Document of
The World Bank

Report No: ICR00001065

# IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IBRD-71530, IBRD-79120)

ON LOANS

IN THE AMOUNT OF US$ 63.60 MILLION

TO THE

REPUBLIC OF THE PHILIPPINES

FOR THE

AUTONOMOUS REGION IN MUSLIM MINDANAO (ARMM)
SOCIAL FUND PROJECT

January 28, 2015

Social, Urban, Rural and Resilience Global Practice

East Asia and Pacific Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective May 31, 2014)

Currency Unit = Philippine Peso
PhP 1.00 = US$ 0.022840
US$ 1.00 = PhP 43.7829

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| ARMM | Autonomous Region in Muslim Mindanao |
| ASFP | ARMM Social Fund Project |
| CAS | Country Assistance Strategy |
| CBI | Community-Based Infrastructure |
| CDD | Community-Driven Development |
| CDP | Community Development Plan |
| DSWD | Department of Social Welfare Development |
| EIRR | Economic Internal Rate of Return |
| FM | Financial Management |
| GPH | Government of the Philippines |
| IBRD | International Bank for Reconstruction and Development |
| ICR | Implementation Completion and Results Report |
| IDP | Internally Displaced Person |
| IFR | Interim Financial Report |
| JICA | Japan International Cooperation Agency |
| LGU | Local Government Unit |
| LLFS | Learning, Livelihood and Food Sufficiency |
| M&E | Monitoring and Evaluation |
| MILF | Moro Islamic Liberation Front |
| MIS | Management Information System |
| MNLF | Moro National Liberation Front |
| NPV | Net Present Value |
| O&M | Operations and Maintenance |
| PAD | Project Appraisal Document |
| PDO | Project Development Objective |
| PMO | Project Management Office |
| PO | People’s Organization |
| PPHF | Pre-and Post-harvest Facilities |
| SRI | Strategic Regional Infrastructure |
| USD | United States Dollar |

| | |
|---|---|
| Vice President: | Axel van Trotsenburg |
| Country Director: | Motoo Konishi |
| Practice Manager: | Jan Weetjens |
| Project Team Leader: | Matthew Stephens |
| ICR Team Leader: | Andre Oosterman |

**PHILIPPINES**
AUTONOMOUS REGION IN MUSLIM MINDANAO (ARMM)
SOCIAL FUND PROJECT

## CONTENTS

| A. Basic Information | | | |
|---|---|---|---|
| Country: | Philippines | Project Name: | ARMM Social Fund Project |
| Project ID: | P073488 | L/C/TF Number(s): | IBRD-71530,IBRD-79120 |
| ICR Date: | 01/28/2015 | ICR Type: | Core ICR |
| Lending Instrument: | SIL | Borrower: | GOVERNMENT OF PHILIPPINES |
| Original Total Commitment: | USD 33.60M | Disbursed Amount: | USD 60.97M |
| Revised Amount: | USD 60.97M | | |
| **Environmental Category: B** | | | |
| **Implementing Agencies:**<br>ARMM Social Fund Project Management Office<br>ARMM Regional Government | | | |
| **Cofinanciers and Other External Partners:** | | | |

| B. Key Dates | | | | |
|---|---|---|---|---|
| **Process** | **Date** | **Process** | **Original Date** | **Revised / Actual Date(s)** |
| Concept Review: | 02/13/2002 | Effectiveness: | 05/19/2003 | 05/19/2003 |
| Appraisal: | 06/24/2002 | Restructuring(s): | | 01/16/2008<br>06/30/2009<br>05/25/2010<br>05/29/2013 |
| Approval: | 12/05/2002 | Mid-term Review: | 01/09/2006 | 01/23/2006 |
| | | Closing: | 06/30/2008 | 05/31/2014 |

| C. Ratings Summary | |
|---|---|
| **C.1 Performance Rating by ICR** | |
| Outcomes: | Moderately Satisfactory |
| Risk to Development Outcome: | Moderate |
| Bank Performance: | Moderately Satisfactory |
| Borrower Performance: | Moderately Satisfactory |

| C.2 Detailed Ratings of Bank and Borrower Performance (by ICR) | | | |
|---|---|---|---|
| **Bank** | **Ratings** | **Borrower** | **Ratings** |
| Quality at Entry: | Moderately Satisfactory | Government: | Moderately Satisfactory |
| Quality of Supervision: | Satisfactory | Implementing | Satisfactory |

| | | | |
|---|---|---|---|
| | | Agency/Agencies: | |
| **Overall Bank Performance:** | Moderately Satisfactory | **Overall Borrower Performance:** | Moderately 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): | Satisfactory |
| Problem Project at any time (Yes/No): | Yes | Quality of Supervision (QSA): | None |
| DO rating before Closing/Inactive status: | Moderately Satisfactory | | |

## D. Sector and Theme Codes

| | **Original** | **Actual** |
|---|---|---|
| **Sector Code (as % of total Bank financing)** | | |
| Other social services | 100 | 100 |
| | | |
| **Theme Code (as % of total Bank financing)** | | |
| Conflict prevention and post-conflict reconstruction | 40 | 15 |
| Education for all | | 20 |
| Participation and civic engagement | 20 | 15 |
| Rural services and infrastructure | 40 | 50 |

## 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 | Mark D. Wilson |
| Project Team Leader: | Matthew James Keir Stephens | Richard Anson |
| ICR Team Leader: | Andre Oosterman | |
| ICR Primary Author: | Andre Oosterman | |

## F. Results Framework Analysis

**Project Development Objectives (**from Project Appraisal Document**)**

1. To provide and/or improve sustained access to social and economic services by the poor as well as conflict-affected communities.

2. To provide capacity building for women, indigenous women and out-of-school youth for improving food security, employment opportunities and household income.

3. To strengthen social cohesion and partnerships between and within communities in the ARMM region.

4. To improve local governance and institutional capacities for implementation in the ARMM Region.

**Revised Project Development Objectives (as approved by original approving authority)**

To assist the Borrower to reduce poverty and to support mechanisms for the promotion of a peaceful and safe environment in the conflict-affected areas in the ARMM Region and in particular to:

(a) improve access to social and economic infrastructure and livelihood opportunities;
(b) strengthen social cohesion and partnerships between and within targeted communities; and
(c) improve local governance and institutional capacities for implementation in the ARMM Region, with a focus on improved participation, transparency and accountability in the allocation and management of public resources by the participating communities, local government units and ARMM Regional Government.

AS THE ORIGINAL INDICATORS HAD NO QUANTIFIABLE TARGETS, THE PDO AND INTERMEDIATE OUTCOME INDICATORS, BASELINES AND TARGETS ARE TAKEN FROM THE MAY 2013 RESTRUCTURING PAPER.

**(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 :** | Percentage of households reporting reduced travel time and cost of access to communal basic services. | | | |
| Value quantitative or Qualitative) | 0 | 15 | | 7-14 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 2 :** | Percentage of households reporting reduced cost of access to local agricultural production facilities | | | |
| Value quantitative or | 0 | 18 | | 26 |

| | | | | |
|---|---|---|---|---|
| Qualitative) | | | | |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 3 :** | Number of households with at least one adult family member who learned how to read or write as a result of the LLFS | | | |
| Value quantitative or Qualitative) | 0 | 57,900 | | 62,400 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | 99% of all participants increased their level of literacy based on pre- and post-tests. | | | |
| **Indicator 4 :** | Average sub-project economic rate of return. | | | |
| Value quantitative or Qualitative) | N/A | 14% | | 14.5% |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | Based on a weighted average of community-based infrastructure, strategic regional infrastructure and municipal infrastructure financed by the project. | | | |
| **Indicator 5 :** | Proportion of people confident in their ability to influence decisions on identifying local development priorities | | | |
| Value quantitative or Qualitative) | 0 | 25 | | 32 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 6 :** | Average Local Government Unit cost-sharing rate | | | |
| Value quantitative or Qualitative) | N/A | 15% | | 15.9% |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 7 :** | Number of project beneficiaries (total) | | | |
| Value quantitative or Qualitative) | 0 | 1,380,000 | | 988,500 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | This is a core sector indicator, | | | |
| **Indicator 8 :** | Number of project beneficiaries (female) | | | |

| | | | | |
|---|---|---|---|---|
| Value quantitative or Qualitative) | 0 | 759,000 | | 508,600 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | While the total number target was not achieved the percentage of beneficiaries that was female was higher than targeted.<br><br>This is a core sector indicator. | | | |
| **Indicator 9 :** | Number of conflict-affected people receiving benefits in first year or project effectiveness (male + female) | | | |
| Value quantitative or Qualitative) | 0 | 138,000 | | 138,000 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 12/31/2003 |
| Comments (incl. % achievement) | This is a core sector indicator. Half of all beneficiaries were women. | | | |
| **Indicator 10 :** | Increase in household consumption | | | |
| Value quantitative or Qualitative) | N/A | 5% | | -4.5% |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | This was measured for the Additional Financing period only. The result was heavily affected by the fact that subprojects either remained under construction or were only just completed in more than half of the treatment sites included in the evaluation. | | | |

**(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 :** | Beneficiaries that feel project investments reflected their needs. | | | |
| Value (quantitative or Qualitative) | N/A | 60% | | 86% |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 2 :** | Number of communities with improved local infrastructure facilities implemented by the Project. | | | |
| Value (quantitative or Qualitative) | 0 | 900 | | 1261 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments | | | | |

| | | | | |
|---|---|---|---|---|
| (incl. % achievement) | | | | |
| **Indicator 3 :** | Number of LGUs with improved municipal infrastructure facilities implemented by the Project. | | | |
| Value (quantitative or Qualitative) | 0 | 24 | 22 | 17 |
| Date achieved | 01/01/2003 | 04/23/2010 | 05/31/2013 | 05/31/2014 |
| Comments (incl. % achievement) | 5 subprojects were not completed due to violent conflict, political instability and/or governance issues. | | | |
| **Indicator 4 :** | Number of direct beneficiaries of key basic service facilities | | | |
| Value (quantitative or Qualitative) | 0 | 700,000 | | 988,500 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 5 :** | Number of indigenous peoples beneficiaries | | | |
| Value (quantitative or Qualitative) | 0 | 8000 | | 5168 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | The target was poorly set, as the project covered all IP villages but was still not able to meet the target. | | | |
| **Indicator 6 :** | Number of established POs | | | |
| Value (quantitative or Qualitative) | 0 | 900 | | 1261 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 7 :** | Number of subprojects implemented at technical standards and within budget | | | |
| Value (quantitative or Qualitative) | 0 | 2600 | | 2703 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/08/2014 |
| Comments (incl. % achievement) | | | | |
| **Indicator 8 :** | Number of POs with women officers | | | |
| Value (quantitative or Qualitative) | 0 | 700 | | 995 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |

| | | | | |
|---|---|---|---|---|
| Comments (incl. % achievement) | | | | |
| **Indicator 9 :** | Number of POs with indigenous person officers | | | |
| Value (quantitative or Qualitative) | 0 | 200 | | 144 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/31/2014 |
| Comments (incl. % achievement) | This target was poorly set as there are not 200 villages in ARMM with IP populations. | | | |
| **Indicator 10 :** | Number of Municipal Teams installed and mobilized in target communities | | | |
| Value (quantitative or Qualitative) | 0 | 900 | | 239 |
| Date achieved | 01/01/2003 | 04/23/2010 | | 05/08/2014 |
| Comments (incl. % achievement) | | | | |

## G. Ratings of Project Performance in ISRs

| No. | Date ISR Archived | DO | IP | Actual Disbursements (USD millions) |
|---|---|---|---|---|
| 1 | 12/20/2002 | Satisfactory | Satisfactory | 0.00 |
| 2 | 06/09/2003 | Satisfactory | Satisfactory | 0.00 |
| 3 | 12/08/2003 | Satisfactory | Satisfactory | 1.52 |
| 4 | 06/04/2004 | Satisfactory | Satisfactory | 2.19 |
| 5 | 12/03/2004 | Satisfactory | Satisfactory | 3.28 |
| 6 | 06/15/2005 | Moderately Unsatisfactory | Moderately Unsatisfactory | 4.64 |
| 7 | 03/07/2006 | Moderately Unsatisfactory | Moderately Unsatisfactory | 10.73 |
| 8 | 05/30/2006 | Satisfactory | Satisfactory | 11.55 |
| 9 | 02/08/2007 | Satisfactory | Satisfactory | 17.82 |
| 10 | 01/19/2008 | Satisfactory | Satisfactory | 24.53 |
| 11 | 01/13/2009 | Satisfactory | Satisfactory | 30.41 |
| 12 | 01/13/2010 | Satisfactory | Satisfactory | 31.97 |
| 13 | 10/23/2010 | Satisfactory | Satisfactory | 31.65 |
| 14 | 06/29/2011 | Satisfactory | Satisfactory | 35.16 |
| 15 | 01/28/2012 | Moderately Satisfactory | Moderately Satisfactory | 36.95 |
| 16 | 07/30/2012 | Moderately Satisfactory | Moderately Satisfactory | 44.19 |
| 17 | 03/25/2013 | Moderately Satisfactory | Moderately Satisfactory | 52.94 |
| 18 | 12/31/2013 | Moderately Satisfactory | Moderately Satisfactory | 60.62 |
| 19 | 05/27/2014 | Moderately Satisfactory | Moderately Satisfactory | 61.58 |

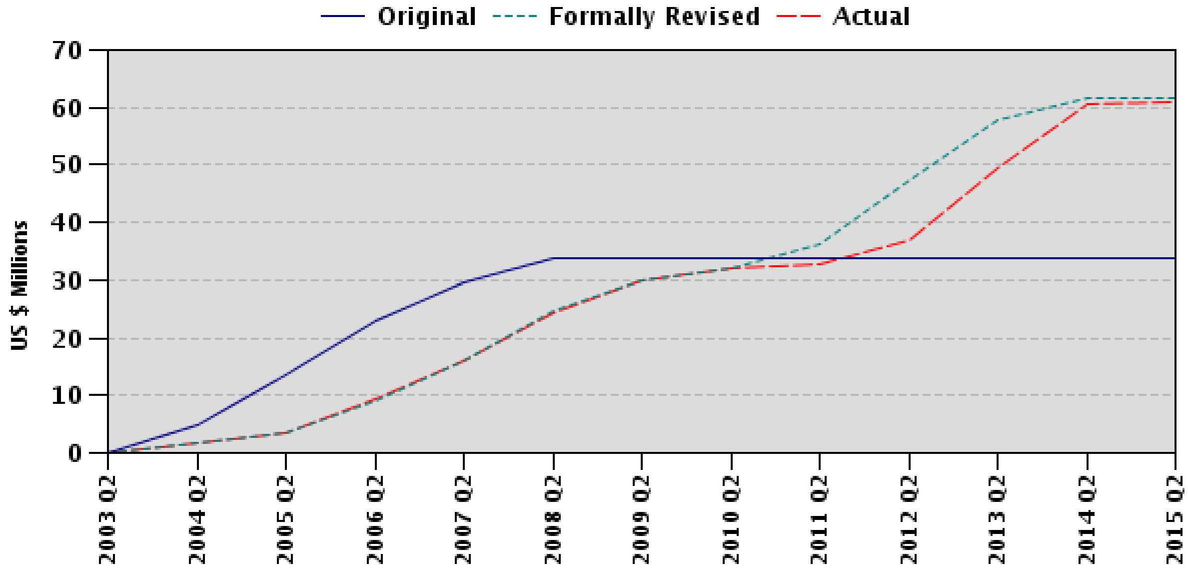
## H. Restructuring (if any)

| 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 | | |
| 01/16/2008 | | S | S | 24.53 | The project closing date was extended from its original June 30, 2008, to June 30, 2009, to allow sufficient time to make up for the delays mostly caused by highly centralized management. |
| 06/30/2009 | | S | S | 31.53 | The project closing date was extended from June 30, 2009, to May 31, 2010. |
| 05/25/2010 | Y | S | S | 33.00 | ASFP Additional Financing ($30 million) was approved. The SRI component was not continued, but a Municipal Block Grant sub-component was added. The PDO and KPIs were restructured. |
| 05/29/2013 | | MS | MS | 55.34 | 12 month extension from May 31, 2013 to May 31, 2014 to address delays caused by security incidents and in view of delays in Additional Financing effectiveness. Indicators were also updated to accommodate core sector indicators as required by Bank procedures and to consolidate and clarify some indicators. |

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** | Moderately Satisfactory |
| **Against Formally Revised PDO/Targets** | Moderately Satisfactory |
| **Overall (weighted) rating** | Moderately Satisfactory |

## I. Disbursement Profile



## 1. Project Context, Development Objectives and Design

### 1.1 Context at Appraisal

The Autonomous Region in Muslim Mindanao (ARMM) was created by the government of the Philippines in 1989 to grant a degree of political and fiscal autonomy to the country's Muslim population. It was a major part of government efforts to address the concerns of Muslim Filipinos in a part of the country that had been affected for centuries by armed struggle. Fuelled by a sense of historical injustice and neglect, that conflict intensified in the mid-1970s between forces of the Government of the Philippines (GPH) and Muslim separatist groups, of which the Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF) were the largest. Since 1976, tens of thousands of people have been killed, billions of dollars in damage and loss incurred and over 900,000 persons internally displaced.[1]

A plebiscite was held in 1990, in which four provinces elected to become part of ARMM: Lanao del Sur, Maguindanao, Sulu and Tawi-Tawi. Marawi City and Basilan Province were added in 2001.

