

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

Report No.: AB3592

Project Name	PH-Social Welfare and Development Reform
Region	EAST ASIA AND PACIFIC
Sector	Other social services (70%); Central government administration (30%)
Project ID	P082144
Borrower(s)	GOVERNMENT OF PHILIPPINES
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Implementing Agency	
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Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
Date PID Prepared	January 17, 2008
Estimated Date of Appraisal Authorization	February 26, 2009
Estimated Date of Board Approval	September 22, 2009

1. Key development issues and rationale for Bank involvement

The Philippines has made marginal gains in poverty reduction relative to other East Asian countries, and it is not on track to meeting many of the key social MDGs. While poverty has been reduced from 45 percent in 1991 to 30 percent in 2003, these gains are modest compared to poverty reduction among Asian neighbors such as Indonesia, Thailand, and Vietnam. Income inequality in the Philippines is high relative to other countries in the region, with a Gini of 0.46 in 2003. Moreover, the Philippines is doing poorly in meeting key social MDG targets. (See Annex 1). In education, net enrolment in grade school declined from 99.1% in 1990 to 84.4% in 2005. Only 70% of students that enter grade 1 make it to grade 6 and 1 in 5 children aged 6-11 are not in school (NSO, 2003). Dropout from elementary school is higher for children among poor households (Lam, 2005). In health, important progress has been made in reducing infant mortality (24 deaths per thousand live births), but immunization rates are not close to universal and malnutrition remains a major issue, with only 68% of children under 5 years old attaining normal WHO weight-for-age standards. Meanwhile maternal mortality rates remain high at 162 per hundred thousand live births in 2006. The 2003 NDHS revealed that only 66% of women received any post-natal care and that of women who received prenatal care, few obtained complete recommended care.

Poorer households appear to be particularly vulnerable to shocks that can throw them into poverty. While analysis of risk and vulnerability have been limited by data considerations, empirical studies in this area point to the vulnerability of poorer households to shocks that perpetuate poverty. Over annual periods between 1997 and 1999, panel data showed that some half of poor families were not poor in the previous year. (Reyes, 2002). Likewise, a more recent study by NAPC and NSCB estimated that 45 percent of all Filipinos are vulnerable to shocks that will throw them into poverty. Shocks that commonly throw Filipino households into poverty are those related to health (e.g. loss or illness of a family member, especially the household head), employment, natural disasters, civil unrest, and food prices (World Bank, 2001).

In the absence of appropriate safety net programs, household coping mechanisms following a shock tend to erode human capital and would perpetuate poverty among these households. Filipino households tend to respond to income shocks by increasing working hours, changing eating patterns, receiving transfers from relatives/friends, or withdrawing children from school (World Bank, 2001). Unemployment and underemployment (triggered by economic crisis) coincided with significant declines in high school enrollment rates (Esguerra et al., 2002), and increased the likelihood of child labor (Esguerra, 2002). These coping behaviors following income shocks tend to erode the human capital accumulation of households, especially among kids, which would further diminish the prospects of households pulling themselves out of poverty.

To date, Government efforts to address lagging poverty and human development outcomes, especially among the poorest and most vulnerable households have been compromised by several factors, including: (i) low overall spending on social sectors, and particularly social assistance programs; (ii) fragmented and uncoordinated approach to social protection; (iii) on-going challenges to adapting systems to decentralized service delivery; and (iv) the lack of a legitimate and functional system to target poorest households.

A sector reform effort is underway at the Department of Social Welfare and Development (DSWD) that can put into place the main building blocks for developing a sound social protection program in the Philippines. An exciting entry-point for reforms to address some of the above issues is the decision by DSWD to embark on a reform agenda that would make it more effective in addressing its mandate. Recognizing the challenges of addressing its new role in the context of decentralization, DSWD commenced the formulation of a reform agenda in 2006 and approached the World Bank for assistance in designing and supporting the eventual reform program.

One of the key building blocks for improved service delivery in social protection under the reform program is the launching of a conditional cash transfer program named *Ahon Pamilyang Pilipino (APP)*. In early 2007 the Government committed to launching a pilot conditional cash transfer program which it has subsequently called APP. The objective of developing such a program was exactly to address the issues of income and human capital vulnerability discussed above. The program will seek to provide income support and improved education and health outcomes for poorest households in select pilot areas. The Bank has extensive global expertise in the general area of social protection as well as in Conditional Cash Transfers (CCTs) which will be a particular focus of this project. In addition, through its support of the APP, this project would give the Philippines traction toward meeting all 6 of the key social MDG goals. (See Annex 1). Relatedly, this strategic intervention could potentially leverage major change in how effectively the Government addresses social protection and targeted poverty reduction programs in the future.

