

**Philippines**

**KAPIT-BISIG LABAN SA KAHIRAPAN-  
COMPREHENSIVE AND INTEGRATED DELIVERY OF SOCIAL SERVICES  
(KALAHI-CIDSS) PROJECT  
(Loan No. 7959PH and TF091139)**

**and**

**COMMUNITY  
ENTERPRISE DEVELOPMENT AS PATHWAY OUT OF POVERTY PROJECT  
(TF014528)**

**13<sup>th</sup> IMPLEMENTATION SUPPORT MISSION**

**AIDE MEMOIRE**

**May 2014**

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## **BACKGROUND**

### **A. Purpose and Objectives**

1. During the period from April 21-22, 2014 and May 5-7, 2014 the Department of Social Welfare and Development (DSWD) and a World Bank Team jointly carried out the 13<sup>th</sup> Implementation Support Mission (ISM) for the KALAHI-CIDSS (KC) Project and the Community Driven Enterprise Development Project (CDED).<sup>1</sup> Field visits were conducted in Region 6. The field visits were supplemented with meetings with the National Project Management Team followed by a wrap-up meeting on May 7, 2014. This Aide Memoire reflects the agreements reached and recommendations made in line with the Mission objectives. Please see Annex 1 for the detailed schedule of activities of the Mission.
2. The Implementation Support Mission aims to: (i) determine the critical milestones for ensuring the smooth closure of the Project on May 31, 2014 including the implementation of the grant from the AusAID-World Bank Philippine Development Trust Fund; (ii) synthesize the lessons learned from pilot-testing of KALAHI-CIDSS in urban areas and discuss the strategic options for follow-up operations; and (iii) conduct follow-up discussions on the preparation of the Completion Report. In addition, we would like to look at the major operational arrangements for the smooth transition of KALAHI-CIDSS to the National Community Driven Development Program.
3. The Mission also assessed the status of the grant implementation and the milestones for its full roll-out of CDED (TF014528) which is linked to KC and supported through a grant from the Japan Social Development Fund (JSDF).

### **B. Key Contacts**

4. In the course of the Mission, the Bank met with DSWD officials and staff led by: Secretary Corazon Juliano-Soliman (National Project Director); Undersecretary Mateo Montano; Assistant Secretary Camilo G. Gudmalin (Deputy Project Director) and Director Benilda Redaja (National Project Manager). The Mission also acknowledges the participation of the staff of the Regional Project Management Teams; Area Coordination Team; representatives of the Kabankalan City and barangay local government units (CLGUs); and members of the city Inter-Agency Committees; community officials and volunteers. (Annex 1 provides the Mission Program of Activities). The Bank conveys its sincere appreciation to DSWD staff, local government officials and staff, and the KALAHI communities for their support and openness during the Mission.

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<sup>1</sup> The World Bank Team was composed of Ma. Loreto N. Padua (Task Team Leader); Rene SD Manuel (Sr. Procurement Specialist); Aisha Lanette De Guzman (Financial Management Specialist); Patricia Fernandes (Social Development Specialist); Josemarie Lim (Environment Safeguards Officer), Roberto Tordecilla (Social Safeguards Officer), Makiko Watanabe (Social Development Specialist); Shiela dela Torre (Local Development Specialist); Lilanie Magdamo (Portfolio Officer); Mohammad Zidni S. Marohombsar (Financial Management Consultant) and Reinaluz Ona (Team Assistant).

## II. MISSION FINDINGS

### A. Overall Implementation Status and Achievement of Development Objective

6. **The Project has reached the targets set for most of the key performance indicators or KPIs (please refer to Table 1), which suggests that the overall development objectives will be achieved.** As of December 2013, the Project has completed community-based activities in 80 percent of the villages. However, the Project restructuring was approved in February 2014 to respond to the damages caused by Typhoon Yolanda (Haiyan). Specifically, the restructuring involved the use of the about \$1.9M community grants for repair of selected sub-projects which were damaged by Typhoon Yolanda. Thus, about 59 additional sub-projects were initiated in February 2014. Nevertheless, the Project has completed about 93 percent of the community activities as of end of March 2014.