In 1996, the Government of the Philippines signed a peace agreement with the MNLF, but not with the MILF. In 2000, armed conflict between GPH forces and the MILF escalated, displacing thousands of people. In the same year, the GPH formulated a "peace and development" strategy aimed at addressing some of the underlying economic causes of continued armed conflict in Mindanao. A key component of the strategy was the targeted development of conflict-affected communities in Mindanao under institutional arrangements that would be "Mindanaon-driven".

Against this background, the Government of the Philippines requested the Bank to support a program to provide basic social services and infrastructure to promote economic development in conflict-affected areas in ARMM.[2] In response to this request, the Bank helped prepare the ARMM Social Fund Project (hereinafter also referred to as ASFP or "the project"), which was appraised in November 2002. The project would not only address the GPH's policy objectives, but was also highly relevant to the Bank's 2003-2005 Country Assistance Strategy (CAS) for the Philippines, which aimed to support national efforts to empower the poor to participate more fully in development, and help the Government to implement its Medium-Term Development Plan for 2001-2004. The total cost of ASFP was estimated at US$40.6 million, and would be financed from the proceeds of an IBRD Loan (US$33.6m), and the Borrower's own resources (US$7.0m). The expected loan effectiveness date was January 15, 2003, and the expected loan closing date was June 30, 2008.

At the time of appraisal, it was anticipated that implementation of any development project in ARMM would be difficult and dangerous. This was partly because armed conflict had destroyed some of the social and economic infrastructure in the region. Furthermore, civil unrest had plagued the region for decades and in 2002, significant parts of the region remained *de facto* under the control of armed separatist groups. An important legacy of the

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[1] Norwegian Refugee Council (2009). *Cycle of conflict and neglect: Mindanao's displacement and protection crisis.*

[2] Another Bank-funded project, Kalahi-CIDSS, provided similar support in the rest of the country outside ARMM. That project was not extended to ARMM in light of the region's autonomous status and to adapt to its specific socio-political context.

long-standing conflict was weak governance and a lack of trust among communities and between communities and the Government. The CDD approach was considered an important strategy for addressing this problem by expanding the footprint of the state while directly engaging with communities. On the positive side, a number of multilateral and bilateral development partners had made significant financial commitments in support of the planned peace process. These included the Japan International Co-operation Agency (JICA) and the Canadian International Development Agency (CIDA), which both planned to provide parallel financing in support of ASFP.[3]

### 1.2 Original Project Development Objectives (PDO) and Key Indicators

*Project Development Objective*

According to the PAD, the development goals of the project are "to foster sustainable development in the Autonomous Region in Muslim Mindanao (ARMM) through reducing poverty and supporting mechanisms for the promotion of a peaceful and safe environment in the conflict-affected areas therein." This is considered a high-level goal related to the Country Assistance Strategy, The PAD also mentions four specific project development objectives, which for the purposes of the ICR are considered to represent the original PDO: (i) provide and/or improve sustained access to social and economic infrastructure and services by the poor and conflict-affected poor communities; (ii) provide capacity building for women, youth and other community groups for improving food security, employment opportunities and household incomes; (iii) strengthen social cohesion and partnerships between and within communities in the ARMM region; and (iv) improve local governance and institutional capacities for implementation in the ARMM Region. The original Loan Agreement stated that "the objective of the project is to assist the Borrower in reducing poverty by fostering sustainable development in the Autonomous Region in Muslim Mindanao". ISRs consistently referred to the specific PDOs in the PAD. The PDO reflects the three main thrusts of the project – to open up access to basic services for improved socio-economic welfare, to strengthen social cohesion and to support enhanced participation and local governance in a region long known for corruption and weak governance.

*Key Indicators*

<u>PDO indicators</u>

The PAD mentions 19 output indicators, ten of which are also mentioned in Schedule 7 to the Loan Agreement. The PAD does not include time-bound or quantifiable targets for any of these indicators. The Loan Agreement mentions targets to be achieved by the end of 2007, but most of these are not stated in terms that can be measured objectively. The Results Framework was improved in the Additional Financing Project Paper, which provided end of project target values that can be measured objectively. The Project Paper included eight outcome indicators. Pursuant to a May 2013 restructuring of the Additional Financing, two of these were dropped, one revised and four Core Sector Indicators added in line with World

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[3] Eventually JICA did provide parallel financing to the ASFP. CIDA supported a long-term local government capacity-building project in the region called the Local Government Support Program-ARMM (LGSPA),which coordinated with the ASFP Institutional Strengthening and Governance component to support barangay development planning.

Bank policy at the time. Annex 1 provides a Table with the outcome and intermediate indicators at each stage of the project as represented in the PAD, the Project Paper and following the May 2013 restructuring. The final indicators from the 2013 restructuring are as follows:

1. Percentage of households reporting reduced travel time and cost of access to communal basic service facilities
2. Percentage of households reporting reduced cost of access to local agricultural production facilities
3. Number of households with at least one adult family member who learned how to read or write as a result of the project's Learning Livelihood and Food Self-Sufficiency Program.
4. Average sub-project economic rate of return
5. Proportion of people confident in their ability to influence decisions on identifying local development priorities
6. Average LGU cost-sharing rate (incl. % of the sub-project total cost)
7. Project beneficiaries (core sector indicator)
8. Number of female project beneficiaries (core sector indicator)
9. Conflict-affected people to whom benefits have been delivered within the first year of project effectiveness (core sector indicator)
10. Increase in household consumption

<u>Intermediate outcome indicators</u>

The Restructuring Paper from 2013 also contains indicators that were used to measure intermediate outcomes as follows:

1. Number of communities with improved local infrastructure facilities implemented by the Project
2. Number of LGUs with improved municipal infrastructure facilities implemented by the Project
3. Number of indigenous people beneficiaries
4. Number of established POs
5. Number of community sub-projects implemented at technical standards and within budget
6. Number of POs with women officer
7. Number of POs with indigenous person officer
8. Number of Municipal Teams installed and mobilized in target communities
9. Beneficiaries that feel project investments reflected their needs (core sector indicator)

### 1.3 Revised PDO (as approved by original approving authority) and Key Indicators

**Revised PDO.** In 2010, the GPH and the Bank signed a Loan Agreement for Additional Financing of ASFP. The agreement contained a project objective that was based on the PDO in the PAD, albeit with slightly different wording as follows: "The objective of the Project is to assist the Borrower to reduce poverty and to support mechanisms for the promotion of a peaceful and safe environment in the conflict-affected areas in the ARMM Region and in particular to: (a) improve access to social and economic infrastructure and livelihood opportunities; (b) strengthen social cohesion and partnerships between and within targeted communities; and (c) improve local governance and institutional capacities for implementation in the ARMM Region, with a focus on improved participation, transparency and accountability in the allocation and management of public resources by the participating communities, local government units and ARMM Regional Government."

The PDO revision changed some of the wording and the second of the four specific objectives mentioned in the original PDO ("provide capacity building for women, youth and other community groups for improving food security, employment opportunities and household incomes") was merged into the first objective. The project activity linked to this objective, the Learning, Livelihood and Food Sufficiency (LLFS) sub-component, was maintained in the Additional Financing. Furthermore, the capacity-building objective for women, youth and other groups was also retained in various intermediate indicators in the Project Paper. Thus, although this was technically a revision to the PDO, it was not deemed substantive, and did not result in a change in the implementation of the project.

**Revised key indicators.** During project implementation, major and substantive changes were made to the indicators used to measure project performance. The original Loan Agreement mentioned ten performance indicators, without differentiating outcome and intermediate result indicators. The Loan Agreement and Project Paper for the Additional Financing (AF) introduced eight outcome indicators and 15 intermediate results indicators, eight for Component A (Community Development Assistance) and seven for Component C (Institutional Strengthening and Governance).[4] Although none of the eight outcome indicators were mentioned in the original Loan Agreement, one indicator (the number of active people's organizations) was nonetheless measured by the project's Management Information System (MIS). Of the 15 intermediate results indicators, none were explicitly mentioned in the original Loan Agreement, but two indicators were already measured by the MIS before the Additional Financing was approved (the number of communities with improved infrastructure facilities implemented by the project and the number of established people's organizations). According to the Project Paper for the Additional Financing, key indicators were revised in order "to better reflect original intentions and ensure ability to monitor achievement".[5] The Project Paper also contained end-of-year target values for each of the indicators. Because the revised key indicators were formally introduced in August 2010, when the Loan Agreement for the AF was signed, the MIS started measuring most of the revised result indicators in that year (except for the three overlapping indicators, which had been measured from the first year of implementation in 2003).

In May 2013, the Bank approved a proposed change to the Results Framework. As required by Bank procedures, four new core sector indicators were introduced: number of project beneficiaries (total and female only), number of conflict-affected people to whom benefits have been delivered within the first year of project effectiveness and number of beneficiaries that feel project investments reflected their needs. An indicator to measure increase in household consumption was also added to try to strengthen evidence on economic impacts. Of the original 23 indicators, nine were dropped (mainly because of limited relevance or overlap with other indicators), and two were revised (see Annex 3 for details).

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[4] Refer to Section 1.4 for details on project components.

[5] *Project Paper on a Proposed Additional Financing Loan in the Amount of US$ 30 Million to the Republic of the Philippines for the Autonomous Region in Muslim Mindanao (ARMM) Social Fund Project*. World Bank. April 2010.

### 1.4 Main Beneficiaries

At the time of appraisal, ARMM comprised five provinces and one city. These were divided into 94 municipalities and 2,378 *barangays* (villages). The primary beneficiaries of the project comprised some 750,000 persons living in 500 *barangays*, which were selected based on four criteria: (i) poverty, (ii) degree of conflict-affectedness, (iii) complementarity with other government programs, and (iv) LGU commitment. The population in all target *barangays* would benefit both directly and indirectly from improved community infrastructure and services, community-oriented training, and grant assistance for the poorest and most vulnerable groups—all planned and implemented through a community-driven development process. Secondary beneficiaries would be (i) the Government of ARMM (the executing agency), which would benefit from increased capacity; (ii) *barangay* level facilitators and partner agencies providing implementation support; (iii) the provincial and municipal governments in which the 500 target *barangays* were located, who would benefit from training, field studies, and institutional strengthening aimed at improving their planning capabilities; and (iv) the newly created (or activated) people's organizations (POs), which would benefit from technical assistance and advisory services on planning, implementing and monitoring development projects in their own communities.

### 1.5 Original Components (*as approved*)

**Component 1: Community Development Assistance.** Project Cost: US$26.0 million (88% Bank financing) [6]

This component would finance the development and implementation of a community-driven development program through the provision of: (i) block grants to community groups for the construction, rehabilitation and improvement of small-scale social and economic infrastructure, including rural water supply and sanitation systems, small scale irrigation schemes, rainwater tanks, *barangay* health stations, communal schools, community learning centers, post-harvest facilities, farm-to-market and *barangay* roads, timber ports and bridges, and the rehabilitation of damaged houses; (ii) community-oriented training and training for community development groups and service providers to improve access of the people to community services; and (iii) capacity building, technical and financial assistance to women's groups and out-of-school youth.

**Component 2: Strategic Regional Infrastructure.** Project Cost: US$5.5 million (85% Bank financing)

This component would finance the rehabilitation of larger infrastructure damaged during the conflict in 2000. Thirteen subprojects were prioritized in line with ARMM's regional development plan, including facilities for health, education, human resource development, social services and ports. It would also provide technical assistance to assist the Regional Government to procure, manage and monitor the strategic regional infrastructure investments.

**Component 3: Institutional Strengthening and Governance.** Project Cost: US$8.8m (66% Bank financing)

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[6] The total project cost was slightly higher than the sum of the cost of the three components, because it also included a front-end fee of US$0.34 million.

This component would finance the following four types of activities:

1. Information, education and communication activities to support institutional strengthening and governance for ARMM, Local Government Units (LGUs), and the Central and Area Fund Management Offices (CFMO and AFMOs, respectively), and develop public awareness on the project development objectives and processes.[7]
2. Strengthening of ARMM, LGU, CFMO and AFMO capacity for project implementation, including staff training and development of operational and administrative guidelines.
3. Enhancing the community-based education system in ARMM for mainstreaming in the formal national education system including the development of curricula and educational materials, piloting of selected community-based schools and training.
4. Project management and implementation support, including audits of Project accounts and strengthening of the operational, managerial and administrative capacity of the Social Fund, the ARMM Government, LGUs, community groups and nongovernmental organizations involved in Project implementation, including the provision of training, consultants' services and equipment.

The project would be managed by a Fund Management Office (consisting of one CFMO and two AFMOs) under the auspices of a Board of Directors, whose members would be appointed by and report directly to the President of the Philippines. The Fund Management Office would closely coordinate with ARMM government units, but be semi-autonomous from the ARMM Government.

### 1.6 Revised Components

None of three components was revised during project implementation. However, the Additional Financing only funded Components 1 and 3, because JICA had committed to continue financing Strategic Regional Infrastructure (Component 2). In addition, a pilot sub-component for municipal infrastructure was included in Component 1 in 2009. Eventually, the pilot sub-component financed 17 subprojects with an average cost of about US$50,000 (or about three times the average cost of a community-based infrastructure subproject).

### 1.7 Other significant changes

**Change to the closing date of the original loan.** The Bank agreed to extend the loan closing date from June 30, 2008 to June 30, 2010. The extension was granted because of delays in project implementation during 2002-2006. According to the mid-term review, the delays were the result of an over-optimistic implementation schedule. Centralized project management (ASFP was initially managed from Manila) also contributed to delays in disbursement.

**Additional Financing.** In August 2010, the government and the Bank signed a Loan Agreement for Additional Financing of US$ 30 million. Of this amount, about US$26.1 million was allocated for community development assistance for over 500 *barangays* that had not been covered under the original loan. The remaining US$3.9 million would finance supporting investments in institutional strengthening and governance (as mentioned in Section 1.6, additional investments in strategic regional infrastructure were to be financed by

7 The term LGU refers to all administrative divisions below the regional level, i.e. provinces, cities, municipalities and *barangays*.

JICA). The Loan Agreement for the AF contained a minor revision to the PDO and introduced a revised set of key performance indicators with end-of-year targets for 2011, 2012 and 2013. The original closing date of the Additional Financing was May 31, 2013. The Bank approved a 12-month extension of the loan to May 31, 2014 in response to delays in project implementation that were caused by the unexpected change of the ARMM Government in 2010, shortly after the 2009 Maguindanao massacre (see Section 2.2 for details), and because of occasional major spikes in armed conflict between GPH and separatist forces, as well as serious communal conflicts in various project locations.

## 2. Key Factors Affecting Implementation and Outcomes

### 2.1 Project Preparation, Design and Quality at Entry

**Soundness of background analysis and lessons learned from previous projects.** The project was the first genuine community-driven development project in the Autonomous Region in Muslim Mindanao. The PAD contained a thorough analysis of other ongoing projects in Mindanao (notably the pre-cursor project, the Southern Zone of Peace and Development Social Fund) and of successful CDD projects elsewhere in the region. The background analysis resulted in a series of lessons learned, all of which were incorporated in the project design. The most important of these lessons can be summarized as follows:

- there is a high demand from communities in ARMM for a demand-driven menu that addresses their socio-economic needs,
- a quick-response mechanism for post-conflict areas is necessary, but is unlikely to result in lasting peace and development, and
- the sustainability of subprojects depends on responsiveness to community demands, adequate community "social capital", involvement of LGUs and other stakeholders, and workable O&M plans.

