWD Regional Coordinators]

- **Lack of incentive for unprioritized barangays to participate:** KC adopted competitive sub-project selection at the inter-barangay forum for a reason. However, in reality, some barangays that did not get funding became disenfranchised and did not want to participate in subsequent cycles. Regional Coordinators had to intervene to convince them.
- **Substantive involvement of NGOs:** NGOs were supposed to be involved as advisory members of all inter-agency committees from national to municipal level, training providers, social mobilizers, and external monitors of the Project. Yet it was difficult to find NGOs that could comply with KC's fiduciary requirements and provide necessary documentation. This constrained the collaboration with NGOs.
- **Sustainability of the sub-projects:** Despite various measures built into the design, longer-term sustainability of the sub-projects remains a challenge. There must be a way to secure O&M funds and move capacity building is needed.

Recommendations

Based on the above discussions, following are the key recommendations that were identified by the stakeholders for the follow-on NCDDP:

- **Provision of honorarium for CVs:** There was universal agreement among the CVs that it was important to respect the "volunteerism" despite their financial constraints. However, it would be useful to consider provision of transportation costs as honorarium under the follow-on NCDDP so as not to exclude the poor from participating as CVs.
- **Addressing livelihoods:** Infrastructure needs are to some extent already addressed by KC and other programs. The next level of engagement is livelihoods. While mixing public good and private goods it not ideal, CDD programs like KC cannot ignore the priority needs on livelihoods that are always listed as high priority in PSA. KC will draw lessons from the ongoing JSFD funded Community-Driven Enterprise Development Project.
- **Alignment between KC planning cycle and budgeting cycle:** To overcome the difference in the timing of the planning cycles for NCDDP and the local budgeting process, BAPs developed under NCDDP could be a multi-year plan as opposed to a single-year plan.
- **Resource constraints for MCTs:** To ensure successful implementation of MT, more resources need to be allocated for MCTs. NCDDP could possibly make commitment of certain level of resource allocation as a pre-condition for LGUs to be qualified for MT.
- **Sub-Project O&M:** O&M costs for the sub-projects should be allocated under the local counterpart contributions, and more investments should be provided for organizational strengthening of the O&M committees.

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

In an official letter dated November 19, 2014, the Secretary of DSWD provided the following comments to the draft ICR[69]:

- While we generally agree with the ICR since our NPMO have actively participated in its preparation, we would like to express our regret that the overall rating of the project was moderately satisfactory. It is our understanding that this was mainly due to the limited evidence of the achievement of the development objective specifically in terms of improved access to basic services. Related to this, we offer the following counter argument that supports our position that the overall PDO rating should be satisfactory:

    - As indicated in paragraph 63 of the report, the original KC project (including the AF) reached the poorest municipalities which had poverty incidences that are double the national average. This is supported not only by the SAE but also described in the baseline study as being highly marginalized and disempowered communities. Thus, the seemingly/perceived low increase in access to basic services should not simply be attributed to low investment but could be seen otherwise (or considered significant) if seen in the context of a highly marginalized area. Even if the KC showed low or not so significant increase in access to services, the project provided better facilities and this is supported by the statement in page 15 that 60% of the community respondents were satisfied with the project since it improved access to services (among others). Such opinion or views from the community should be given more weight in measuring the achievement of improved services which is consistent with the principles of CDD.

    - The operative word in the PDO is the empowerment of communities that enables them to have better access to services. The reports or data showed that the trained community volunteers were able to complete the sub-projects in accordance with standards and community-managed sub-projects were evaluated to be functional (per KPI report). The report further indicated that the quality of KC sub-projects were found to be resilient (stood the test of Yolanda). All of these indicators do prove that the KC have been able to capacitate the communities to build better quality of sub-projects which can then be considered as access to better services.

    - Lastly, the report indicated a strong mobilization of resources from various other sources. The project met its target to generate at least 10% additional MLGU funds that would support community-identified sub-projects; the BUB now declared the KC as platform for village participation in local poverty reduction planning (in other words, the results of KC are now being used to identify priorities for national support) and the government peacebuilding program (i.e., PAMANA) used KC as platform for support to conflict-affected areas. All these additional investments that were generated on top of the KC investments do suggest by all imagination that more and more sub-projects are reaching the poor target areas of KC.

[69] The draft ICR sent to DSWD for comments initially had an overall outcome rating of Moderately Satisfactory, and hence the comments are primarily regarding that rating.

- In summary, we are strongly suggesting that the ICR go beyond the outcome indicators to prove that KC did improve access to better basic services. More broadly, the WB should probably re-consider how it measures CDD program in terms of empowerment by accepting more qualitative data and doing more participatory research.