7. **The project continued to build community capability of to participate in local development planning** as evidenced by accomplishments in reference to three KPIs: (i) About 86 percent of the barangays have prepared a community development plan through participatory process which exceeded the target of 80 percent; (ii) 86 percent of the villages participated or were represented in municipal-level resource allocation by citizens other than the formal officials; and, (iii) 95 percent of municipalities have expanded the representation in its Municipal Development Council to generate inputs for the municipal development plan.

8. Furthermore, the mobilization of the communities resulted to the financing of 2,334 community sub-projects that were intended to improve access to basic services such as education, potable water and primary health care. About 75 percent of the sub-projects have been assessed upon completion and were found to be functional.

**Table 1: Key Performance Indicators:  
Accomplishments As of March 2014**

<b>Components/ Performance Indicators</b>	<b>Closing Date Target</b>	<b>Cumulative Accomplishment</b>
<b>Barangay Grants</b>		
% of barangays that have completed training on Participatory Situation Analysis (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 budget	85%	93%
% of completed sub-projects that meet basic financial reporting standards based on approved Finance & Administration Sub- Manual	85%	93%
% of completed SPs that have sustainability rating of satisfactory or higher	85%	75
% of KC PSA priorities are funded from non-KC sources	10%	11%

<b>Capacity-building and Implementation Support</b>		
% of barangays with community development plans prepared in accordance with the KC participatory process	80%	86%
% of barangays with some citizens, other than public officials, participating in regular municipal-level KC resource allocation forums	80 %	86%
% of LGUs that satisfactorily implement their Participatory, Transparency and Accountability (PTA) Integration Plans in accordance with the KC Memorandum of Agreement (MOA), and committed to sustaining the PTA as part of their sustainability plans	80%	48% Awaiting reports from field
% of Makamasang Tugon municipalities that have established expanded MDCs for broader consultation with civil society representatives to obtain inputs for the Municipal Development Plans	85%	95%
% of MLGUs that provide technical assistance in SP preparation, implementation & monitoring based on the MOA	80%	98%
% of MLGUs that provide KCAF local counterpart contributions (LCC) based on their LCC plan	80%	74%
% of registered grievances satisfactorily resolved in accordance with GRS Sub-Manual	80%	99%

## **B. Implementation Progress by Components**

### Component 1: Barangay Grants

9. **The Project is financing a total of 2,334 community sub-projects with an estimated cost of Php2.7 Billion (US\$66 Million) that benefits approximately 573,105 households.** About 21 percent of the total sub-project cost was funded by local counterpart contribution. As of March 2014, 93 percent of the sub-projects have been completed; another 5 percent is more than 90 percent complete and the rest are targeted to be completed by mid-May 2014.

10. Basic social services (e.g., school building, day care center, health stations) continue to be the most common type of sub-project (55%) followed by access facilities such as roads or bridges (26%). In the course of implementing the community sub-projects, about 48,045 individuals benefitted from short-term employment as community labor with value of about Php176M (\$4M).

### Component 2: Capacity Building and Implementation Support

11. As of March 2014, the Project has trained 110,729 community volunteers on participatory situation analysis, project development, community finance and procurement and operations and maintenance. Moreover, **participation rate in barangay assemblies was maintained at 75 percent of the total households.**

**12. Women and men were equally represented in community mobilization activities.**

Approximately 56 percent of the trained community volunteers are women. While, the men continued to dominate the community labor, there was a slight increase in the share of women community workers/labor by 2 percent.

*Component 3: Monitoring and Evaluation*

**13. The quarterly progress reports continued to be submitted on time.** It also included sex-disaggregated data as well as updates on the grievance received by the project.

14. After the last mission, follow-up meetings were held between the Bank and DSWD teams to update the matrix, reflecting the key information for the ICR. Moreover, DSWD continued to provide additional/updated data. **The Mission further discussed the status of the Implementation Completion Report (ICR).** The following were the highlights of the discussions and major agreements reached regarding the ICR preparation:

- Given the deadline for submission of the ICR to the World Bank Board no later than six months after the project completion (i.e., November 30, 2014), the Bank Task Team will be ready with a first draft by mid-July for validation by DSWD and other stakeholders at the national and local levels. For this purpose, field visits will be scheduled in July and the Bank will take advantage of various national workshops to be held in Manila to get feedback from regional KC representatives.
- the ICR would also include the additional financing from the Australia-World Bank Philippine Development Trust Fund; the coordination and enhanced KC process for the Grassroots Participatory Budgeting Program; and the KC-PAMANA modality for conflict-affected areas.
- While the key contents and focus of the ICR involves joint discussions with DSWD even at early stages of preparation, the DSWD would furnish the Bank with its own version of the completion report that would be submitted to the National Economic and Development Authority by August 2014.