**Assessment of project design.** The project design was highly relevant and addressed to the plans and priorities of the national and ARMM Governments. The CDD approach was especially seen as a suitable means to rebuild social cohesion and partnerships. The components and implementation arrangements were well designed, realistic, and not overly complex, having been largely adapted from proven approaches developed under successful CDD projects in Indonesia, a country in the region with similar circumstances. The project design was also sufficiently flexible to respond to local needs, including a number of important adaptations to the ARMM context. By contrast to the Kalahi-CIDSS project or Indonesian CDD projects, the ASFP targeted directly at the village level, with no inter-village forum. This was based on concerns about promoting competition for funds between groups that might be engaged in violent conflict. Reflecting local socio-political realities, the project established Municipal Multi-Sector Committees (MMSCs), comprising tribal elders, religious leaders and, where present, representatives from the Moro National Liberation Front and the Moro Islamic Liberation Front. MMSCs validated site selection and endorsed subproject selection. In practice they also prevented duplication of effort from different government or donor programs and also provided a "social licence" to the project to operate in areas where security is challenging. These design features helped the project to function in areas where few others could be implemented.

**Government commitment, stakeholder involvement, and participatory processes.** The Government of the Philippines and the ARMM Government played a central role in the preparation of the project, based on the national development plan (the Medium-Term Development Plan for 2001-2004), ARMM development plans, and the central government's "Mindanaoan-driven" development strategy to foster peace and security in the region. The high level of government ownership was one aspect highlighted by a 2003 QAG review that rated quality at entry as "Satisfactory". The QAG review also noted that "some aspects of the preparation, design, and implementation arrangements are exemplary, and represent 'best practice' in preparation and design".

**Risks and risk mitigation measures.** The overall project risk was rated "substantial", and this rating was deemed appropriate. The highest risks identified in the PAD were on security and governance. The project paper for the Additional Financing added "reputational risk" as a third substantial risk, in view of the Bank's involvement in a region that was administered by some members of Ampatuan clan some of whom – including the ARMM Regional Governor and Governor of Maguindanao province at that time – had been charged in relation to the case (see Section 2.2 for details on the Maguindanao massacre).[8] To mitigate security risks, project interventions would be aimed at communities with "manageable" peace and order conditions; a substantial capacity-building program and well-trained facilitators would be provided by the project to mitigate governance risks; in addition, third parties would conduct spot checks to verify compliance with eligibility criteria for block grants. In the Additional Financing phase, a grievance redress system was established to capture community complaints. Geo-tagging of subproject sites was also introduced as an additional transparency measure. The spot checks and geo-tagging were of particular value in the three island provinces of ARMM (Basilan, Sulu and Tawi-Tawi), which were inaccessible to Bank staff for supervision because of security concerns. Reputational risks were mitigated by seeking political support from GPH and the post-Ampatuan administration and by conducting an assessment of security and governance in Maguindanao province following the massacre. The direct transfer of block grant funds to communities – in line with CDD principles – was another crucial mitigating measure employed by the project.

## 2.2 Implementation

**Overview.** Despite some challenges and implementation delays, given the context the project made significant achievements. It delivered CDD in every municipality in ARMM, reaching almost 1 million people. The technical quality of construction was consistently rated as adequate; the quality of social preparation was inconsistent but certainly sufficient to meet minimum standards; and the PMO worked diligently to meet challenging output targets. Significant capacity was built within the Office of the Regional Governor and the two main implementing regional line agencies, the Department of Social Welfare and Development and the Department of the Interior and Local Government. ASFP was widely recognized as a flagship project of the ARMM and received national recognition in the form of a "Good Practices" Award from the National Economic and Development Authority in 2011. The value of the human infrastructure established by the ASFP was also recognized by the national government, which piggy-backed on the ASFP's network of people's organizations

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[8] It is important to point out that many members of the Ampatuan clan are also professionals with no association with the massacre.

(POs) to deliver millions of dollars of government projects through the ASFP POs under separate national government projects from 2010-2013.[9]

**Factors outside the control of the government or the implementing agency**

- Adverse impact of Ampatuan administration on security and subproject selection. From 2005 to 2009, ARMM was governed by Zaldy Ampatuan, with Maguindanao province at the time headed by his father, Andal Ampatuan, Sr.. On 23 November 2009, 58 people were murdered in a town under the control of the clan while they were travelling in a convoy to file a certificate of candidacy for a gubernatorial candidate challenging the Governor's son, Andal Ampatuan Jr., in upcoming local elections. As a result of this event, which became known worldwide as the "Maguindanao massacre", the province was temporarily placed under martial law. Shortly afterwards, Ampatuan Jr. and Sr., as well as some other members of their clan, were charged with murder and have been on trial since. Commencement of the AF was put on hold in Maguindanao to allow time for an assessment of security and governance in the province, delaying implementation in the region's largest province by six months. A confluence of poor governance, monopoly of power and high security risks made it difficult for the implementing agency to prevent misuse of funds and political interference in subproject selection in Maguindanao. A 2011 Commission on Audit Special Audit Report on Maguindanao province identified a number of issues with the ASFP, though nearly all of these were JICA-funded subprojects.[10] The aftermath of the Maguindanao massacre saw elections suspended in ARMM and an interim government directly appointed by the President. The transition period saw a virtual hiatus in implementation, another cause of delay.

- Violent conflict. Ongoing armed conflict (which was especially prevalent in 2003 and 2008) kept security risks high and drove massive displacement, in turn complicating and delaying project implementation. In addition to violence between separatist groups and the government, spikes in communal conflict and violent crime also regularly affected the speed of implementation throughout the life of the project.

- Extreme weather events. Since 2011, Mindanao has been hit by major storms in each of the past three years, some of which affected Maguindanao and Lanao del Sur in particular with heavy flooding.

**Factors subject to the control of the government or the implementation agency**

***Positive factors***

- Strong political commitment and support. The project was able to secure support at the highest levels of government. The commitment of both the national and the ARMM administrations to the peace process facilitated project implementation. Both Governments were also committed to the CDD approach to foster cohesion and socio-economic development in conflict-affected areas. This is evident by the fact that the project retained ARMM government support through four regional administrations. LGUs also consistently delivered on counterpart funding commitments, not a common occurrence in ARMM.

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[9] The two projects were the Transition Investment Support Program (TISP) and the "Peaceful and Resilient Communities" or PAMANA project.
[10] Commission on Audit (2001) *ARMM Social Fund Project (ASFP): Report No. 2010-03*.

- Effective anti-corruption strategy. Prevention was the main strategy employed. PMO fiduciary staff were hired as consultants to ensure independence from government. This included an effective internal auditor. Geo-tagging and independent third-party spot checks also supported oversight in hard to reach areas. Individuals and independent organizations in beneficiary communities used channels of communication established by the project (such as the grievance redress system or facilitators) to report suspected cases of corruption. Follow-up actions, including local government coordination and withholding of funds, proved effective in combating isolated cases of corruption.
- Institutionalization of ASFP. The locus of project management was shifted from Manila to ARMM when the central Fund Management Office was abolished in 2006 and the ARMM PMO empowered to manage all aspects of project implementation. This was crucial to unblocking the bottlenecks that had hampered project implementation in the first two years of the project. ARMM demonstrated significant capacity to deliver once given full management responsibility. The ARMM Government assigned its own staff for many of the PMO positions to avoid reliance on consultants, and to build in-house capacity. The project structure was also based around Project Implementation Agreements (PIAs) between the PMO and two regional line agencies, the Department of Social Welfare and Development (DSWD) and the Department of Interior and Local Government (DILG). DSWD handled social preparation and community organization, with DILG leading on capacity-building for local government units on development planning. The PIAs linked funding to the delivery of specified outputs. This provided a degree of discipline and accountability in implementation. It also minimized reliance on external consultants, with implementation being handled directly by ARMM regional line agencies.

***Negative factors***

- Manila-based project management (2002-2004). Based on concerns about capacity and corruption risk, the government initially managed the project from Manila. This was inconsistent with its own policy of supporting “Mindanaoan-driven” development. It also resulted in major delays in disbursement during the initial period of implementation.
- Inconsistent quality of facilitation. To promote LGU ownership and leadership and in the interests of efficiency, the project had a light structure at the municipal level. A project-hired Municipal Facilitator was to work with Municipal Technical Teams (MTTs) from the LGU to handle social preparation and oversight of implementation. In a number of LGUs the MTTs were not very active. This isolated some facilitators, who often spent insufficient time in the field to fully empower people’s organizations.
- Delays in compliance with loan covenants. The implementing agency complied late with covenants related to the appointment of an internal auditor, issuance of annual work plans and the recruitment of an independent third party to conduct spot checks.

**Mid-term review.** As planned, a mid-term review was conducted in January 2006. The key findings of the review can be summarized as follows: (i) the original implementation schedule was overly ambitious, which explained why disbursement was lower than planned; (ii) there was a need for an institutional champion (at the time the review was conducted, the election of a new ARMM administration was underway); and (iii) there was a need for institutionalization of the project (by appointing ARMM staff as project officers and including counterpart funds in ARMM Government and LGU budgets). Most of the recommendations in the mid-review were implemented, leading to significant improvements in the pace and quality of implementation and major capacity-building benefits for ARMM. Because of delays in disbursement, the mid-term review already anticipated the need for an extension, which was granted in 2008 (see Section 1.7).

**Effectiveness of risk mitigation.** Mitigation of project risks was generally good. The specific risks related to pro-poor targeting and fiduciary controls were mitigated effectively during implementation. However, risks related to security and lack of capacity by the ARMM Government and LGUs were greater than anticipated, and not mitigated as successfully as expected (necessitating an extension to the original loan). However, these shortcomings did not fundamentally undermine achievement of the project outcomes.

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

The M&E system included a number of innovations to address governance and corruption concerns. An internal monitor was appointed to independently check progress and compliance with fiduciary requirements, and third-party spot checks were introduced in locations not accessible to the Bank, together with geo-tagging of subproject sites.

The project measured progress against key performance indicators (KPIs) using a management information system (MIS). Before-after/treatment-control Impact Assessments were conducted both at the end of the original loan and the Additional Financing. The assessment of the AF was set up in a rigorous manner, but the government introduced two new community development programs in ARMM in 2011, making the impacts of the project difficult to isolate. The end-line survey was also undertaken when construction of subprojects was ongoing or only just completed in more than half the treatment sites, diminishing the ability to measure real benefits from subproject implementation.

**M&E design.** Perhaps surprisingly, the PAD did not contain a description of the M&E system that was envisaged at appraisal, although Annex 1 did present a data collection strategy. The project paper for the AF contained a much more detailed results framework that clearly outlined data collection instruments and allocated responsibilities for data collection.

**M&E implementation.** The PMO submitted timely quarterly progress reports, with detailed quantitative information on subproject progress from the project MIS. The PMO utilized a very effective dashboard to track progress against inputs and activities, but lacked tools for tracking the quality of implementation. The PMO was responsible for two surveys upon project completion: an economic analysis (which was eventually undertaken by the Bank) and a beneficiary survey (which was submitted more than three months late). Spot checks were undertaken infrequently and much later than agreed with the Bank, but were particularly valuable for the three provinces where the Bank was unable to conduct direct supervision at all during the Additional Financing phase due to security concerns.

**M&E utilization.** There was little strategic use of information generated by the MIS. As already observed by the mid-term review, M&E functions tended to focus on the number and pace of activities undertaken, but data was rarely maximized to improve project implementation. Most strategic changes and improvements emerged from joint discussions with the PMO and government during Bank implementation support and technical missions.

## 2.4 Safeguards and Fiduciary Compliance

Although some project activities triggered safeguards related to environmental assessment (BP 4.01), indigenous peoples (BP 4.10) and involuntary resettlement (BP 4.12), none caused significant adverse impacts. The project did not finance land acquisition, but utilized voluntary land donations. Given the small size of subprojects (usually no more than US$20,000), it was *a priori* expected that any adverse social and environmental impacts would be small or negligible. Indeed, the project generated substantial social and environmental benefits, especially through investments in health and educational facilities, and water supply systems.[11] The recording of potential social and environmental impacts was adequate, and compliance with safeguards was generally good. For this reason, the overall safeguards rating was "satisfactory" throughout most of the project implementation period.

The project's financial management was mostly satisfactory. The PMO recruited capable financial managers, established an effective internal monitoring unit, and submitted financial management reports and audit reports in accordance with the provisions in the loan covenants, and mostly on time. Seven of the eleven audited project financial statements had unqualified opinions from the Commission on Audit while four (2004, 2005, 2006 and 2012) had qualified audit opinions, mainly because of: (i) outstanding balance of cash advances to various officers and employees, and (ii) overstatement in receivables account and Inventory account. Status reports on the resolution of the above issues were submitted to the Bank and actions taken were found acceptable. However, the implementing agency was unable to prevent misuse of funds (which reportedly occurred in 17 of over 2,700 subprojects); it was also of some concern that the PMO disbursed final tranche payments to over 200 villages shortly before the loan closing date (although it was anticipated that these funds could be absorbed in full before loan closing). Actions were taken to refund to the Bank the loan funds for subprojects not completed by the closing date and to use counterpart funds to complete unfinished subprojects. Procurement was also mostly satisfactory, although some delays were encountered, partly because some individuals designated to perform the duties of the procurement officer were initially not familiar with agreed procedures.

### 2.5 Post-completion Operation/Next Phase

a) **Transition arrangements.** Not applicable.

b) **Follow-up projects**. Through 2013 and 2014 under a grant from the Australian government, a joint team of the national government, ARMM and the Bangsamoro Development Agency (with technical support from the Asian Development Bank and the World Bank) has been working on the design of a follow up CDD project. At the time of writing, the ARMM Government has secured PHP 120 million to commence implementation in the first half of 2015. Funding to continue the program would need to be secured either from development partners or from the proposed Bangsamoro Transition Authority, which is expected to assume power in mid-2015.

c) **Future impact evaluation.** Given the impact assessment was rolled out in many locations where implementation was ongoing, the Bank task team would like to repeat the end-line survey in twelve months' time to allow sufficient time for benefits to accrue. This will require additional funding, however.

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[11] The average cost of Strategic Regional Infrastructure and infrastructure financed by municipal block grants was about US$ 440,000 and US$50,000, respectively. However, the combined cost of these types of infrastructure accounted for less than 10% of the total project cost.

## 3. Assessment of Outcomes

### 3.1 Relevance of Objectives, Design and Implementation

The project complemented the Government's efforts to improve socio-economic development and empower local communities, and foster peace and security through inclusive growth and poverty reduction. As described in the Philippine Development Plan 2011-2016, the government remains firmly committed to adopting the CDD approach and, like the ARMM Government, considers this approach an important means to help achieve peace and cohesion. The CDD approach is also a key component of the Bank's Country Partnership Strategy (CPS) for FY2015-2018, which was issued two weeks before the loan closing date. The CPS emphasizes engagements with government counterparts and other stakeholders who are committed to addressing critical governance and institutional challenges. The CPS identifies five thematic areas for the Bank's engagement in the Philippines during FY2015-2018, three of which are directly relevant to ASFP: (i) transparent and accountable government, (ii) empowerment of the poor and vulnerable, and (iii) peace, institution building, and social and economic opportunity. The latter pillar explicitly mentioned the development and implementation of a "peace dividend" program for the Bangsamoro (see also Section 2.2). Therefore, at completion the project was still highly relevant to the objectives of the Bank, and the national and ARMM Governments. The government further demonstrated its commitment to the CDD approach and the "social infrastructure" established by the ARMM Social Fund when they used it as a channel for funds for new national programs on peace and development.[12]

The design was very relevant to the ARMM context, with a modified CDD approach that (as discussed above) targeted directly at the village level, involved local informal leaders in project processes, included a literacy sub-component and also enhanced conflict analysis in the social preparation stage. On the negative side, the original results framework and indicators were complicated, in some cases overly ambitious and not always closely connected to the PDO. However, this problem was addressed in the 2010 Additional Financing and 2013 restructuring.

### 3.2 Achievement of Project Development Objectives

The PDO was revised under the Additional Financing in May 2010, and KPIs were restructured twice – first through the AF, and secondly in the May 2013 restructuring. Both the original and the revised PDO focused on three overall objectives of strengthening access to services and livelihood opportunities; social cohesion and trust; and local governance.