Annex 8. Comments of Co-financiers and Other Partners/Stakeholders

N.A.

Annex 9. List of Supporting Documents

Adapting Community Driven Development Approaches to Conflict Settings. (2013). *Science of Delivery: Lessons from Philippines KALAHI-CIDSS, Note 4. Dissemination Note*.

Aligning CDD and Local Government Systems. (2013). *Science of Delivery: Lessons from Philippines KALAHI-CIDSS, Note 2. Dissemination Note*.

Assessing Governance and Anti-Corruption Issues in CDD Projects. (2013). *Science of Delivery: Lessons from Philippines KALAHI-CIDSS, Note 6. Dissemination Note*.

Deepening Community Enggagement. (2013). *Science of Delivery: Lessons from Philippines KALAHI-CIDSS, Note 2. Dissemination Note*.

Scaling-Up CDD in the Philippines: From KALAHI-CIDSS to NCDDP. (2013). *Science of Delivery: Lessons from Philippines KALAHI-CIDSS, Overview. Dissemination Note*.

Using CDD Platforms for Disaster Risk Reduction and Management. (2013). *Science of Delivery: Lessons from Philippines KALAHI-CIDSS, Note 5. Dissemination Note*.

Adriano, F. (n.d.). *Evaluating the Impacts of a Large-Scale Social Development Project on the Non-Income Dimensions of Poverty: The Case of the KALAHI-CIDSS.* Discussion Paper.

Araral, E., & Holmemo, C. (2007). Measuring the Costs and Benefits of Community Driven Development: The KALAHI-CIDSS Project, Philippines. *Social Development Partners - Community Driven Development, Paper No. 102.*

Ateneo de Manila Institute of Philippine Culture. (2012). *KALAHI-CIDDS Community Empowerment Activity Cycle.* Report submitted to The World Bank.

Austria-Young, J. D. (2012). *Developing an IP Lens in Development Project: A Study of KALAHI-CIDSS Projects with Indigenous Peoples in Preparation for a National Community Driven Development Program (NCDDP).*

Batistiana, B., & Fernandes, P. (2012). *KALAHI-CIDSS Gender Assessment - National Community-Driven Development Program Preparation.*

Canlas, C., Maria Clarissa, L., & Manahan, A. (2012). *Analytical Study of Makamasang Tugon: KALAHI-CIDSS LGU-led CDD Program.* Report submitted to The World Bank.

Chiu, R. A. (2008, October). *Pilar may have to fund post-KALAHI projects.* Retrieved from Official Philippine Government Portal.

Department of Social Welfare and Development. (2003). *Guide to KALAHI-CIDSS Grievance Redress System.*

Earth Systems. (2012). *Options for Disaster Risk Management and Disaster Recovery in the National Community Driven Development Program (NCDDP) Design.* Report submitted to The World Bank.

Eusebio, B. C., & Laureto, B. A. (2010). *Integrating Climate Change Adaptation and Disaster Risk Management into KALAHI-CIDSS.* The World Bank.

Gonzales, R. P. (2012). *Towards an NCDDP Conflict Window: Lessons from KC-PAMANA Implementation in Conflict Areas.* Report submitted to The World Bank.

(n.d.). *KALAHI-CIDSS: KKB 2003-2011: Accomplishments and Development Outcomes, Lessons Learned and Strategic Implications.*

Labonne, J. (2011). *The KALAHI-CIDSS Impact Evaluation: A Synthesis Report.*

Labonne, J., & Chase, R. S. (2008). *Do Community-Driven Development Projects Enhance Social Capital? Evidence From The Philippines.* World Bank Social Development Department.

Labonne, J., & Chase, R. S. (2008). Who is at the Wheel When Communities Drive Development? Evidence from the Philippines. *doi:10.1016/j.worlddev.2008.05.006*.

(n.d.). *NCDD Preparation - KALAHI-CIDSS: Lessons Learned on Gener.* PowerPoint Presentation.