**C. Status of Urban KC Pilot-testing**

19. By end of March 2014, all the 4 pilot-testing areas winding down the sub-project implementation. Specifically, 7 of the 11 sub-projects have been completed while the rest are almost 90% completed. The remaining month would be spent for finalizing the turn-over plan and closing the local accounts.

**20.** The NPMO is preparing a consolidated report on the lessons learned in pilot-testing KC in urban areas through the JSDF-LVUC implementation and KCAF as well as the options for follow-up operations. In general, the pilot-testing indicated that the KC modality in rural areas could be applicable also 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 sub-project; and, stronger alliance building or partnership with the city local government

units as well as private sector. For large cities or urban areas, the CDD would be best positioned as part of a broader city development plan and would provide as participatory mechanism for ensuring inclusion of the poor/marginalized communities in the overall city development plan. **21.** It was agreed that the results of the pilot-testing and the options for follow-up operations would be presented to the urban Technical Working Group of KC on May 26, 2014 and to the National Steering Committee in July 2014.

### **III. IMPLEMENTATION STATUS OF AUSAID-WORLD BANK PHILIPPINE TRUST FUND SUPPORT**

15. As of March 2014, the grant has financed 515 classrooms and 148 day care centers (DCCs) in 390 barangays in 76 municipalities of 24 provinces. These facilities will benefit about 94,598 households. About 85 percent of these classrooms/DCCs have been completed while the rest will be completed by end of May 15, 2014. Grant utilization is more than 97 percent in March 2014.

### **IV. STATUS OF THE JSDF-COMMUNITY ENTERPRISE DEVELOPMENT AS PATHWAY OUT OF POVERTY PROJECT (TF014528)**

16. The Mission is pleased to note that the implementation of the CDED Project is gaining momentum. Almost all of the local project staff have been recruited and the partner civil society organization or business development service provider is on board while the local CSO partners have been identified in all 6 target areas.

17. At the local level, social preparation has been completed with market supply assessment completed and potential products for enterprise development having been identified. A Memorandum of Agreement had been executed with all the local government units in the 6 municipalities in November 2013. In addition, local technical working groups in all municipalities have been organized and mobilized for the social preparation. As next step, the value chain analysis will be completed in May the results of which will be the basis for initiating business development in June until test marking by December 2014.

### **V. COMPLIANCE WITH CONVENANT**

#### **A. Financial Management**

18. **Status of disbursements** – Total documented disbursements for the individual projects as of May 1, 2014 are summarized below.

*Status of Fund Disbursement (in US\$)*

<b>Loan/Grant</b>	<b>Total Amount</b>	<b>Disbursement*</b>	<b>Disbursement Rate</b>	<b>Undisbursed Amount</b>	<b>Closing Date</b>	<b>Application Deadline Date</b>
KC-AF LN79590	59,124,000.00	59,118,166.00	100%	5,834.00	31-May-14	30-Sep-14
AusAid TF 11939	10,000,000.00	9,999,860.00	100%	140.00	31-May-14	30-Sep-14
JSDF TF12886	2,929,000.00	525,598.00	18%	2,403,402.00	21-Nov-16	21-Mar-17
* Based on Client Connection as of May 1, 2014 and includes the Designated Account						

19. As summarized above, projects LN7959 and TF11939 already have significant disbursement rates at this point in the project life. Utilization of the remaining fund allocation, including sub-grants for on-going sub-projects are allowed only for expenditures (i.e., services rendered and goods delivered) incurred by the closing date on May 31, 2014. A grace period (period between the closing date and the application deadline date) has also been established for the project to allow actual disbursement or financing for eligible expenditures incurred by the closing date using the DA balance and sub-grant funds of the communities. The NPMO Finance should monitor accordingly the fulfillment by closing date of the project's planned utilization of remaining grant proceeds including sub-grants at the communities; and ensure that actual disbursements for eligible expenditures incurred by closing date are completed within the grant's grace period.