**Outcome indicators.** The project had three key objectives, as articulated in the Additional Financing Project Paper (which consolidated the four objectives under the Original Loan). The three PDOs were as follows: (a) improve access to social and economic infrastructure and livelihood opportunities; (b) strengthen social cohesion and partnerships between and within targeted communities; and (c) improve local governance and institutional capacities for implementation in the ARMM Region, with a focus on improved participation, transparency and accountability in the allocation and management of public resources by the participating communities, local government units and ARMM Regional Government. The

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[12] Specially the PAMANA program and the Transition Investment Support Program.

project was moderately successful in achieving these objectives, when measured by its key performance indicators (see Annex 3 for details).[13] The Loan Agreement for the AF listed eight outcome indicators and 15 intermediate results indicators (IRIs). Several indicators were revised or dropped during a restructuring in 2013; at this time four core indicators were added (see Section 1.4). The achievement of outcome indicators can be summarized as follows, drawing mostly on a 2009 independent assessment of the Original Loan and the 2014 Impact Assessment of the Additional Financing.

PDO 1: Improve Access to Social and Economic Infrastructure and Livelihood Opportunities

The key indicators were: (i) Percentage of households reporting reduced travel time and cost of access to communal basic service Facilities; (ii) Percentage of households reporting reduced cost of access to local agricultural production facilities; (iii) Number of households with at least one adult family member who learned how to read or write as a result of the Project's Learning-Livelihood Program; (iv) Average sub-project economic rate of return;and (v) increase in household consumption

The project achieved solid results on this objective. The project improved access to local agricultural production facilities to a higher proportion of households than expected (20% against a target of 18%) and resulted in higher-than-expected increases in access to piped water supply. Communities in treatment areas reported improved access to communal basic services including health, education, water, food and sanitation facilities (though none were at a statistically significant level).

These results built on benefits being delivered to 988,500 people in 1,261 villages (against at target of 900) through 2,703 (vs. target of 2,600) subprojects. While targets for the number of villages and subprojects were exceeded, the desired total number of beneficiaries was not achieved. This suggests that beneficiary numbers per community were significantly overestimated.

The project met the target of thirteen larger strategic regional infrastructure subprojects. Seventeen of the targeted 22 municipal infrastructure subprojects were completed at the loan closing date. The other five were dropped due to either security problems, political instability or governance concerns.

The Learning, Livelihood and Food Sufficiency sub-component was initially conceived as focusing on livelihood/income generation. However, when faced with the high levels of illiteracy, the program shifted to emphasize basic numeracy and literacy skills. The number of households exceeded the target of 57,900 by 4,500 and pre- and post-test results showed 99% of beneficiaries improved their skill level.

The average subproject rate of return was estimated at 14.5%, slightly above the 14% target.

[13] As this is a restructured operation with Additional Financing and a PDO revision, an assessment of the achievement of the PDOs for the original and AF phases would normally be made to determine the overall efficacy. But given the change in PDO was not significant, the rating applies to both phases of the project.

The project set a target of 5% increase in household consumption for treatment over control areas. Given improved access to services – particularly agriculture production facilities – and Philippine and global experience from CDD projects, it was expected that the project would have a positive or, worst case, no impact on consumption. However, the 2014 impact assessment indicated a 4.5 % decrease in consumption in treatment over control areas (albeit this change was not statistically significant). Expenditure is traditionally very difficult to measure. Investments of hundreds of millions of dollars by the government in the ASFP areas from 2011-2013 is likely to have complicated measurement of this result as well. The endline survey was also undertaken while many subproject remained under construction, thus suggesting results are understated. [14]

Finally, while the literacy and numeracy activities under the Learning, Livelihood and Food Sufficiency sub-component have proven to be very successful and well received, the livelihood aspects were small in scope and in impact.

<u>PDO 2: Strengthen Social Cohesion and Partnerships between and within targeted communities</u>

The project's main intervention to support social cohesion and partnership was the establishment of people's organizations. Representing all *sitios* (or hamlets) in the village to promote interaction between different ethnic and religious groups, the POs also had targets for female and IP representation to ensure inclusivity and gender-sensitivity.

The key indicator for this objective was: "Proportion of people confident in their ability to influence decisions in their village in identification of local development priorities." The 2014 assessment showed a 3% increase in treatment areas over control, though this was not statistically significant (see Annex 6). The confidence increased in treatment over control areas by 14% where both subprojects were completed. Qualitative evidence from the field and stakeholder workshop suggested that the ARMM Social Fund was the first opportunity for many to influence decision-making on development. And while there was not significant progress against this indicator, 86% of people against a target of 60% felt that project investments reflected their needs, representing a vote of confidence in project processes.

In terms of trust and social cohesion, the 2014 assessment showed a slight reduction in trust within and outside treatment communities compared to control, though not at a statistically significant level. The 2009 assessment showed a 9% increase in Lanao del Sur and 3% in Sulu in trust levels in treatment over control locations.

The program established multiple partnerships, including over 1200 people's organizations and Memorandums of Agreement with every Municipal Local Government Unit in ARMM.

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[14] Overall the survey showed a 5% decrease in consumption in control over treatment areas, though this is not statistically significant. However, in survey locations where two cycles of subprojects had been completed, consumption increased by 14% in the bottom quintile. Across the board the indicators were stronger where two cycles had been completed, suggesting the timing of the endline survey significantly understated the impact the project actually had.

Efforts for social cohesion included outreach to indigenous peoples and women as groups often marginalized from local power structures. The number of POs with indigenous person officers was about 25% lower than the target (144 against a target of 200). The target was poorly set, however, as there are not 200 villages in ARMM with indigenous persons. The number of POs with women officers was 995 against a target of 775.

PDO 3: Improve Local Governance and Institutional Capacities for implication in ARMM

Activities to support this PDO included direct support and training for the ARMM Office of the Regional Governor, DSWD-ARMM, DILG-ARMM and multiple municipal and barangay LGUs. Among other things, the project helped Barangay LGUs to prepare Barangay Development Plans, many for the first time.

The key indicator for this objective was: "Average LGU cost-sharing rate (including % of the subproject total cost)." The project was able to surpass this indicator, a notable achievement in the ARMM region. The 2014 assessment also showed a 7% increase in collective action; 7% increase in awareness of barangay assemblies and 5% increase in participation in barangay assemblies. Furthermore, the project supported the formulation of village development plans in hundreds of villages in ARMM, many for the first time. The participation of planning, engineering, and social welfare LGU staff in the project allowed them to gain expertise, strengthening LGU capacity. However, it should be noted that this increased capacity did not lead to broader reforms in LGU processes, which is reflected in the limited change communities expressed in their views on the capacity of LGUs.

More details are provided below in Table One:

**Table 1: Achievement of Project Development Objectives**

| **Outcome** | **Details** |
|---|---|
| Improve Access to Social and Economic Infrastructure and Livelihood Opportunities* | • Improved access to local agricultural production facilities, markets, piped water, water sealed toilet and education and health (2014 Assessment) in treatment over control areas.<br>• Reduced travel time to health and education facilities (2009 and 2014 Assessment)<br>• Optimism for the future 11% higher in treatment over control areas in Lanao del Sur and 9% higher in Sulu province (2009).<br>• 17.9% fewer households in treatment areas in Lanao del Sur and 7.6% in Sulu compared to control areas reported the need to reduce food consumption in the previous 12 months (2009)<br>• EIRR exceeded 14% target.<br>• Membership of community groups increased by 8.4% in Lanao del Sur 1.6% in Sulu (2009)<br>• In Sulu, women's representation in local organizations increased from 36.7% to 53.5% (2009).<br>• Improved literacy and numeracy standards for over 60,000 women and out-of-school youth (2014)<br>• No statistically significant impact on household consumption (2014), though 14% increase in income in the poorest quintile where both subproject cycles were completed. |

| | |
|---|---|
| Social cohesion and partnerships between and within communities in the ARMM region | • Increased trust within communities – 9% in Lanao del Sur and 3% in Sulu (2009), though no change evident in 2014.<br>• Mixed outcomes on feelings of security and safety (12% improvement in Sulu and 5% decline in Lanao del Sur in 2009 assessment and no impact in 2014 assessment). |
| Improve local governance and institutional capacities for implementation in ARMM | • 7% increase in collective action (2014)<br>• 7% increase in awareness of barangay assemblies (2014)<br>• 5% increase in participation in barangay assemblies (2014)<br>• Limited change in views on capacity of local governments<br>• 3% increase in people stating their opinion counts in what needs to be done in the village, increasing to 14% where both subproject cycles are complete (2014). |

* The first two outcomes under the original PDO were merged under the label "improved access to social and economic infrastructure and livelihood opportunities" following the AF.

### 3.3 Efficiency

**Economic internal rate of return.** Efficiency was gauged by the economic rate of return (EIRR) and by unit rate norms of subprojects financed by ASFP. The Bank estimated the EIRR of community-based infrastructure subprojects, which accounted for over 65% of the total project cost, at 14.5%. The EIRR of the municipal infrastructure was estimated at 13.8% (see Annex 4 for details). The rate for the Strategic Regional Infrastructure was between 14.7% and 22.1%. Weighing the different components, the overall EIRR is 14.47%.

**Cost effectiveness.** Unit costs of four types of community-based infrastructure (schools, roads, water supply systems and health stations) financed by ASFP were lower than for similar subprojects financed by the nationwide sister project, KALAHI-CIDSS. This is an important finding, given that the overall project costs for KALAHI-CIDSS are lower than similar projects contracted out by line agencies.[15] Cost savings are mostly due to the absence of contractor fees and associated value added tax, estimated at around 15-25% of the total subproject cost,[16] and voluntary community contributions.

However, the average cost per beneficiary household was higher under ASFP than KALAHI-CIDSS for two school buildings and health stations, possibly because the ASFP area has a lower population density and contains more isolated villages than the rest of the of Philippines (i.e., the KALAHI-CIDSS area).

### 3.4 Justification of Overall Outcome Rating

Rating: ***Moderately Satisfactory***

**Relevance.** The development objective and design of the project remained relevant throughout the implementation period, not only to the Bank, but also to the national and

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[15] See 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* and World Bank (2014) *Implementation Completion and Results Report for KALAHI-CIDSS.*

[16] 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.

ARMM Governments. ASFP was seen by all three parties as an effective means to build social cohesion in ARMM, and both the national and ARMM Governments will continue to use CDD to help create transparent and accountable government, empower the poor and vulnerable, and support peace, institution building, and social and economic opportunities. The design was carefully adapted to the local context in a way that allowed it to function in difficult areas and become seen as a breakthrough project in the ARMM region.

**Achievement of PDO.** As described in Section 3.2, the project achieved some but not all of its targets. It was successful in attracting counterpart funds, improving literacy and improving access to local agricultural facilities and piped water supply. Project investments generated economic benefits, as evidenced by its EIRR, which exceeded the target. Access to health, education, water and markets is also higher in treatment over control areas. However, the project did not reach the targeted number of (male or female) beneficiaries and did not achieve the targeted number of municipal infrastructure facilities. In addition, there is no evidence that the project had a statistically significant impact on household expenditure. Results were mixed on the confidence of intended beneficiaries to influence decisions about local development priorities. On the positive side, it appears that several targets were missed because of overoptimistic assumptions. Moreover, the project appears to have resulted in an outcome that is difficult to capture by quantitative indicators: improved social cohesion and partnerships in communities served by ASFP. This aspect was documented through extensive qualitative research throughout the project and also raised during the stakeholder workshop.[17]

**Efficiency.** The cost of ASFP projects is much lower than similar programs financed by contractors and other government line agencies. The project's overall EIRR slightly exceeded the target of 14%. The project experienced delays (as described in Section 1.7, the original loan and AF were extended by a total of 36 months), so that benefits were delivered substantially later than originally envisaged. Much of the delay was due to security conditions and political instability. However, overly-centralized management in the initial phase of the project also played a part, though this was later addressed.

On balance against the three main thrusts of access to services and livelihood opportunities; social cohesion; and local governance, the project made impressive achievements in a difficult environment. Access to services improved as the project exceeded subproject and village targets. However, this did not seemingly translate into increases in household consumption. The project promoted social cohesion and trust through POs. This generated increased participation in collective action and local assemblies, but did not apparently filter across into immediate improvements in local government performance. Longer-term engagement beyond the ASFPs normal two-year intervention in each village would seem to be necessary to generate those spillover effects.

Whilst acknowledging the continued relevance of the project, because of limitations to the achievement of the PDO and the efficiency with which ASFP was implemented, the overall outcome of the project was rated "moderately satisfactory".

### 3.5 Overarching Themes, Other Outcomes and Impacts

[17] See ASFP PMO (2014) *Empowering ARMM Communities: The ASFP Experience 2003-2014.*

The project helped mobilize additional investments in CDD projects (several LGUs provided more than the minimum required amount of 15%) and Strategic Regional Infrastructure (JICA and AusAID co-financed an expansion of the ARMM Technical Education and Skills Development Center). More importantly, the project helped the ARMM Government establish itself as a reliable and competent Executing Agency of projects financed by development partners, and CDD projects in particular. As the first donor project run through the regional government, the ASFP was a trail-blazing activity for ARMM.

### 3.6 Summary of Findings of Beneficiary Survey and Stakeholder Workshops

**Beneficiary survey.** Two major impact assessments were undertaken, one at the conclusion of the original loan and the second covering the Additional Financing phase. In both cases, the PMO recruited a firm to assess the impacts of the project on *inter alia*, access to services, social cohesion and partnerships and local governance. . The key findings of both assessments are detailed in Annex 6 and can can be summarized as follows:

- the vast majority of project beneficiaries feel that project investments reflect their needs;
- the project significantly improved access to agricultural production facilities and piped water supply;
- the project improved access to communal basic services at a higher rate than in a "control group" of localities for education and health facilities, food and sanitation facilities and access to local markets;
- the project did not generate clear evidence of an increase household consumption; and
- results were mixed on improvements in the confidence of people in their ability of influence local development priorities and on trust.

It is important point to note that subproject implementation was still ongoing in 14 of the 48 treatment villages when the 2014 endline survey was fielded, and only just completed in another twenty. Accordingly the results do not capture the full benefits of the project. It is evident, for instance, that in locations where two sub-project cycles had been completed, project outcomes tend to be more significant. For instance, in locations with two completed subproject cycles, incomes of the poorest quintile of the population increased by 14 percent.

**Stakeholder workshop.** On 8 May 2014, the PMO and the Bank invited key stakeholders to a workshop in Cotabato City to comment on the initial findings of the project evaluation presented in this ICR. The majority of the participants agreed that ASFP has brought major benefits to ARMM and a similar project should be designed for implementation beyond 2014. To improve the approach embedded in ASFP, it was deemed necessary to further institutionalize CDD in ARMM, especially to strengthen the role of LGUs (see Annex 7 for a summary of the stakeholder workshop). Another major point raised during the workshop was the importance of the project in establishing ARMM as a credible implementing partner at a time when it was dismissed by many as either being untrustworthy or lacking in capacity.

## 4. Assessment of Risk to Development Outcome

Rating: ***Moderate***

The "Risk to Development Outcome" is defined as the risk that the expected development outcomes of the project—at the time of this assessment—will not be maintained or realized. As mentioned in Section 1.2, the project was originally designed to: (i) provide and/or improve sustained access to social and economic infrastructure and services by the poor and conflict-affected poor communities, (ii) provide capacity building for women, youth and other community groups for improving food security, employment opportunities and household incomes, (iii) strengthen social cohesion and partnerships between and within communities in the ARMM region, and (iv) improve local governance and institutional capacities for implementation in the ARMM Region. For each of these intended outcomes, the risk to development outcome was rated. Each rating reflected the likelihood that the intended outcome would not be sustained, and the impact of an unfavorable change to the outcome on the development outcome of the project as a whole.