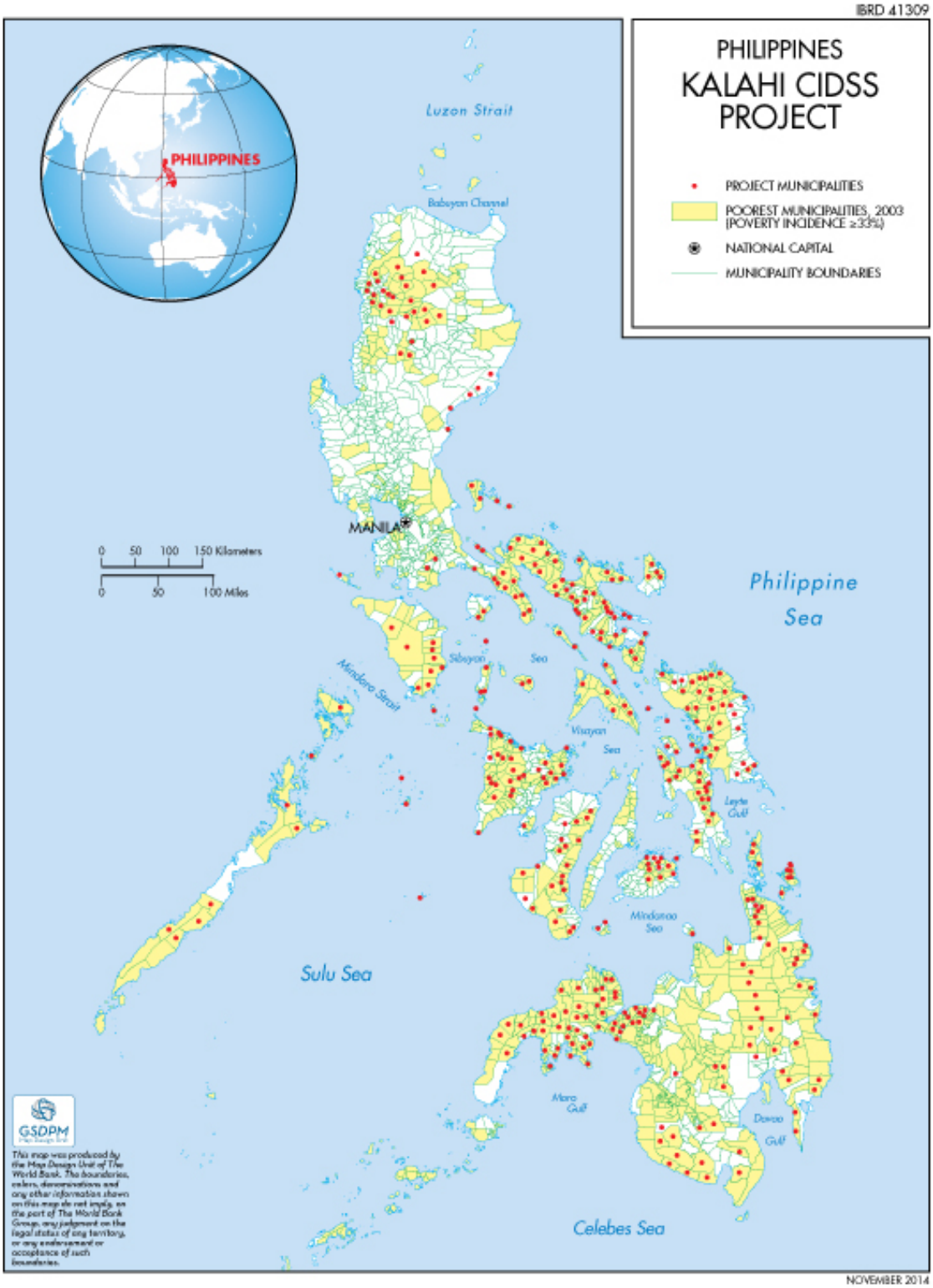
Pagsanghan, J., Lopez, A., Javier, J., & De Rosas, N. (2012). *National Community Driven Development Program Philippines: A Review of Governance and Anti-Corruption Risks.* Report submitted to The World Bank.

Van Domelen, J. (2007). Economic Results of CDD Programs:Evidence from Burkina Faso, Indonesia and the Philippines. *Social Development Notes - Community Driven Development, No. 107.*

Wong, S. (2012). *What Have Been the Impacts of World Bank Community-Driven Development Programs? CDD Impact Evaluation Review and Operational and Research Implications.* The World Bank Social Development Department.

World Bank (2005). *CDD and Social Capital Impact. Designing a Baseline Survey in the Philippines*. The World Bank.

MAP


IBRD 41309
PHILIPPINES
KALAHI CIDSS PROJECT
PROJECT MUNICIPALITIES
POOREST MUNICIPALITIES, 2003 (POVERTY INCIDENCE ≥33%)
NATIONAL CAPITAL
MUNICIPALITY BOUNDARIES
PHILIPPINES
Luzon Strait
Babuyan Channel
MANILA
0 50 100 150 Kilometers
0 50 100 Miles
Philippine Sea
Mindoro Strait
Sibuyan Sea
Visayan Sea
Leyte Gulf
Mindanao Sea
Sulu Sea
Moro Gulf
Davao Gulf
Celebes Sea
GSDPM
This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Group, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.
NOVEMBER 2014