**20. Adequacy of FM Arrangements** – There were no significant changes on the financial management (FM) arrangements for the Project. Physical controls over cash, documents and records remain adequate. Levels of review and approval are sufficient to provide reasonable assurance that the policies and procedures for recognition and recording of assets, liabilities, revenues and expenses are being complied. The controls at NPMO over payments processing, documentation and recording remain adequate as noted in the review of disbursement vouchers and related supporting documents of selected expenditures reported in the SOE of WAs that were submitted to the Bank. Refer to Annex 2 for the full FM report.

21. It was also noted during the review of transactions that selected sub-grants releases included contingency costs provided for in the sub-projects' Program of Works. The Community Finance Manual prescribed that contingency costs, if needed, should be requested and released together with the 3rd tranche under specific circumstances and upon submission of certain requirements (i.e., certification). The NPMO Finance should deduct the released portion of contingency costs from subsequent RFRs of respective communities and/or require the communities to submit certification of their use of the received contingency costs.

**22. Compliance with the financial covenants** – The Project remains to satisfactorily submit required financial reports within due dates.

- a. *Audited Project Financial Statements* – The 2013 Consolidated Annual Audited Report is due on June 30 2014.
- b. *Quarterly Interim Financial Reports (IFRs)* – The IFRs were timely submitted to the Bank.

## **B. Procurement**

23. Ex-post Review of Signed Contracts. With the assistance of the NPMOs Procurement Officer, the Bank's designated Procurement Specialist for the project visited the Department's Field Offices in Region XIII (in Butuan City), Region XII (in Gen. Santos City), Region X (in Cagayan de Oro City) and Region IX (in Zamboanga City) during the month of April 2014, and a review of sample procurement transactions and relevant documents were made. The general findings of the review are as follows: i) show compliance with agreed procedures; ii) however, review was made mostly on the available documents that were borrowed from COA as no copies of those sent to COA were on file at the Regional Field Offices; iii) some documents (e.g. official receipts, delivery receipts, resolution to award, etc.) are missing from the files reviewed; iv) some



documents are undated and unsigned, and some with erasures that are not initialed; v) deviations from agreed procedures were noted in some subprojects; and v) various other findings specific to a particular subproject.

24. A representative sampling from a total number of 98 subprojects funded under KC-AF and 33 subprojects funded under KC-AusAID have been post reviewed by the Bank. This corresponds to approx. 4.5% and 9.7%, respectively, of completed subprojects as of end-March 2014.

25. Capacity of the NPMO, RPMO and the Field Offices to Undertake Procurement. Based on the discussions and review of available documents, and even with the deficiencies/deviations noted by the review, it can be concluded that the NPMO, RPMO, the Field Offices and the different communities are all able to do their procurement function and responsibilities well and in accordance with the provisions of the loan agreement and the Community-Based Procurement Manual that is in place for the project. The lessons learned though from the implementation of KC-AF and KC-AusAID will be a good additional tool in training the new batch of municipalities and communities that will be recipients of the forthcoming National Community Driven Development Project (NCDDP).

26. Recommendations / Action Items. It was discussed and agreed during the mission that the following actions will be undertaken: i) Regional Field Offices to make copies of documents before forwarding same to COA; ii) ensure that the documents on file are complete; iii) ensure that minutes of meetings and evaluation reports clearly indicate the reasons why awards, if any, are not made in favor of the lowest quote received; iv) ensure that the procedures as outlined in the CBPM, and required documents, are followed; and v) ensure that findings of the review are acted upon

27. With regards to the CDED, the status and accomplishments related to procurement include the following: (i) The Bank had issued the “no objection letter” to the negotiated contract between the Department and PinoyME Foundation, Inc. for the services of an NGO as national CSO partner in the implementation of subject grant; (ii) The Bank has also issued its no objection to the updated project Procurement Plan which has incorporated the changes relevant to the selection of the national CSO partner, and updated timelines for other activities; (iii) Trainings have been on-going, and most of NPMO staff to work on the subject grant have been recruited; (iv) similarly, Municipal Coordinators, Local Community Facilitators and Bookkeepers for the field offices have been hired.