**Table 2: Rating of Risk to Development Outcome**

| **Outcome*** | **Rating** | **Justification of Rating** |
|---|---|---|
| Improve access to social and economic infrastructure and livelihood opportunities | Significant | Social and economic infrastructure is generally easy to maintain, O&M plans are in place in most subproject locations, most types of subprojects generate economic benefits, and over 80% of ASFP-financed subprojects were still functioning within 2-7 years from construction.[18] However, given challenges of local governance, long-term sustainability will still be challenging.<br>There is limited evidence that ASFP has helped improve food security, employment opportunities or household incomes (see Annex 6) under the Learning, Livelihood and Food Self-Sufficiency component, which was adjusted early on to place a heavy emphasis on functional literacy rather than livelihood. |
| Social cohesion and partnerships between and within communities in the ARMM region | Moderate | POs established or expanded with project support are generally effective, participatory and representative, though sustaining such groups can be challenging. Project impacts on social cohesion and partnerships are largely irreversible, particularly within communities. |
| Improve local governance and institutional capacities for implementation in ARMM | Moderate | The ARMM Government has indicated a long-term commitment to financing CDD programs similar to ASFP. The project supported the formulation of village development plans in hundreds of villages in ARMM, many for the first time. Municipal LGUs gained significant capacity through the involvement of planning, engineering and social welfare personnel. Local counterpart contributions exceeded targets. However, there is little evidence to suggest that the participatory and transparent processes inherent in the ASFP have led to broader LGU reform beyond the areas influenced by the project. |
| **ALL OUTCOMES** | **Moderate** | |

* Upon revision of the PDO, the first two outcomes were merged under the label “improved access to social and economic infrastructure and livelihood opportunities”.

The risk to development outcome of capacity building aimed at improving income-generation activities was rated “significant” because of the heavy reliance on external support for

[18] ARMM Social Fund Post-Project Assessment. June 2009.

capacity building (which may no longer be available upon completion of the project), and limited evidence that ASFP has contributed to reducing poverty. This risk was partially offset by the fact that the project's impacts on social cohesion and partnerships are significant and largely irreversible, and the risk to the development outcome of this aspect was therefore rated "moderate". The risk that the other outcomes would not be maintained or realized was rated "moderate" (see Table 2 for details). For these reasons, the risk to development outcome of ASFP was also rated "moderate".

## 5. Assessment of Bank and Borrower Performance

### 5.1 Bank Performance

#### (a) Bank Performance in Ensuring Quality at Entry

Rating: ***Moderately Satisfactory***

The strengths of the original project design are:

- Strategic relevance. The CDD approach was suitable to address the needs of the conflict-affected area (promote social cohesion and partnerships, and promote socio-economic development), and was consistent with development plans of the GPH and the ARMM Government.
- Simplicity. Because conflict-affected areas require support that can be provided without major government or private sector capacity, and because few communities were familiar with CDD projects, the design was deliberately kept simple.
- Flexibility. The design enabled the project to respond flexibly to demands of communities and their LGUs (resulting in, for example, the upscaling of the literacy component and the introduction of the municipal block grant).

These strengths were partly offset by weaknesses in the project's original results framework, the most important of which are the following:

- Focus on measuring inputs and intermediate results. Most of the original performance indicators measured inputs and intermediate results as opposed to outcomes.
- No targets set for KPIs. The original results framework did not contain time-bound targets against which progress could be measured.
- Optimistic disbursement targets. The original project design underestimated the difficulties in starting a CDD project in an area with high governance and security risks.

Because of moderate shortcomings in the project's results framework, the Bank's performance in ensuring quality at entry was rated "moderately satisfactory

#### (b) Quality of Supervision

Rating: ***Satisfactory***

The Bank mobilized a multi-disciplinary supervision team with considerable expertise in project management, financial management, procurement, monitoring and evaluation, rural infrastructure and safeguards. Intensive supervision enabled the Bank to identify and proactively address key issues adversely affecting achievement of the PDOs at an early stage, notably problems with delays in consultant mobilization, facilitator recruitment, and compliance with financial management procedures, procurement guidelines, and safeguards.

In addition to regular implementation support missions, the Bank provided intensive hands-on support to the PMO in a difficult operating environment. The Bank also introduced third party spot-checking and geo-tagging as means of monitoring to overcome security concerns. Because of these supervision efforts, performance in most of these areas improved over time (as described in detail in the ISRs). However, in spite of intensive supervision, the project continued to be affected by less than satisfactory performance of financial management, project management, and monitoring and evaluation. These shortcomings partially negated the otherwise excellent quality of supervision in an environment characterized by substantial governance and security risks. Against this background, the quality of supervision was rated "satisfactory".

**(c) Justification of Rating for Overall Bank Performance**

Rating: ***Moderately Satisfactory***

In light of the "moderately satisfactory" ratings of ensuring quality at entry and the "satisfactory" rating of the quality of supervision, the Bank's overall performance was rated "moderately satisfactory."

**5.2 Borrower Performance**

**(a) Government Performance**

Rating: ***Moderately Satisfactory***

**Government of the Philippines.** The GPH took bold steps to further the peace process in Mindanao during the life of the project, notably by signing the Comprehensive Agreement on the Bangsamoro to create a new autonomous political entity to supersede ARMM. Because of these and other actions taken by the GPH, the risk of major outbreaks of conflict in ARMM was lower at the loan closing date than at the time of appraisal in 2002. This facilitated the implementation of the project and was especially instrumental in developing social cohesion and partnerships among communities. The government also deserves credit for taking the decision to devolve control from the central to the ARMM Regional Government following the early delays. In spite of concerns about the ARMM Government's limited experience with projects financed by development partners, the GPH remained committed to its "Mindanaon-driven" development policies.

**ARMM Government.** During the Ampatuan administration (see Section 2.2), the project operated under more difficult circumstances than in later years. The Maguindanao massacre also caused delays in project implementation. Political uncertainties in the aftermath of the massacre caused delayed project implementation, necessitating a one-year extension of the AF. On the positive side, both during and after the Ampatuan administration, ASFP was widely known as a clean project (signifying limited suspected misuse of funds) that was subject to much less political interference than other ARMM Government projects. The PMO delivered the project through output-based Project Implementation Agreements with the regional Departments of Social Welfare & Development and Interior & Local Government. These agreements stipulated deliverables to be produced by the departments, with payments attached to concrete outputs. This approach was unique in ARMM and helped ensure accountability for results in a region associated with weak governance.

The shortcomings of the political leadership of the ARMM Government for part of the project adversely affected outcomes. However, in view of the substantial progress of the peace process and improved governance in ARMM after the Maguindanao massacre, the performance of the Governments was, on balance, rated “moderately satisfactory”.

**(b) Implementing Agency Performance**

Rating: ***Satisfactory***

From the outset, the implementing agency supported a bottom-up, community-driven approach to poverty alleviation. It also supported continuous improvement of the M&E system to maintain transparency of the outcomes of the project, took steps to modify implementation arrangements where needed and responded to complaints or suspicions of misuse of funds—which was especially commendable in view of the difficult working environment. Most importantly, the Implementing Agency delivered almost 3,000 subprojects in over 1,200 villages in a region facing challenges including but not limited to the following: (i) a Project Manager was murdered; (ii) the Regional Governor was arrested for a massacre; (iii) three of the five project provinces were beyond the reach of Bank implementation support for most of the life of the project; (iv) two major spikes in conflict displaced hundreds of thousands of people; and (v) elections were suspended in the region in 2010 and an interim government appointed by the national government to clean up corruption. In spite of the substantial achievements that were realized in this difficult working environment, there were, however, several avoidable problems that stronger management may have been able to correct. These include misuse of funds (which, as mentioned before, was limited but not zero), late compliance with loan covenants, late submission of reports, and limited use of the monitoring and evaluation system for strategic purposes. These shortcomings are minor, and the performance of the implementing agency was subsequently rated “satisfactory”.

**(c) Justification of Rating for Overall Borrower Performance**

Rating: ***Moderately Satisfactory***

Because the Government’s performance was rated “moderately satisfactory” and the performance of the implementing agency “satisfactory”, the overall performance of the Borrower was rated “moderately satisfactory.”

## 6. Lessons Learned

- <u>Regional governments are able to implement community-driven development programs</u>. At the time of appraisal, there were widespread concerns about the ability of the ARMM Government to execute and implement a World Bank-financed CDD project. As described in Section 5.2, these concerns were misplaced. An obvious advantage of selecting a regional government as Executing Agency is that it has more knowledge about local communities than a central government. Local know-how is particularly valuable in a conflict-affected location where knowledge of the context and important local stakeholders is fundamental to project success. At the same time, a regional government will have limited experience with donor-driven projects (and CDD projects in general) and will therefore require substantial supervision and implementation support.
- <u>CDD projects are an effective means to foster social cohesion and partnerships in conflict-affected areas, but are less effective in alleviating poverty</u>. Field visits, supervision missions and reports from PMO consistently affirm that the CDD approach was effective in fostering partnerships at the local level, by bringing community members (who normally do not meet or do not want to meet) together to plan activities

that benefit the community as a whole. ASFP also demonstrated that CDD projects in conflict-affected areas do not necessarily reduce poverty more than in localities that were not covered by the project, presumably because an improvement of the security situation has a much more important impact on poverty reduction than investments in community-based infrastructure.

- CDD projects in conflict-affected areas are effective if their design is simple yet flexible. Communities in conflict-affected areas are often hostile to other communities and to governments. In such an environment, it is important that a CDD project is designed to respond to community needs (to lend credibility to the claim that the project is genuinely driven by communities instead of by government). ASFP offered communities an open menu of activities eligible for block grant financing, and introduced the LLFS program, in response to demands from communities. In addition, it is recommended to keep the design of a CDD project in a conflict-affected area as simple as possible, at least initially. This is because communities in conflict-affected areas are unlikely to be familiar with CDD concepts and not used to regular communication with other communities or government agencies. ASFP offered communities the same options of block grants (community-based infrastructure and LLFS) from 2003-2010, and only introduced a more complex scheme—municipal block grants—in a later stage.

- Set realistic targets that can be measured accurately. As described in Section 3, ASFP did not meet the targets of several of its outcome and intermediate results indicators. This is partly because some indicators could not be measured accurately (such as "proportion of households attributing improvement in their wellbeing to participation in collective community work" or "number of persons who gained employment as a result of subproject implementation"), or were overly ambitious (such as setting targets for IP participation that exceeded the IP population in the region).

- Facilitators require incentives to promote innovation. Over time, the community block grants tended to be allocated to a narrow range of subproject types (even though ASFP offered an open menu). This discourages innovation and potentially suppresses economic benefits. To encourage innovation, facilitators need to be given financial and organizational incentives to help communities consider a broader range of options beyond standard subproject types such as access roads and basic service facilities.

- CDD projects are highly appropriate to improve literacy. The literacy sub-component was one of the most successful and appreciated activities financed by ASFP in an area where literacy rates are relatively low, particularly among women.

- Spot checking and geo-tagging are effective means for Bank supervision in otherwise inaccessible areas. However, the basic geo-tagging module should be enhanced to include a small set of questions on the quality of implementation in addition to capturing data on physical outputs.

- Output-based Project Implementation Agreements help ensure accountability and foster an environment of responsibility. To be more effective, however, such agreements should not exclusively focus on quantitative output indicators but also measure quality.

All lessons have general applicability for similar operations in the Philippines and comparable countries.

## 7. Comments on Issues Raised by Borrower/Implementing Agencies/Donors

### (a) Borrower/Implementing agencies

The ARMM Government rates the process, outcome and implementation of the project as "satisfactory". More specifically, it considers ASFP a model for providing support to the poor in post-conflict areas, using a demand-driven and community-based planning process. The implementation of the project was deemed "satisfactory", as it not only delivered much-needed basic infrastructure and social support to conflict-affected areas, but also helped foster social cohesion and partnerships. The implementing agency rates the performance of the Bank as "satisfactory", mainly because of project design (the CDD approach was deemed a suitable instrument in a post-conflict situation), flexibility and general support to the Implementing Agency, especially in matters concerning fund allocation and disbursement.

### (b) Cofinanciers/Donors

Not applicable.

### (c) Other partners and stakeholders

On 8 May 2014, the PMO and the Bank organized a joint workshop to discuss the main findings of the implementation of ASFP and identify lessons learned during the implementation of the project. Refer to Annex 7 for a summary of the key issues raised during this workshop.

## Annex 1. Comparative Table of Outcome Indicators

| Original (PAD, page 3) | Revised (as per Additional Financing Project Paper) | Revised (as per May 2013 Restructuring of the AF) |
|---|---|---|
| **Outcome Indicators** | | |
| 1. Proportion of households in participating communities with improved access to basic infrastructure and social services<br>2. Number of completed strategic regional infrastructure subprojects that are well operated and maintained<br>3. Proportion of women, indigenous women and youth groups with improved financial management and entrepreneurial skills and access to livelihood activities;<br>4. Proportion of ARMM Regional Government and participating LGUs have adopted participatory approaches, improved planning, budgeting, and financial management systems<br>5. improved social cohesion and partnership indicators within and between target communities | The Additional Financing captured many of the main thrusts of the Original indicators in a reframed set of PDO Indicators with measurable targets, as follows:<br><br>1. Percentage of households reporting reduced travel time and cost of access to communal basic service facilities. | The restructuring extended the closing date and revised the RF to include core sector indicators and streamline existing indicators.<br><br>1. No change |
| | 2. Percentage of households reporting reduced cost of access to local agricultural production facilities. | 2. No change |
| | 3. Percentage of households with at least one adult family member who learned how to read or write as a result of the project's Learning Livelihood and Food Self-Sufficiency Program. | 3. Changed from "percentage of households" to "number of households to more accurately reflect the actual target. |
| | 4. Average sub-project economic rate of return. | 4. No change |
| | 5. Proportion of households attributing improvement in their wellbeing to participation in collective community work. | 5. Dropped as there is little evidence in CDD literature that participation in collective community work alone will improve wellbeing. |
| | 6. Proportion of people confident in their ability to influence decisions in their village in identification of local development priorities. | 6. No change |
| | 7. Number of People's Organizations (POs) assessed as effective, sustainable and transparent. | 7. Dropped because gathering credible data on the effectiveness and transparency of POs is very difficult. |
| | 8. Average LGU cost-sharing rate (inc. % of subproject total cost). | 8. No change |
| | | 9. Number of project beneficiaries (Core) |
| | | 10. Number of female project beneficiaries (Core) |
| | | 11. Conflict-affected people to whom benefits have been delivered within the first year of project effectiveness (Core) |
| | | 12. Increase in household consumption (added to strengthen data on economic impact) |

## 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 |
|---|---|---|---|
| Community Development Assistance | 25.99 | 60.89 | 234 |
| Strategic Regional Infrastructure | 5.47 | 5.66 | 103 |
| Institutional Strengthening and Governance | 8.80 | 9.49 | 108 |
| **Total Baseline Cost** | **40.26** | **76.04** | **189** |
| Physical Contingencies | 0.00 | 0.00 | **-** |
| Price Contingencies | 0.00 | 0.00 | **-** |
| **Total Project Costs** | **40.26** | **76.04** | **189** |
| Front-end fees | 0.34 | 0.42 | 124 |
| **Total Financing Required** | **40.60** | **76.46** | **188** |

*Provisional figures (minor differences may arise between these data and final loan closing data)

### b) Financing

| Source of Funds | Appraisal Estimate (USD millions) | Actual/Latest Estimate (USD millions)* | Percentage of Appraisal |
|---|---|---|---|
| Borrower | 7.00 | 15.62 | 223 |
| International Bank for Reconstruction and Development (IBRD) | 33.60 | 60.84 | 181 |
| **Total** | **40.60** | **76.46** | **188** |

*Provisional figures (minor differences may arise between these data and final loan closing data)

## Annex 3. Outputs by Component

This Annex summarizes the outputs of the project, based on a review of the achievements of the outcome and intermediate results indicators mentioned in the PAD (see Table A3.3 for a complete overview of targeted and achieved values for key performance indicators).

### Component 1: Community Development Assistance

**Overview.** This component financed: (i) community based infrastructure (CBI); (ii) municipal infrastructure; and (iii) learning, livelihood and food security (LLFS) programs.

**Community-based infrastructure.** The project financed 2,777 CBI subprojects at an estimated cost of PhP 1.8 billion (US$41.8 million), or approximately 55% of the total project cost. Of these, 1,659 were financed from the original loan, and 1,118 by the Additional Financing. The average cost of a CBI subproject was about US$15,000. The subprojects were implemented in 1,260 *barangays*, or 47 percent of all *barangays* in the ARMM. About 80 percent of block grants for CBI was allocated to five subproject types: (i) pre-and post-harvest facilities; (ii) school buildings/classrooms; (iii) multi-purpose centers, (iv) roads, bridges and footpaths; and (v) water supply systems (Table A3.1). At the loan closing date, 1,118 of 1,171 subprojects (or 95 % of the total) planned for implementation during the Additional Financing were completed. The remaining 53 subprojects were either cancelled (14), not started (1) or completed with government funds (38).