The World Bank and DSWD have had a close partnership over the years, with DSWD having implemented the Bank's Social Expenditure Management Project (SEMP1) and SEMP2 as well as its ECD project (all rated satisfactory), while also currently implementing a major Community Driven

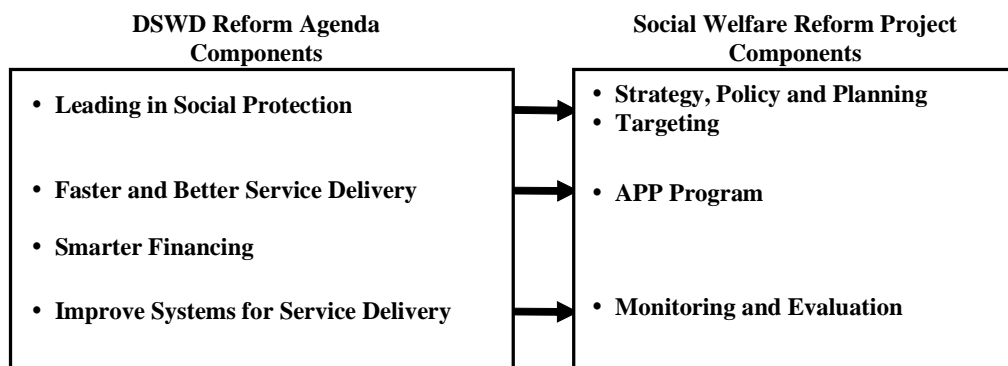
Development project (KALAH) funded by the Bank. Notably, the SEMP program supported the strengthening of the Department's procurement and financial management systems. The World Bank is the DSWD's major external partner, and the Department has articulated the value it places in the Bank's technical and fiduciary expertise in undertaking its reform.

2. Proposed objective(s)

The project would aim at improving the effectiveness of the DSWD as a social protection agency, notably in terms of strategy and policy; targeting; and monitoring and evaluation for social protection programs – starting specifically with a pilot conditional cash transfer program (APP) aimed at improving human capital outcomes and incomes among poorest households in selected pilot areas.

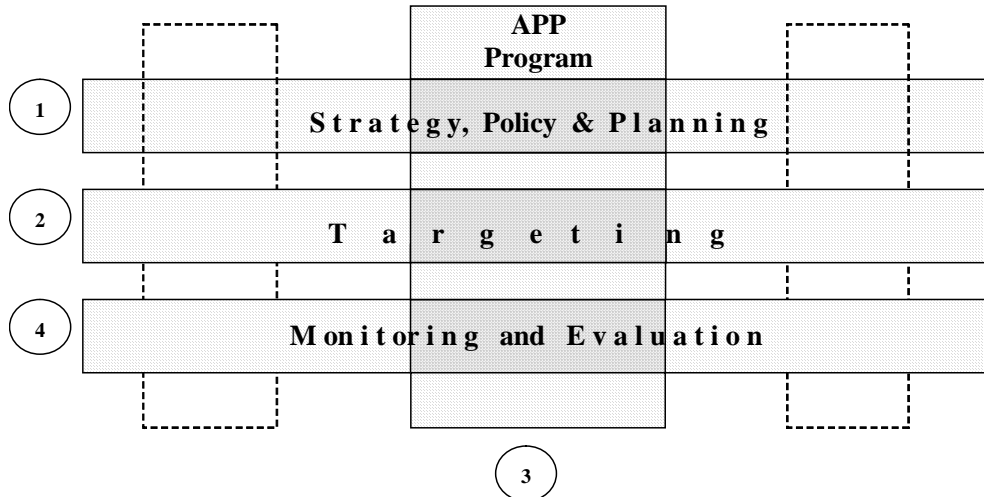
3. Preliminary description

The project is designed to support elements of DSWD's overall reform agenda with a view to improving its effectiveness as a social protection agency. (Fig. 1 below; Section 1 above). In particular, within the broader canvass of the Department's reform agenda, the project will support selective strategic elements. These are selected based on a tactical ability to leverage cross-cutting change, to assist DSWD play a leadership role in the sector, and where the Bank's expertise has been specifically requested.