28. The following agreements were reached: (i) Proceed with project implementation based on the timelines indicated in the revised and updated Procurement Plan; (ii) Submission of a copy of the signed contract with PinoyME Foundation, Inc. at the earliest time possible, and before any withdrawal application is submitted to the Bank which includes payments made under this contract; and (iii) Bank to undertake a post review on selected consulting services’ contracts

## **C. Safeguards**

### *Social Safeguards*

29. Overall, social safeguards implementation has been satisfactory throughout project implementation. Informed consultation, participation and inclusion of the marginalized sectors particularly women, indigenous peoples, and internally displaced persons – the core social safeguards goals – was achieved with the integration of safeguards into the CEAC. Safeguards tools were prepared and staff in-charge properly trained. A separate safeguards manual was developed for the Additional Financing phase to better guide field implementation. The said manual established clear link with the Project’s Grievance Redress System to ensure social issues are surfaced and addressed. The BSPMCs, the implementing body at the barangay level, were sufficiently oriented on the templates and tools and found to be satisfactorily performing their tasks based on the results of thematic reviews and Implementation Support Missions. ESMPs – the main safeguards instrument at the BSPMC level – were prepared in local languages and implemented and monitored by the BSPMCs.

30. Division of tasks for safeguards implementation, supervision and monitoring was clear. At the NPMO, responsibility for both environmental and social safeguards was with the Engineering Unit until the social safeguards was transferred to the Social Development Unit under Additional Financing phase. IP and LARR specialists were mobilized at NPMO.

### *Environmental Safeguards*

31. The project has satisfactorily complied with the agreed framework and guidelines on environmental safeguards. All subprojects funded have developed and implemented EMPs with corresponding environmental monitoring plans. The RPMO screened all the subprojects to ensure compliance to the EMP requirements while the NPMO conducted random subproject screenings. Except for two seawall projects in Region VI, all subprojects are exempted from securing environmental compliance certificates from EMB-DENR.

32. The lessons learned and the experiences in implementing EMPs under KC have prepared the NPMO in the improvement of the environmental and social management framework for NCDDP. The ACTs, CFs and CVs of the subprojects under KCAF have also benefitted in the thematic environmental management system developed by the NPMO by capacitating them on environmental issues such as climate change, DRR, construction safety and solid waste management.

33. On the issue of pest management particularly on irrigation projects, the NPMO thru the RPMO encouraged the involvement of the municipal agricultural officers of the LGU thru the Department of Agriculture by inviting them as resource persons in the MIBF.

## **VI. DISCLOSURE**

34. Consistent with the current practice of the DSWD, the Mission reached agreement with Government, represented by Secretary Corazon Juliano-Soliman, that this Aide Memoire, as reviewed, amended and agreed upon at the wrap-up meeting that took place on May 7, 2014 will be disclosed on the Department's website, among others.

## Annex 1: Schedule of Activities

### PROVISIONAL SCHEDULE OF ACTIVITIES

Date/Day	Activity	Key Concerns/Agenda
April	Procurement post-review of selected sub-projects in Regions 9, 10, 12 and Caraga	
April 21-22, 2014	Field Visit of KC urban: Day 1: Visit of urban KC area and dialogue with CLGU and community Day 2: Exit conference	<ul style="list-style-type: none"> <li>▪ Regional updates and discussions on KC Implementation, urban pilot-testing, link with BUB; convergence with 4Ps and SLP</li> <li>▪ Discussions on arrangements for transition from KC to NCDDP</li> </ul>
April 30	CDED	<ul style="list-style-type: none"> <li>• Status of physical and financial accomplishments</li> </ul>
May 5,	Morning <ul style="list-style-type: none"> <li>• Kick-off Meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Overview of Mission objectives and mechanics</li> </ul>
	Meeting with NPMO: <ul style="list-style-type: none"> <li>▪ KC Additional Financing</li> <li>▪ Utilizing CDD for Basic Education</li> <li>▪ ICR</li> </ul>	<ul style="list-style-type: none"> <li>▪ Discussion of status of implementation and agreements during last Mission;</li> <li>▪ Closing activities</li> </ul>
	Afternoon: Discussions on the completion report	<ul style="list-style-type: none"> <li>▪ Inventory of data/information</li> <li>▪ Draft annotated outline of the ICR</li> <li>▪ Terms of reference for processing of the Talakayan</li> <li>▪ Consultation processes</li> </ul>
May 7	<ul style="list-style-type: none"> <li>▪ Wrap up</li> </ul>	<ul style="list-style-type: none"> <li>▪ Key findings and agreements</li> </ul>