**Table A3.1: Key Features of Community-Based Infrastructure Subprojects**

| Type of Infrastructure | Total Cost (PHP m) | Average Cost (PHP '000) | Subprojects | | Beneficiaries ('000)** |
|---|---|---|---|---|---|
| | | | Number | % Total | |
| Pre-and post harvest facilities | 474 | 612 | 774 | 28 | 429 |
| School buildings and classrooms | 298 | 704 | 424 | 15 | 127 |
| Multi-purpose centers | 197 | 759 | 386 | 14 | 396 |
| Roads, bridges and footpaths | 286 | 510 | 377 | 14 | 362 |
| Water supply systems | 187 | 626 | 299 | 11 | 293 |
| Health stations | 154 | 714 | 216 | 8 | 310 |
| Day care centers | 125 | 829 | 151 | 5 | 69 |
| Wharfs | 65 | 625 | 104 | 4 | NA |
| Sanitation facilities | 13 | 286 | 46 | 1 | NA |
| **All Types** | **1,800** | **648** | **2,777** | **95** | **NA** |

Source: World Bank (November 2014), based on MIS data

* Maximum number of beneficiaries per *barangay* (totals are unknown because many beneficiaries will have benefitted from two or more subprojects

**Municipal infrastructure.** A pilot sub-component for municipal infrastructure in high performing Municipal LGUs was included in Component 1 in 2009 to support greater integration of CDD principles into local government systems and to promote performance-based financing. Grants were provided to 24 municipalities, but five were cancelled because of non-compliance with project requirements (3), lack of interest (1) and political instability (1). At the loan closing date, 17 municipal infrastructure subprojects were completed. Two more were delayed and completed with government funds. These subprojects were similar to

CBI subprojects, but larger (average cost was about US$50,000) and planned and implemented with the LGU. See Table A3.2 below for more details.

**Table A3.2: Key Features of Municipal Infrastructure Subprojects**

| Type of Infrastructure | Total Cost (PHP m) | Total Cost % Total | Number of Subprojects | Average Cost (PHP '000) |
|---|---|---|---|---|
| Pre-and post harvest facilities | 2.2 | 5 | 1 | 2.2 |
| School buildings and classrooms | 8.7 | 20 | 4 | 2.2 |
| Multi-purpose centers | 11.5 | 26 | 5 | 2.3 |
| Roads, bridges and footpaths | 4.8 | 11 | 2 | 2.4 |
| Water supply systems | 4.4 | 10 | 2 | 2.2 |
| Day care centers | 3.1 | 7 | 1 | 3.1 |
| Other | 8.7 | 20 | 4 | 2.2 |
| **All Types** | **43.5** | **100** | **19** | **2.3** |

Source: World Bank (November 2014), based on MIS data

**LLFS programs.** This sub-component comprised three activities: (i) functional literacy and numeracy training, (ii) training for income-generating activities, and (iii) activities aimed at improving household food sufficiency. Each participating *barangay* received an allocation of PhP300,000 (or about US$7,000) in support of these programs, which targeted marginalized women and out-of-school youth. More specifically, the LLFS enabled these groups to gain knowledge and skills that would help them develop their economic self-reliance, family welfare, leadership, peace-building abilities and awareness of environmental protection. Functional literacy and numeracy training reached an estimated 62,400 beneficiaries, with all but 1 percent increasing their literacy level on a scale of 0-4 based on pre- and post-tests.

**Component 2: Strategic Regional Infrastructure**

This component financed the rehabilitation or construction of thirteen major infrastructure subprojects, largely in accordance with priorities outlined in the ARMM Government Regional Development Plan. The strategic regional infrastructure projects consisted of facilities for health, education, human resources development, social services, and ports. The average cost was about US$440,000. At the loan closing date, the passenger terminal of the Polloc Port was no longer operational even though it remained in good condition (it was closed in 2009 because passenger traffic to Polloc Port was discontinued due to security concerns and lack of demand). The Regional Teacher's Training College is being used but not fully maximized, partly because its location was driven by political rather than strategic considerations and also due to operations and maintenance problems. The remaining eleven subprojects were fully functional. (As mentioned in Section 1.3, strategic regional infrastructure was not included in the Additional Financing, because JICA committed to continue financing the component from its own resources.)

**Component 3: Institutional Strengthening and Governance**

This component did not finance outputs, but served as the support mechanism by providing (i) information, education and communication (IEC) and advocacy, (ii) project management and training support, and (iii) a grievance redress system. It also provided significant training and capacity-building on financial management, procurement, project management, and development planning for the regional government and local government units in ARMM.

**Table A3.3: Key Performance Indicators of the Project**

| INDICATORS | Target Values [a] | Achievement [b] |
|---|---|---|
| **OUTCOME INDICATORS** | | |
| Percentage of households reporting reduced travel time and cost of access to communal basic services | 15 | 7-14 [c] |
| Percentage of households reporting reduced cost of access to local agricultural production facilities | 18 | 26 [d] |
| Number of households with at least one adult family member who learned how to read or write as a result of the LLFS | 57,900 | 62,400 |
| Average sub-project economic rate of return | 14.0% | 14.5% [e] |
| Proportion of people confident in their ability to influence decisions on identifying local development priorities | 25.0% | 32.0% [f] |
| Average Local Government Unit cost-sharing rate | 15.0% | 15.9% |
| *Direct project beneficiaries (male + female)* | *1,380,000* | *988,500* |
| *Direct project beneficiaries (female)* | *759,000* | *508,600* |
| *Number of conflict-affected people receiving benefits in first year or project effectiveness (male + female)* | *138,000* | *138,000 (31 Dec 2003)* |
| *Number of conflict-affected people receiving benefits in first year or project effectiveness (female only)* | *75,900* | *75,900 (31 Dec 2003)* |
| *Increase in household consumption* | *5.0%* | *-4.5%* [g] |
| **INTERMEDIATE RESULTS INDICATORS** | | |
| **Component 1: Community Development Assistance** | | |
| *Beneficiaries that feel project investments reflected their needs* | *60%* | *86%* |
| *Beneficiaries that feel project investments reflected their needs (female only)* | *455,400* | *437,400* [h] |
| Number of communities with improved local infrastructure facilities implemented by the Project | 900 | 1,261 |
| Number of LGUs with improved municipal infrastructure facilities implemented by the Project | 22 | 17 |
| Number of direct beneficiaries of key basic service facilities | 700,000 | 988,500 |
| Number of indigenous peoples beneficiaries | 5,168 | 8,000 |
| **Component 3: Institutional Strengthening and Governance** | | |
| Number of established POs | 900 | 1,261 |
| Number of subprojects implemented at technical standards and within budget | 2,600 | 2,703 (8 May 2014) |
| **Component 3: Institutional Strengthening and Governance (continued)** | | |
| Number of POs with women officers | 700 | 995 |
| Number of POs with indigenous person officers | 200 | 144 |
| Number of Municipal Teams installed and mobilized in target communities | 900 | 239 (8 May 2014) |

Note: Indicators in *italics* are core indicators introduced during the restructuring of the results framework in 2013. Achievements below target (or not statistically different from a control group not served by the project) are shaded in grey.

[a] May 31, 2014 unless noted otherwise

[b] Source is the project Management Information System unless noted otherwise. All achievements refer to achievements recorded at loan closing date.

[c] Source: Impact evaluation (PMO Consultant, 2014). Increases refer to improved access from 2012 to 2014. However, improved access in a sample of project locations was not different (in a statistically significant sense) from improved access in control locations (see Annex 6 for details).

[d] Source: Impact evaluation. Increases refer to improved access to local agricultural facilities from 2012 to 2014. The increase is statistically significant at the 1% level (see Annex 6 for details).

[e] Source: Bank Economist (see Annex 4).

[f] Source: Impact evaluation. Increases refer to confidence levels reported in 2014. The level is not different, in a statistically significant sense, from confidence levels in locations not covered by the project (see Annex 6 for details).

[g] Source: Impact evaluation. Increases refer to household consumption from 2012 to 2014. The difference between the negative growth rate in the treatment group and positive growth in the control group is not statistically significant (see Annex 6 for details).

[h] Estimated by assuming that 86% of the 508,600 female project beneficiaries measured under outcome indicators felt that project investments reflected their needs.

## Annex 4. Economic and Financial Analysis

**Introduction.** Shortly after the loan closing date, the Bank estimated EIRRs of community-based infrastructure (CBI) subprojects financed by ASFP. From January 2003 until May 2014, ASFP financed almost 2,800 CBI subprojects at an estimated cost of US$46.9 million, or 62% of the total project cost. This Annex summarizes the estimates, which cover the EIRRs of over 2,600 subprojects.[19] It also presents qualitative data on the economic benefits of other AFSP-funded subprojects. Because none of the subprojects were designed to cover their full costs from incremental financial revenue, no financial analysis was undertaken.

**Overall Assumptions for the EIRR Estimates of CBIs**

(i) Analysis only includes CBIs that comprise at least 5% of the Project's total capital investment. In total, 95% of the 2,777 completed CBIs are used in the analysis. Excluded are Wharfs (3.6%) and Sanitation facilities (0.7%).

(ii) NEDA uses a standard discount rate of 15% to assess the viability of infrastructure projects.[20] This is the minimum rate by which the government sees investing in a specific project as more beneficial than foregoing other projects. However, to be consistent with assumptions used at baseline and set targets at project completion, for this economic analysis we apply a rate of 12%.

(iii) For simplicity, full development of all CBIs is assumed at year 1, ie, full benefits start accruing to beneficiary households 1 year after capitalization at year 0 and continues throughout the assumed life of the sub-project.

(iv) Utility of the subprojects assumes their expected lifetime. While there are findings from the 2009 Post-project Assessment that some CBIs were destroyed by armed conflict in some project areas and did not live out their maximum utility, there are no indications that these incidences were widespread.

(v) SP capital investments include local counterpart funding. Estimates for EIRR and net present value include O&M and other administrative costs (i.e., M&E, staffing, and other operating costs), which were imputed at varying rates depending on the type of subproject.

(vi) A fixed amount of P300,000 for administrative costs throughout the life of each SP is applied based on the average cost in the Project data. This includes the cost of social preparation, facilitation and advocacy, and project management.

**Economic internal rate of return of CBI subprojects.** The World Bank's *Handbook on Economic Analysis of Investment Operations* requires the real economic rate of return (EIRR) of Bank-financed projects to be equal or higher than the opportunity cost of capital of the country (which the Bank estimates at 12% per annum for developing country members, including the Philippines). The Bank estimated EIRRs for subproject types that accounted for at least 5% of all CBI subprojects. These were: (i) pre-and post-harvest facilities (PPHFs); (ii) school buildings and classrooms; (iii) roads; (iv) multi-purpose centers; (v) water supply systems; (vi) health stations; and (vii) day care centers. Taken together, the project financed 2,627 subprojects in these categories, accounting for 95% of ASFP-financed CBI subprojects

[19] *ARMM Social Fund Project ICR Economic and Financial Analysis*. November 2014.

[20] NEDA (2004), ICC Project Evaluation Procedures and Guidelines. Available in http://www.neda.gov.ph/wp-content/uploads/2013/10/ICC-Project-Evaluation-Procedures-and-Guidelines-as-of-24-June-2004.pdf.

(Table A4.1). The average weighted EIRR of these subprojects was about 14.5%, higher than the Bank's minimum required rate of 12%, and also higher than the target set for the project itself (14%). EIRRs per subproject type are as follows: multi-purpose centers (18.2%), health stations (17.6%) and water systems (16.3%). Taken together, subprojects of these three types account for over 65% of the economic net present value (ENPV) of the subprojects for which the exercise was undertaken. School buildings and class rooms were the only type of community-based infrastructure for which the average EIRR did not exceed the 12% hurdle, primarily because they are relatively costly to maintain and yet unable to increase enrolment significantly.

The estimation of EIRRs was based on realistic and conservative assumptions, verified with observations from other CDD projects in Mindanao. The analysis also recognized that the economic benefit of some CBI subprojects was affected by armed conflict. However, a post-project assessment of 2009 and spot-checking by independent third parties found that the (partial or full) destruction of CBI subprojects was not widespread.

**Table A4.1: Key Features of ASFP Community-Based Infrastructure Subprojects**

| Type of Infrastructure | Investment (PHP m) | Subprojects | | EIRR (%) | ENPV (PHP m) |
|---|---|---|---|---|---|
| | | Number | % Total | | |
| PPHFs | 474 | 774 | 28 | 14.8 | 64 |
| School buildings and classrooms | 298 | 424 | 15 | 8.5 | -48 |
| Multi-purpose centers | 197 | 386 | 14 | 13.5 | 18 |
| Roads | 286 | 377 | 14 | 18.2 | 52 |
| Water supply systems | 187 | 299 | 11 | 16.3 | 33 |
| Health stations | 154 | 216 | 8 | 17.6 | 43 |
| Day care centers | 125 | 151 | 5 | 15.0 | 18 |
| **All Types** | **1,722** | **2,627** | **95** | **14.5** | **196** |

Source: World Bank Economist (November 2014)

**Cost effectiveness analysis of CBI subprojects.** To assess the cost-effectiveness of CBI subprojects financed by ASFP, the average cost of these subprojects was compared to the average cost of similar subprojects financed by KALAHI-CIDSS, its sister project at the national level. This comparison was made for four types of CBI subprojects: (i) school buildings, (ii) roads, (iii) water supply systems, and (iv) health stations. The results of the analysis are as follows:

- The average cost of all four subproject types was lower for ASFP than KALAHI-CIDSS, especially for roads and water supply systems (Table A4.2). This is an important finding, given that the overall project costs for KALAHI-CIDSS are lower than similar projects contracted out by line agencies.
- The average cost per beneficiary household is higher for ASFP for school buildings (339% of the average for KALAHI-CIDSS) and health stations (105%). A possible explanation for the discrepancy is that the ASPF project area has a lower population density and contains more geographically isolated villages than the rest of the Philippines (i.e., the KALAHI-CIDSS project area).

It should be noted that the above comparisons are only valid if the average quality of the subprojects financed by both projects are similar. It is also worth noting that overheads, expressed as a percentage of the total project cost, are relatively high for both ASFP (37%)

and KALAHI-CIDSS (36%) compared to other Bank-financed CDD projects (11-18% for projects in Liberia and Sri Lanka).

**Table A4.2: Average Cost of CBI Subprojects Financed by ASFP and KALAHI-CIDSS**

| Type of Infrastructure | Average Cost per CBI Subproject | | | Average Cost per HH Beneficiary | | |
|---|---|---|---|---|---|---|
| | ASPF (PHP 000) | KALAHI (PHP 000) | ASFP/ KALAHI | ASPF (PHP 000) | KALAHI (PHP 000) | ASFP/ KALAHI |
| School buildings | 704 | 1,104 | 64 | 14.0 | 4.1 | 339 |
| Roads | 759 | 1,467 | 52 | 4.3 | 6.6 | 66 |
| Water supply systems | 626 | 1,108 | 57 | 3.8 | 5.2 | 73 |
| Health stations | 714 | 714 | 100 | 3.0 | 2.8 | 105 |

Source: World Bank Economist (October 2014)

**Economic benefits of other ASFP-funded subprojects.** In addition to CBI subprojects, AFSP also financed municipal infrastructure; learning, livelihood and food sufficiency (LLFS) programs; strategic regional infrastructure; and institutional strengthening and governance. For municipal infrastructure, indicative EIRRs were estimated. No recent quantitative analysis was undertaken for any of the other investments. The economic benefits can be summarized as follows:

- Municipal infrastructure. The project financed 19 municipal infrastructure subprojects, 16 of which were one of the seven infrastructure types listed in Table A4.1. Because the municipal infrastructure subprojects were very similar in nature (albeit not in scale) to the CBI infrastructure, it was assumed that the same EIRRs would apply to each of the seven types identified above. Based on this assumption, the weighted average EIRR of the 16 municipal infrastructure subprojects was estimated at 13.8%.

- LLFS programs. The literacy component of this program exceeded targets and was considered one of the more successful components of ASFP. Pre- and post-test results demonstrated increased reading and writing skills for virtually all beneficiaries. According to a recently completed survey, the livelihood and food security sub-program was far less successful (less than one-third of community members who started training on improved food security completed the training, against 90% for literacy, and 80% for livelihood).[21] Because the vast majority of the funds invested in LLFS programs were allocated to improving literacy, it was assumed that the economic benefits of the program exceeded its economic costs.