In particular, the project will have four components. Three components will address three cross-cutting aspects of the overall sector reform agenda – namely, supporting strategy, policy and planning; developing a targeting system for the poor; and developing a monitoring and evaluation program. The fourth and largest component relates to operationalizing the Government's new conditional cash transfer (CCT) program, APP (itself one of the modalities for "faster and better service delivery" under the sector reform program). As a centerpiece of the project, the design, implementation, and evaluation of the CCT program will be a leading vehicle through which the cross-cutting components can initially be operationalized. (Fig. 2 below).

Social Welfare and Development Reform Project



Shaded areas represent project components

4. Safeguard policies that might apply

The Project will trigger the Bank’s Indigenous People safeguard. As part of Project preparation, an Indigenous People’s Participation Framework will be elaborated that will define policies and strategies on: (i) identifying the indigenous peoples (IPs) that could be affected by the reform Project; (ii) determining possible effects/impact of the reform on IPs; (iii) ensuring participation of IPs in various stages of the Project; and, (iv) maximizing benefits of the reform on IPs. Specific to the Conditional Cash Transfer Component, the household survey identifies the ethnic grouping of prospective beneficiaries/grantees. Even during the early stages of designing the APP, the NAC has recognized the need to provide special attention to IP groups. Thus, special attention will be given to CCT grantees who will be identified as belonging to IP groups to ensure that they are able to participate in the Project. In general, the NAC agreed to adopt key strategic adjustments in the APP design, operational mechanisms and supply conditions that would be responsive to potential specific needs of IPs.

5. Tentative financing

Source:	(\$m.)
Borrower	107
International Bank for Reconstruction and Development	405
Total	512

6. Contact point

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Annex 1: Progress towards Achieving Key Social MDGs

Goals/Targets/Indicators		Baseline	Target	Latest	Probability*
Goal 1: Eradicate extreme poverty and hunger					
Target 1					
Indicator 1	Proportion of population below national poverty threshold (%)	45.3 1991	22.7 2015	30.4 2003	High
Target 2					
Indicator 4	Prevalence of underweight children under 5 years of age (%)	34.5 1990	17.3 2015	24.6 2006	Medium
Indicator 5	Percent of household with per capita energy less than 100% adequacy (%)	69.4 1993	34.7 2015	56.9 2003	Medium
Goal 2: Achieve universal primary education					
Target 3					
Indicator 6	Net enrolment ratio in primary education (%)	99.1 1990	100 2015	84.4 2005	Low
Indicator 7a	Proportion of pupils starting grade 1 who reach grade 6 (%)	69.7 1990	84.67 2015	70 2005	Low
Indicator 7b	Primary completion rate (%)	66.5 1992	81.04 2015	68.1 2005	Low
Goal 3: Promote gender equality and empower women					
Target 4					
Indicator 9a	Ratio of girls to boys in primary education	1 1993	1 2015	0.9 2005	Medium
Indicator 9b	Ratio of girls to boys in secondary education	1.1 1993	1 2015	1.1 2005	High
Goal 4: Reduce child mortality					
Target 5					
Indicator 13	Under-five mortality rate (per 1,000 live births)	80 1990	26.7 2015	32 2006	High
Indicator 14	Infant mortality rate (per 1,000 live births)	57 1990	19 2015	24 2006	High
Indicator 15	Proportion of 1 year-old children immunized against measles (%)	77.9 1990	100 2015	83.7 2005	Low
Goal 5: Improve maternal health					
Target 6					
Indicator 16	Maternal mortality (per 100,000 live births)	209 1990	52.3 2015	162 2006	Low
Indicator 17	Proportion of births attended by skilled health personnel (%)	58.8 1990	100 2015	63.7 2005	Low
Target 7					
Indicator 19	Contraceptive prevalence rate (% of married women 15-49 years)	40 1993	100 2015	50.6 2006	Low
Goal 6: Combat HIV and AIDS, malaria and other diseases					
Target 8					
Indicator 21	Prevalence associated with malaria (per 100,000 people)	118.7 1990	0 2015	43.3 2005	High
Indicator 23	Prevalence associated with tuberculosis (per 100,000 people)	246 1990	0 2015	157.8 2003	Medium

* Based on the comparison of actual (from baseline to latest data) and required (from baseline to target year) rates of progress. Rate needed to reach target rate of progress <1.5 High; 1.5 to 2.0 Medium; >2.0 Low.

Sources: NSCB (http://www.nscb.gov.ph/stats/mdg/mdg_watch.asp), 11 Jan 2007; UNDP, Philippines Mid-Term Progress Report on the MDGs (2007).

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