## Annex 2: Financial Management

**KAPIT-BISIG LABAN SA KAHIRAPAN-COMPREHENSIVE AND INTEGRATED DELIVERY OF SOCIAL SERVICES PROJECT  
LN7959, TF11939 and TF12886  
FINANCIAL MANAGEMENT PROJECT IMPLEMENTATION SUPPORT REPORT  
April 24 to May 6, 2014**

### FINANCIAL MANAGEMENT

**1. Objective and scope of review** – A project implementation support on the financial management (FM) arrangements of the projects below including a review of compliance to the financial covenants under the Loan and Grant Agreements were conducted on April 24 to May 6, 2014 by the World Bank’s FM Consultant, Mohammad Zidni S. Marohombsar under the supervision of FM Specialist, Aisha Lanette N. De Guzman at the National Project Management Office (NPMO) of the Department of Social Welfare and Development-Central Office (DSWD-CO).

- a. KALAHI-CIDSS – Additional Financing (LN 7959-PH)
- b. AusAID-WB Development Trust Fund Grant for KALAHI-CIDSS (TF 11939)
- c. JSDF Grant for Community Enterprise Development as Pathway Out of Poverty Project or CDED (TF 12886)

The review was aimed to ensure that the FM arrangements for the projects continue to be adequate for the successful achievement of project development objectives. The review included a) review and discussions with program officers and staff from the NPMO, Regional Project Management Office (RPMO) and the DSWD-CO on the FM arrangements and project requirements; b) review of the status of disbursements; c) review of selected financial transactions; d) follow-up on the recommendations from the previous Bank mission; and e) field visit to sub-project sites in Kabankalan, Negros Occidental.

**2. Status of disbursements, funds flow and budget utilization** – Below is the fund status of the various projects as of May 1, 2014.

#### KALAHI-CIDSS - AF (LN 7959-PH)

Disbursements totaled US\$59,118,166 (including advances to Designated Account or DA with balance of US\$5,568,032) or 99.99% of the signed amount of US\$59,124,000.

*Status of Fund Disbursement/Utilization against Loan Allocation (in US\$)*

Particulars	Goods, Consultancy, and IOCs	Subgrants	Designated Account	Front End Fee	Total
Loan allocation (a)	8,890,190	50,086,000	-	147,810	59,124,000
Withdrawn from Bank (b)	6,459,834	46,942,490	5,568,032	147,810	59,118,166
WA in process at PIUs (c)	1,750,000	1,500,000	-	-	3,250,000
Total withdrawals, including balance in DA (b+c)	8,209,834	48,442,490	5,568,032		62,220,356
Total actual expenditures, excluding DA (d)	8,209,834	48,442,490			56,652,324
Amount undisbursed from the Bank (a – b)	2,430,356	3,143,510	(5,568,032)		5,834
<b>Disbursement Rate (b/a) 1</b>	<b>72.66%</b>	<b>93.72%</b>			<b>99.99%</b>
<b>Utilization Rate (d/a) 2</b>	<b>92.35%</b>	<b>96.72%</b>			<b>95.82%</b>

*1 Disbursement rate is the rate of the amount of withdrawal applications paid by the Bank divided by the loan amount.*

*2 Utilization rate is the rate of the amount of withdrawal applications paid by the Bank (net of the Designated Accounts) and those in process, divided by the loan amount.*

As of review date, the DA had an actual balance of US\$2,743,244. A total of US\$810,409 in prior advances to the DA had already been recovered by the Bank beginning in February 2014. Presently, withdrawals from the DA totaling US\$3.25 million have yet to be reported to the Bank. The project has until the loan's application deadline date on September 30, 2014 to submit all Withdrawal Applications (WAs) and supporting documentation for eligible expenditures. *The NMPO Finance should be able to submit to the Bank all WAs for documentation of the outstanding advances to the DA on or before September 30, 2014 and to refund immediately any undocumented balance.*