- Strategic regional infrastructure. The project completion report for the original loan, which was prepared in 2010, estimated EIRRs for three strategic regional infrastructure subprojects as ranging between 14.7 – 22.1 percent. At the loan closing date, eleven of 13 strategic infrastructure subprojects financed by the proceeds of the original loan were fully functional, and were deemed to generate intended economic benefits. This includes the rehabilitation of five hospitals. The Blah T. Sinsuat District Hospital subproject was estimated to deliver a 22.1% EIRR, so it can be extrapolated that the other hospital rehabilitation subprojects could also deliver similar benefits. Of the other

[21] *The LLFS Subproject Approach: A Pathway Towards Poverty Reduction*. Research Institute for Mindanao Culture. October 2014.

two subprojects the passenger terminal of the Polloc Port is closed as the Port does not currently receive passenger traffic. The Regional Teacher's Training College is functioning at 50 percent capacity because it was constructed in a location of limited strategic relevance and has maintenance problems. These two subprojects, therefore, are currently generating no or fewer economic benefits than anticipated. Because the investments in strategic regional infrastructure accounted for less than 8% of the total project and the remaining eleven subprojects are expected to be delivering intended benefits, the shortcomings in two of them did not have a significant adverse impact on the project's overall EIRR.

- Institutional strengthening and governance. Investment in this component did not generate direct economic benefits, but supported the implementation of Community Development Assistance (CBI, municipal infrastructure, and the LLFS program) and Strategic Regional Infrastructure. The total cost of this component was US$9.5 million, or about 12% of the total project cost.

Weighing the total cost of the CBI subprojects, municipal infrastructure and strategic regional infrastructure, the total project EIRR is 14.47%.

**Table A4.3: Total Project EIRR with Weighted Components**

| Component | Component EIRR | Total capital investment/ component (PHP mn) | % total funds |
|---|---|---|---|
| CDA | 14.46% | 1,800.1 | 87.5% |
| SRI (min) | 14.70% | 215.2 | 10.5% |
| SRI (max) | 22.10% | | |
| MBG | 13.80% | 41.7 | 2.0% |
| **Overall EIRR** | **14.47%** | **2,057.0** | |

## Annex 5. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team members

| Names | Title | Unit | Responsibility/ Specialty |
|---|---|---|---|
| **Lending** | | | |
| Mary P. Judd | Senior Anthropologist | EASER | Former Team Leader |
| Asmeen M. Khan | Lead Governance Specialist | EASPR | Team Member |
| Sri Kuntari | Social Development Specialist | EASID | Team Member |
| Rene S.D. Manuel | Senior Procurement Specialist | EASR1 | Procurement |
| Patria Consuelo Morente | Senior Financial Assistant | TRODR | Financial Management |
| Ronaldo J. Oblepias | Operations Officer | EASHD | Team Member |
| Miriam A. Pahm | Social Development Specialist | EASSO | Team Member |
| Brenda L. Phillips | Temporary Officer | EASRE | Quality Assurance |
| Maria Ines Pinat-Bagadion | Institutional Development Specialist | TWIWA | Social Assessment and Institutional Development |
| Maria Theresa Quinones | Senior Operations Officer | EASPS | Team Member |
| Joseph G. Reyes | Financial Management Specialist | EASOS | Financial Management |
| Jasinta Susanto | Administrative Officer | EAPC2 | Team Member |
| Josefo Tuyor | Senior Environmental Specialist | EASDE | Team Member |
| Per Wam | Senior Social Scientist | SDV | Team Member |
| Mohammed Abu-Nimer | Consultant | EASRE | Peace and Reconciliation |
| Richard Anson | Consultant | AFTA2 | Institutional Strengthening |
| Mohammed A. Bekhechi | Consultant | MNSSU | Safeguards/Legal |
| Amina Bernardo | Consultant | OPSFC | External peer reviewer |
| Gilbert Magno Braganza | Consultant | EASPS | Community Development |
| Yasmin Busran Lao | Consultant | EACPF | Community Organizing/Participation |
| Eric S. Casino | Consultant | EASRE | Consultant |
| Emmanuel T. Castillo | Consultant | EACPF | Financial Management |
| Patricia Cleves | Consultant | LCSSO | Community Development Assistance Component |
| Nat J. Colletta | Consultant | IEGCC | Post-Conflict Experience |
| Marissa Garcia | Consultant | EASPR | Community Development |
| Ernesto Garilao | Consultant | OPSFC | Peace and Reconciliation |
| Pierre Goovaerts | Consultant | ECSHD | Institutional Specialist/ Organizational Management |
| Ernesto S. Guiang | Consultant | EASRE | Natural Resource Management |
| Salvador Jiao | Consultant | EACSB | Civil Engineering |
| Eduardo Jimenez | Consultant | EASFP | Microfinance |
| Felitio C. Lara | Consultant | EACPF | Financial Management |
| Elmer S. Mercado | Consultant | EASOP | Community Participation and Development |

| Names | Title | Unit | Responsibility/ Specialty |
|---|---|---|---|
| **Lending (continued)** | | | |
| Mariles Navarro | Consultant | TWIEA | Institutional Development |
| Keith Robert A. Oblitas | Consultant | IEGPS | Rural Development and Natural Resources |
| Phillip Sawicki | Consultant | IEGCS | Editor |
| Cesar Umali | Consultant | EASPS | Monitoring and Evaluation |
| Manuel E. Valdehuesa | Consultant | EACPF | Community Development |
| **Supervision /ICR** | | | |
| Matthew James Keir Stephens | Senior Social Development Specialist | EASPS | Team Leader |
| Mary P. Judd | Senior Anthropologist | EASER | Team Leader |
| Lourdes L. Anducta | Program Assistant | EASER | Team Member |
| Andrew Beath | Economist | EAPCE | Team Member |
| Maricar Menchie Celestial | Program Assistant | EACPF | Team Member |
| Lynnette Dela Cruz Perez | Senior Education Specialist | EASHE | Team Member |
| Victoria Florian S. Lazaro | Operations Officer | EASPS | Team Member |
| Miriam A. Pahm | Social Development Specialist | EASSO | Team Member |
| Maria Ines Pinat-Bagadion | Institutional Development Specialist | TWIWA | Social Safeguards |
| Roberto B. Tordecilla | Social Development Specialist | EASPS | Team Member |
| Karina Blessica J. Vinluan | Program Assistant | EACPF | Team Member |
| Mark C. Woodward | Lead Social Development Specialist | ECSSO | Team Member |
| Fermin Adriano | Consultant | EASPS | Social Development |
| Raoul J. Azanza | Consultant | EASPS | Consultant |
| Brenda Batistiana | Consultant | EASPS | Gender and Development |
| Jonas Garcia Bautista | Consultant | EASNS | Environmental Safeguards |
| Asger Christensen | Consultant | SDV | Safeguards |
| Douglas A. Forno | Consultant | EASPS | ICR Consultant |
| Jo Rowena D. Garcia | Consultant | EASUR | Environment Specialist |
| Jose Frazier P. Gomez | Consultant | EASPS | Environmental Safeguards |
| Salvador Jiao | Consultant | EACSB | Rural Infrastructure |
| Jose Marie U. Lim | Consultant | EASPS | Environmental Safeguards |
| Dorothy Lucks | Consultant | EASPS | Monitoring and Evaluation |
| Irina Petrovna Novikova | Consultant | ECSUW | Monitoring and Evaluation |
| André Oosterman | Consultant | AFTU1 | Lead Author, ICR |
| Jessie Tabar Ponce | Consultant | EASNS | Preparatory and Analytical Work |
| Arlene P. Porras | Consultant | EASES | Environmental Safeguards |

### (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 | 49.8 | 378.9 |
| FY03 | 60.6 | 188.5 |
| FY04 | - | 44.5 |
| **Total:** | **110.5** | **611.9** |
| **Supervision/ICR** | | |
| FY02 | - | - |
| FY03 | - | 4.4 |
| FY04 | 31.4 | 59.7 |
| FY05 | 25.6 | 81.5 |
| FY06 | 36.7 | 77.6 |
| FY07 | 48.3 | 65.4 |
| FY08 | 10.8 | 64.2 |
| FY09 | 10.2 | 106.2 |
| FY10 | 4.4 | 27.0 |
| FY11 | 14.2 | 124.3 |
| FY12 | 12.2 | 87.4 |
| FY13 | 15.1 | 70.4 |
| FY14 | 17.9 | 77.6 |
| **Total:** | **226.8** | **845.5** |

* Cost of preparation of additional financing included in budget for Supervision/ICR.

# Annex 6. Beneficiary Survey Results

This Annex includes the summary of beneficiary surveys undertaken after the original loan phase in 2009 and then covering the Additional Financing phase from 2010-2014. Both assessments included before-after/treatment-control samples. The 2014 Additional Financing assessment covered all five provinces, with targeting using Propensity Score Matching. The 2009 original loan assessment covered Lanao del Sur and Sulu provinces.

## Part 1: 2009 Impact Assessment

Four years after a baseline survey in late 2004-early 2005, a follow up survey was conducted in selected ARMM Social Fund Project locations to evaluate the impact of the project against the project development objectives, namely:

1. Provide and/or improve sustained access to social and economic infrastructure and services by the poor and conflict-affected poor communities;
2. Provide capacity-building activities for women, youth and other community groups for improving food security, employment opportunities and household incomes;
3. Strengthen social cohesion and partnerships between and within communities in the ARMM region; and
4. Improve local governance and institutional capacities for implementation in the ARMM region, with focus on improved transparency and accountability in the allocation and management of public resources by the participating communities, local government units and ARMM Regional Government.

This Annex provides a summary of the main outcomes of the Impact Evaluation against each objective. The findings are based on a quantitative survey plus focus group discussions and key informant interviews in six treatment and six control barangay in Lanao del Sur and Sulu provinces. In reading this summary, data limitations should be kept in mind. In some cases, significant improvements are evident in both treatment and control areas, suggesting contamination of non-project areas either by ASFP investments and/or by other government or donors projects. The absence of information on contamination complicates the drawing of firm conclusions in some cases, but the data presented here remains of interest nonetheless.

## Project Process

The Impact Evaluation demonstrated that the ARMM Social Fund Project (ASFP) followed a strong community-driven development process. Government officials in the areas stated that ASFP was the first and largest initiative in the area to employ participatory processes and was considered something of a breakthrough project.

The quality of community participation was reported as very inclusive in each project stage – initial project identification, formation of people's organizations (POs), development of a community investment plan, making of a formal proposal, project approval and then implementation. Communities abided by the 60 percent minimum participation requirement, including representation from all sectors (women, youth, religious minorities and indigenous peoples). The high level of public awareness of ASFP (95 % in Lanao del Sur, for instance), is indicative of the quality of public participation in project planning and implementation.

Instances of elite capture, whereby local officials overlooked community preferences or took control of project assets, were documented, but these were rare. Equally, cases where communities directly defied the wishes of their Barangay Captain were identified, indicating that facilitation was strong and computer empowerment gains were made in some locations.

**PDO 1: Provide and/or improve sustained access to social and economic services by the poor as well as conflict-affected communities; and PDO 2: Provide capacity-building activities for women, youth and other community groups for improving food security, employment opportunities and household incomes**

*These two PDOs are combined, as they both relate to economic/ income-related outcomes. Multiple indicators were used to measure these PDOs, including: (i) a Human Welfare Index to measure impacts on poverty; (ii) Food Security and Sustainable Development; (iii) Vulnerability; (iv) Access to Social and Economic Services; and (v) Perceptions About Quality of Life.*

*Human Welfare Index (HWI)* [22]*:* Created to measure the impact of the project on poverty, the HWI showed no overall change between treatment and control areas before and after the project. However, the overall figure obscures regional differences. As the table below indicates, positive impacts in Lanao del Sur were offset by negative outcomes in the more conflict-prone Sulu province. In Lanao del Sur, 38.9% of villages in treatment areas were in the lower tercile of villages in the province before the project, compared to 27.4% in control areas. By the end of the project, the number of control areas in the lower tercile for human welfare had increased to 35.8%, whereas in treatment areas, the figure had declined to 30.5%.

**Table 1: Percent Tercile Distribution on HWI**

| **Terciles** | **Lanao del Sur** | | | | **Sulu** | | | |
|---|---|---|---|---|---|---|---|---|
| | Pre ASF | | Post ASF | | Pre ASF | | Post ASF | |
| | *Control* | Treatment | *Control* | Treatment | *Control* | Treatment | *Control* | Treatment |
| **Lower Tercile (T1)** | *27.4* | 38.9 | *35.8* | 30.5 | *39.3* | 27.4 | *36.8* | 29.9 |
| **Middle Tercile (T2)** | *36.8* | 30.5 | *29.5* | 37.9 | *31.8* | 34.8 | *34.3* | 32.3 |
| **Upper Tercile (T3)** | *35.8* | 30.5 | *34.7* | 31.6 | *28.9* | 37.3 | *28.9* | 37.8 |

*Vulnerability*: The project mostly made a positive contribution to the reduction of vulnerability. Performance was significantly better in Lanao del Sur than in Sulu, where levels of violent conflict were higher and more damaging. Impressively, ASFP succeeded in

[22] Variables in the index are: total number of household members; number of members 15-64 years old; number of female household members; education of household head; average value of food for three days; expenses for taxes; expenses for gifts/contributions; ownership of cell phone' ownership of bicycle; expenses for clothing, footwear and other wear.

bringing about a decline in the proportion of households that had experienced reduction in food consumption during the past twelve months (17.9% in Lanao del Sur and 7.6% in Sulu). This suggests either an increase in income and/or better access to food.

**Table 2. Households that Had to Reduce Consumption**

| Need to reduce consumption | Lanao del Sur | | | | | | | Sulu | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | Impact | Control | | | Treatment | | | Impact |
| | *Pre ASF* | Post ASF | % Dif | *Pre ASF* | Post ASF | % Dif | | *Pre ASF* | Post ASF | % Diff | *Pre ASF* | Post ASF | % Diff | |
| Yes | *29* | 40 | | *30* | 24 | | | *92* | 65 | | *104* | | | |
| | *30.5* | 42.1 | 11.6 | *31.6* | 25.3 | -6.3 | **17.9** | *45.8%* | 32.3% | -13.5 | *51.7%* | 45.8 | -5.9 | **7.6** |
| No | *95* | 95 | | *95* | 95 | | | *201* | 252 | | *201* | | | |
| | | | | | | | | 201 | | | | | | |

Minor positive impacts were seen in terms of the proportion of people who sold or mortgaged land in the previous twelve months (7.4% in Lanao and 1.0% in Sulu).[23] The project brought about a 24.1% decline in the proportion of households that had to borrow money from friends in the previous 12 months in Lanao del Sur, though there was a negative impact of 14% in Sulu.

*Access to services*: Impacts on access to services were marginal, with travel time to health facilities declining by 6.1 minutes in Lanao del Sur and 4.2 minutes in Sulu. For schools there was no significant impact either way. However, it possible that the impacts were actually larger than recorded due to contamination of control areas. It was reported that ASFP-funded health centers were utilized by residents in project and non-project barangay, so reductions in travel times in both locations could potentially be attributable to the project.

With respect to water supply, in Lanao del Sur a 13.6% increase in access to household water connections was recorded in project areas, however, a larger increase was also recorded in control areas (15.8%). This reflects the existence of local government funded water projects in non-ASFP locations. No impacts were evident in Sulu, where the water facility constructed was destroyed and looted after conflict broke out in 2006.

*Perception of quality of life*: the impact of the ASFP on people's perception of the quality of their life was not significant. Lanao del Sur recorded a 1 percent and Sulu a 3.5 percent increase in the number of respondents reporting that the quality of their life was good. On one hand, this reflects the limited movement in the Human Welfare Index over the course of the project. On the other hand, however, it fails to reflect the recorded improvements in vulnerability. This might suggest that the poor need an extended period without vulnerability before they gain confidence to make the kind of longer-term investments that will support better living conditions.