Utilization of the remaining loan allocation, including barangay grants for on-going sub-projects are allowed only for expenditures (i.e., services rendered and goods delivered) incurred by the loan's closing date on May 31, 2014. In particular, savings from sub-grants totaling PhP70.39 million were recently approved for use in implementation of newly proposed sub-projects that included post-Yolanda rehabilitation of damaged sub-projects, shelter and livelihood recovery, and disaster response. Grant funds of PhP58.18 million were already released while PhP12.22 million is still to be downloaded. A grace period (period between the closing date and the application deadline date) has also been established for the project to allow actual disbursement or financing for eligible expenditures incurred by the closing date using the DA balance and sub-grant funds of the communities. *The NMPO Finance should monitor accordingly the fulfillment by closing date of the project's planned utilization of remaining loan proceeds including sub-grants at the communities; and ensure that actual disbursements for eligible expenditures incurred by closing date are completed within the loan's grace period.*

#### AusAID-WB Development Trust Fund Grant for KALAHI-CIDSS (TF 11939)

Documented disbursements under the grant totaled US\$9,999,860 (including the balance of the DA amounting US\$1,333,721), or 100.00% of the total approved grant of US\$10,000,000.00.

The DA had an actual balance of US\$933,916.79 as of the review date. Withdrawals from the DA totaling US\$399.80 thousand have yet to be reported to the Bank. The project has until the grant's application deadline date on September 30, 2014 to submit all Withdrawal Applications (WAs) and supporting documentation for eligible expenditures. The NMPO Finance should be able to submit to the Bank all WAs for documentation of the outstanding advances to the DA on or before September 30, 2014 and to refund immediately any undocumented balance.

*Status of Fund Disbursement/Utilization against Grant Allocation (in US\$)*

Particulars	Goods, Consultancy, and IOCs	Subgrants	Designated Account	Total
Grant allocation (a)	1,000,000	9,000,000	-	10,000,000
Withdrawn from Bank (b)	356,332	8,309,807	1,333,721	9,999,860
Total actual expenditures, excluding DA (d)	356,332	8,309,807		8,666,139
Amount undisbursed from the Bank (a – b)	643,668	690,193	(1,333,721)	140
<b>Disbursement Rate (b/a) 1</b>	<b>35.63%</b>	<b>92.33%</b>		<b>100.00%</b>
<b>Utilization Rate (d/a) 2</b>	<b>35.63%</b>	<b>92.33%</b>		<b>86.66%</b>

1 Disbursement rate is the rate of the amount of withdrawal applications paid by the Bank divided by the grant amount.

2 Utilization rate is the rate of the amount of withdrawal applications paid by the Bank (net of the Designated Accounts) and those in process, divided by the grant amount.

#### JSDF Grant for Community Enterprise Development as Pathway Out of Poverty Project (TF 12886)

Total documented disbursements under the grant totaled US\$525,598 (including advance to the

DA of USD 500,000) or 17.94% of the signed amount of US\$2,929,000.00. Disbursement rate has not significantly increased as it is expected that most of the trainings and release of subgrants are expected to happen towards the latter part of the year 2014. It is recommended that the PMO prepare a monthly cash disbursement projection to determine the adequacy of the DA balance and ensure that there are enough funds should activities start to pick up.

**3. Adequacy of accounting staff and maintenance of accounting records** –There were no significant changes on the financial management (FM) staffing arrangements for the Project at the NPMO. The Unified Financial Management Specialist (UFMS) is primarily responsible for the implementation of the project’s FM arrangements that include management of the Project’s financial transactions; facilitation of the timely release and disbursement of funds to communities and field offices accounts; evaluation and analysis of claims for payments; preparation and submission of Statement of Expenditures (SOE) and Withdrawal Application (WA) to the Bank; and submission of quarterly IFRs. The Financial Management Services (FMS) of DSWD Central Office processes check disbursements and bank transfers; maintains the NPMO’s books of accounts; and prepares the financial statements of the Project.

The Regional Financial Analyst (RFA) of the RPMO is primarily responsible for the FM system at the Regional Level. As to the fund transfers to Field Offices (FOs), a designated staff from the NPMO Finance Unit monitors liquidations by FOs. As of April 25, 2014, outstanding loan proceeds at FOs totaled US\$843,373 for the KALAHAF and US\$181,329 for TF11939. *The NPMO Finance should follow up FOs and closely monitor the timely submission of their respective SOEs or liquidations of loan proceeds used for expenditures incurred by closing date, and require the return of any unused downloaded funds to NPMO’s project account within the loan’s grace period.*

Separate books of accounts of the Project are being 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 trial balance as of March 31, 2014 was made available during the review.

**4. Internal Controls and Internal Audit Unit** –There is proper segregation of incompatible duties and responsibilities. Physical controls over cash, documents and records remain adequate. Levels of review and approval are also considered adequate to provide reasonable assurance that the policies and procedures for recognition and recording assets, liabilities, revenues and expenses are being complied.

At the community level, unused grant funds may still remain in the community bank account upon completion of the sub-project and payment of all financial obligations. The subsequent use or waiver of savings needs to be ascertained accordingly in order to facilitate the closing of the community bank account. *The NPMO or RPMO Finance should ensure that guidelines set in the determination, utilization and/or refund of existing savings are observed; community bank accounts are then closed within the loan’s grace period; and other FM-related sub-project completion requirements are complied.*

**5. Results of Field Visits** – Below are observations during the visit to selected sub-project sites in Kabankalan, Negros Occidental; discussions with concerned RPMO personnel, municipal teams, sub-project officers and committees and community volunteers; and review of financial records.

- The mission visited two subprojects in the barangays of Binicuil and Hilamonan which fulfilled the criteria for urban KC. Both barangays chose skills training for employment as

their respective subproject and each received Php 1 million KC grant funds plus additional Php150,000 local counterpart funds from the City LGU.

- Both projects have substantially completed the subproject and have already requested the last tranche of funds from the Central Office. The documentation for the request for funds was already received by the CO and is currently being processed.
- The visited communities maintained adequate FM systems. Review of documents showed that accounting records are updated and properly maintained. Adequate internal controls were in place especially for the approval of payments. No significant issues on FM implementation were noted during the visit.
- The mission commends the effective FM trainings and mentoring conducted to the barangays which resulted to satisfactory FM performance
- LGUs stated that the download of funds took a lot of time
- Some projects in the regions may not be completed until project close
- Some subprojects damaged by the typhoon needs additional funds for repair

Recommendations:

- With the scale up of KC through NCDDP, the agency should consider the digital submission of supporting documents and tracking of approvals through a computerized online system which will enhance efficiency, promote transparency and minimize the cost incurred for printing and transporting supporting documents to the central office.
- Closure of community accounts with the completion of the project
- Consider budgeting calendar of the City for LCC considerations in next projects

**6. Results of review of selected transactions** – The controls at NPMO over payments processing, documentation and recording remain adequate as noted in the review of disbursement vouchers and related supporting documents of selected expenditures reported in the SOE of WAs that were submitted to the Bank. The review also included determination of compliance of project disbursements to the Loan Agreement.

**7. Compliance with the financial covenants** – The Project remains to satisfactorily submit required financial reports within due dates. (a) *Audited Project Financial Statements* – The annual audit by the Commission on Audit (COA) for the 2013 financial statements is ongoing. *The NPMO Finance should submit project audited reports for 2013 on or before June 30, 2014.* (b) *Quarterly Interim Financial Reports (IFRs)* – The IFRs were timely submitted to the Bank.

**8. Action Plans** –

Action Plans	Responsible Unit	Due
1. Submit to the Bank all WAs for documentation of the outstanding advances to the DA, and to refund immediately any undocumented balance.	NPMO Finance	On or before September 30, 2014



2. Monitor accordingly the fulfillment by closing date of the project's planned utilization of remaining loan proceeds including sub-grants at the communities; and ensure that actual disbursements for eligible expenditures incurred by closing date are completed within the loan's grace period.	NPMO Finance	Beginning Immediately
3. Follow up FOs and closely monitor the timely submission of their respective SOEs or liquidations of loan proceeds used for expenditures incurred by closing date, and require the return of any unused downloaded funds to NPMO's project account.	NPMO Finance	On or before September 30, 2014
4. Ensure that guidelines set in the determination, utilization and/or refund of existing savings are observed; community bank accounts are then closed within the loan's grace period; and other FM-related sub-project completion requirements are complied.	NPMO or RPMO Finance	Beginning Immediately
5. Require the communities to submit certification of their need or use of contingency costs	NPMO Finance	Beginning Immediately
6. Submit project audited reports for 2013.	NPMO Finance	June 30, 2014

May 6, 2014