[23] Those who did mortgage or sell land stated it was for medical expenses or other emergencies.

| **Table 3: Perception of Quality of Life** | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | | |
| | Control | | | Treatment | | | Impact | Control | | | Treatment | | | Impact | |
| **Perception** | *Pre ASF* | Post ASF | % Diff | *Pre ASF* | Post ASF | % Diff | | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | % Diff | | |
| **Good** | *14* | 22 | | *21* | 30 | | | *27* | 32 | | *19* | 31 | | | |
| | *14.7* | 23.2 | 8.5 | *22.1* | 31.6 | 9.5 | **1.0** | *13.4* | 15.9 | 2.5 | *9.4* | 15.4 | 6.0 | **3.5** | |
| **Total** | *95* | 95 | | *95* | 95 | | | *201* | 201 | | *201* | 201 | | | |
| | *100* | 100 | | *100* | 100 | | | *100* | 100 | | *100* | 100 | | | |

Although little improvement in the perception of the quality of life was evident, it seems that the project benefits did give respondents cause for optimism for the future. In control areas in Lanao del Sur, the proportion of respondents reporting a big chance of improving their lives declined by 4.8 percent, compared to an increase of 6.3 percent in treatment areas, for a total impact of 11.1 percent. A positive impact of 8.9 percent was recorded in Sulu. With regard to the chances of their children to improve their present situation, similar positive impacts of 7.3 percent in Lanao and 4.9 percent in Sulu were recorded.

**PDO 3: Strengthen social cohesion and partnerships between and within communities in the ARMM region**

*The project evaluates impact on community cohesion and social capital against three main measures: (i) membership in organizations; (iii) participation in collective action; and (iii) trust. It also assesses impact on violence and conflict.*

*Membership in organizations*: minor increases were seen in terms of membership in organizations, perhaps reflecting that ASFP formed some POs for the purposes of project implementation. Membership of community groups increased by 8.4% in treatment areas compared to control in Lanao del Sur, though it should be mentioned that membership actually declined in both locations. In Sulu a positive impact of 1.6% was observed, though this cannot be considered significant.

Although the impact of the project on this aspect of social capital is not major, interesting results emerged with respect to the role of women. In Sulu, women's representation in local organizations increased from 36.7% to 53.5%. In Lanao del Sur, although the total representation of women declined, there was a shift in the position of women from mostly ordinary members to almost 50% serving as officials with decision-making roles.

*Participation in collective work* increased significantly in both treatment and control areas, with a 6.2% higher increase in control areas in Lanao del Sur, but a 5.5% higher participation rate in treatment areas in Sulu. The major increases in control areas suggests that the project itself had limited or no impact. However, the qualitative research indicated that non-ASFP areas were aware that people's organizations were necessary to secure project resources. So, while quantitative impact was not significant or in fact negative, it is possible that ASFP had spillover effects into control areas in this case. It is also possible that time spent working on ASFP construction actually took away from other collective action. The time that poor villagers have to dedicate to communal work and communal contributions is finite, so ASFP contributions of time may well have come at the expense of other routine community activities.

**Table 4: Participation in Collective Work During the Past Six Months**

| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | | | | | Treatment | | | Impact |
| Participated | *Pre ASF* | Post ASF | % Diff | *Pre ASF* | Post ASF | % Diff | Impact | *Pre ASF* | Post ASF | % Diff | Pre ASF | Post ASF | % Diff | |
| Yes | *24* | 44 | | *27* | 41 | | | *46* | 68 | | 52 | 85 | | |
| | *25.3* | 46.3 | 21.0 | *28.4* | 43.2 | 14.8 | **-6.2** | *22.9* | 33.8 | 10.9 | 25.9 | 42.3 | 16.4 | **5.5** |
| Total | *95* | 95 | | *95* | 95 | | | *201* | 201 | | 201 | 201 | | |
| | *100* | 100 | | *100* | 100 | | | *100* | 100 | | 100 | 100 | | |

*Trust*: as a project that requires community consensus, communal action and that encourages negotiation between community members over development needs, it was hoped that ASFP would enhance trust both between and within communities. ASFP showed <u>small positive impacts with respect to trust within communities</u>, with a 9.5% better outcome in treatment compared to control areas in Lanao del Sur (albeit with a reduction in trust in both locations) and a 3% increase in Sulu. No data was collected on trust between communities, however, little change could be anticipated as ASFP activities are barangay-based and do not cross boundaries or encourage trans-communal cooperation.

**Table 5: Reaction to the Statement: "Most people who live in this barangay can be trusted"**

| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | Impact | Control | | | Treatment | | | Impact |
| | *Pre ASF* | Post ASF | % Dif | *Pre ASF* | Post ASF | %Dif | | *Pre ASF* | Post ASF | % Dif | *Pre ASF* | Post ASF | % Diff | |
| **Agree** | *84* | 71 | | *78* | 74 | | | *124* | 158 | | *89* | 129 | | |
| | *88.4* | 74.7 | -13.7 | *82.1* | 77.9 | -4.2 | **9.5** | *61.7* | 78.6 | 16.9 | *44.3* | 64.2 | 19.9 | **3.0** |
| **Total** | *95* | 95 | | *95* | 95 | | | *201* | 201 | | *201* | 201 | | |
| | *100.0* | 100.0 | | *100.0* | 100.0 | | | *100.0* | 100.0 | | *100.0* | 100.0 | | |

*Violence & Conflict*: ASFP targets a reduction in violence and conflict through two major means. Firstly, it attempts to address an underlying cause of conflict by improving living conditions. Secondly, the project provides forums for communities to negotiate peacefully over a neutral issue – development needs – and work together to fulfill a common good. It is expected that this can help to build stronger communal relations, enhance social capital and reduce violence.

<u>Results against this indicator are mixed</u>. Data collected on the nature of disputes showed that some increased in occurrence in Lanao del Sur but decreased in Sulu (property disputes). Whereas communal disputes (*rido*) increased in Sulu but decreased in Lanao del Sur. No data was gathered on the intensity, damage or level of violence related to these disputes, so it is difficult to draw general conclusions as to whether conflict incidence and intensity increased or declined.

A proxy measure for this is whether <u>respondents feel safe from crime and violence</u>. As evident in Table 6 below, <u>results are again mixed</u>. A significant positive impact of 11.9% was recorded in Sulu, but respondents in Lanao del Sur suffered a 5.3 % decline in feelings of safety. This indicates that in a region characterized by major conflict, there are limits as to what a CDD project can achieve. This outcome is consistent with most literature on the topic, that suggests that CDD projects can help reduce *development-related* conflicts, but are unlikely to enhance capacity to reduce other forms of conflict in the absence of specific interventions targeted at that purpose.

**Table 6: Feeling of Safety from Crime & Violence**

| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | Impact | Control | | | Treatment | | | Impact |
| | *Pre ASF* | Post ASF | %Dif | *Pre ASF* | Post ASF | %Dif | | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | %Dif | |
| Safe | *82* | 69 | | *87* | 69 | | | *150* | 147 | | *148* | 169 | | |
| | *86.3* | 72.6 | -13.7 | *91.6* | 72.6 | -19 | **-5.3** | *74.6* | 73.1 | -1.5 | *73.6* | 84.0 | 10.4 | **11.9** |
| Total | *95* | 95 | | *95* | 95 | | | *201* | 201 | | *201* | 201 | | |
| | *100* | 100 | | *100* | 100 | | | *100* | 100 | | *100* | 100 | | |

**<u>PDO 4: Improve local governance and institutional capacities for implementation in the ARMM region, with focus on improved transparency and accountability in the allocation and management of public resources by the participating communities, local government units and ARMM Regional Government.</u>**

*Indicators to measure improvements in local governance were as follows: (i) knowledge about Barangay Assemblies; (ii) awareness of Barangay Development Councils; (iii) knowledge of barangay income and expenses; and (iv) a series of perception indicators about the local government's capacity to deliver better public services and reduce poverty.*

In summary, the project made significant gains in terms of building local government capacity to deliver projects in a transparent and accountable manner. Participatory processes were followed, with strong results on the ground. The decision to shift responsibility for implementation to ARMM government officials in 2006 means that benefits of institutional capacity building will stay with the government. Both government officials and communities interviewed for the Impact Evaluation felt confident they could repeat the ASFP approach for future projects.

However, governance benefits remain somewhat trapped in the “project bubble”. The lack of fiscal space available at the barangay or municipal level prevents LGUs or communities from replicating the ASFP processes. Consequently, communities see little improvement in governance practices.

*Awareness of Barangay Assemblies*: starting from a very low base of 17.9% in control areas and 9.5 % in treatment areas in Lanao del Sur, awareness increased significantly to 54.7% and 56.8% respectively, a 6.9% positive impact for the project. In Sulu awareness declined by 3.9% in treatment compared to control locations, although overall awareness increased in both areas. The significant increases in awareness in control areas suggests that factors outside ASFP were responsible, such as the Mayor making a strong push to enhance Barangay Assemblies, or perhaps other projects also mandating barangay assemblies like ASFP. An alternative explanation is that ASFP might have generated spillover effects, with neighboring villages energizing Barangay Assemblies in the hope of attracting ASFP resources. Either way, the increased engagement of communities in LGU affairs at the barangay level could help to enhance transparency and accountability in the long-term.

*Knowledge about functioning Barangay Development Council (BDC)*: BDCs were little known or completely non-functional in both survey locations at the time of the baseline, with no respondents reporting awareness, other than 1% in control areas in Sulu. Not much had changed in Lanao del Sur by the end of the project, with awareness increasing to 8.4% in control areas and 7.0% in treatment areas, a negative impact for ASFP. This suggests factors beyond the project were responsible for the increase and that ASFP did not energize the BDCs. This is not a surprise given that BDCs had no official role in the project. However, awareness rose to 18.9% and 26.9% in control and treatment areas respectively in Sulu, an 8% impact for the project. The significant increase in control areas suggests contamination by initiatives other than ASFP.

*Knowledge of barangay income and expenditures*: table 7 below demonstrates how the transparency requirements of ASFP have not translated across to governance in general. Impact against this indicator was negligible or negative, with few villagers being aware of the content of the barangay budget either before or after ASFP.

**Table 7: Knowledge about Barangay Income and Expenses**

| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | Impact | | | | Treatment | | | Impact |
| Knowledge | *Pre ASF* | Post ASF | %Dif | *Pre ASF* | Post ASF | %Dif | | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | %Dif | |
| Yes | *12* | 24 | | *16* | 26 | | | *26* | 36 | | *30* | 46 | | |
| | *13.7* | 25.3 | 11.6 | *16.8* | 27.4 | 10.6 | **-1.0** | *12.9* | 17.9 | 5.0 | *14.9* | 22.9 | 8.0 | **3.0** |
| Total | *95* | 95 | | *95* | 95 | | | *201* | 201 | | *201* | 201 | | |
| | *100* | 100 | | *100* | 100 | | | *100* | 100 | | *100* | 100 | | |

*Perception of local government performance*: despite the strong community support for the ASFP participatory process and the benefits derived from ASFP investments, project implementation did not correlate with improved community perceptions of local government. Table 8 below demonstrates a negative impact on perceptions of the ability of LGUs to tackle poverty.

**Table 8: Reaction to the Statement: "The local government is capable of confronting rising poverty"**

| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | Impact | Control | | | Treatment | | | Impact |
| | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | % Diff | | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | % Diff | |
| Agree | *59* | 59 | | *69* | 60 | | | *96* | 82 | | *111* | 77 | | |
| | *62.1* | 62.1 | 0.0 | *72.6* | 63.2 | -9.4 | **-9.4** | *47.8* | 40.8 | -7.0 | *55.2* | 38.3 | -16.9 | **-9.9** |
| n | *95* | 95 | | *95* | 95 | | | *201* | 201 | | *201* | 201 | | |

Impacts were marginally more positive with respect to the ability to deliver basic services such as education and health.

**Table 9: Reaction to the Statement: "The local government has the capability to deliver basic services like those on education and health"**

| | **Lanao del Sur** | | | | | | | **Sulu** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Control | | | Treatment | | | | Control | | | Treatment | | | Impact |
| Reaction | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | % Diff | Impact | *Pre ASF* | Post ASF | %Diff | *Pre ASF* | Post ASF | %Diff | |
| Agree | *76* | 72 | | *76* | 78 | | | *130* | 128 | | *146* | 143 | | |
| | *80.0* | 75.8 | -4.2 | *80.0* | 82.1 | 2.1 | **6.3** | *64.7* | 63.7 | -1.0 | *72.6* | 71.1 | -1.5 | **-0.5** |
| n | *95* | 95 | | *95* | 95 | | | *201* | 201 | | *201* | 201 | | |

## Sustainability

Although it is premature to fully assess the sustainability of the project, there were examples of local action to ensure sustainability of the physical project investments. In barangay in Lanao del Sur, users of the warehouse and solar dryer are charged ten centavos per kilogram of any commodity stored, with the barangay captain collecting the fees. A similar scheme is in operation in Sulu, where the People's Organization collects the fees for submission to the LGU. In Lanao del Sur, the water system is supported financially by the LGU.

In governance terms, skills and knowledge acquired by government officials, POs and communities on how to conduct participatory development processes will stay with them.

However, in the absence of additional external financing, the limited fiscal space available at the LGU level militates against the prospects of replication.

The minimal impact of the project in terms of governance and social cohesion suggests that more concerted efforts are required to achieve project aims in these fields. Institutionalization of the ASFP CDD approach would require regulatory change to make it part of the standard planning process. Efforts to energize BDCs and Barangay Assemblies would need to be more explicit. Specific conflict mitigation activities could be integrated into future project activities to support the broader aim of enhancing the enabling environment for development by reducing violence.

## Conclusions

In summary, the ARMM Social Fund Project has had mixed outcomes. Through a strong participatory process, it has delivered clear benefits for local merchants and traders and those directly utilizing other investments such as warehouses, solar dryers, schools, health centers and water supply systems. Positive economic impacts that significantly reduced vulnerability occurred in Lanao del Sur, reflected in a rise in the overall Human Welfare Index.

In the case of Sulu, however, the volatile law and order condition appears to have offset the project benefits, with minimal welfare impacts evident.

Some improvement was seen in terms of both governance and social cohesion. Public participation in the project seemed to spark interest in greater community engagement with local governance through Barangay Assemblies. Membership in local organizations increased, with women in particular taking on more decision-making roles. However, at this stage at least, these positive outcomes have not yet evidently improved local government performance – the project benefits of participation, transparency and accountability remain trapped in the project bubble. Consequently, the project has not yet generated increased public belief that LGUs are delivering for them on poverty and public service outcomes. Regulatory changes and stronger efforts to institutionalize participation could assist.

With respect to social cohesion, trust within communities increased, providing a stronger basis for future collective action. However, in a region that continues to be affected by multiple inter-related forms of violence that emanate from beyond the community realm, this has not translated into feelings of increased safety and security. More intensive and explicit action beyond CDD projects is recommended to tackle conflict.

## Part 2: 2014 Impact Assessment

**Introduction.** Shortly before the loan closing date, PMO recruited a firm ("the PMO Consultant") to assess the impact of ASFP. The purpose of the assessment was to measure the achievement of the outcome indicators which were not measured by the MIS or other methods and assess to what extent the achievements met the targets set for the project's loan closing date. The five main indicators assessed were:

- percentage of households reporting reduced travel time and cost of access to communal basic services,

- percentage of households reporting reduced cost of access to local agricultural production facilities,
- proportion of people confident in their ability to influence decisions on identifying local development priorities,
- increase in household consumption, and
- beneficiaries that feel project investments reflected their needs.

All indicators are outcome indicators except “beneficiaries that feel project investments reflected their needs”, which is an intermediate results indicator. The first three indicators are explicitly mentioned in the Loan Agreement to the Additional Financing. The fourth was introduced in a 2013 restructuring and the fifth is a Core Sector Indicator that was included in line with Bank procedures at the time.

To measure the impact of the project on the dimensions to be measured by the indicators, the PMO Consultant tracked and interviewed 1,244 persons in 48 locations that were covered by the project (“the treatment group”) and 1,030 persons in 40 locations that did not participate in the project (“the control group”). The treatment and control locations were identified utilizing Propensity Score Matching. The remainder of this Annex firstly describes the findings of the PMO consultant for each of the five indicators. It then presents a summary of the full beneficiary survey results.

**Percentage of households reporting reduced travel time and cost of access to communal basic services.** Four types of communal basic services were considered: (i) educational facilities, (ii) health facilities, (iii) markets, and (iv) water supply systems. A significant portion of the respondents in the treatment group reported “good” or “very good” access to these facilities, and access levels increased over time (by 7% to 14% from 2012 to 2014, depending on the service). In all four areas, improvements in treatment areas exceeded improvements in control areas; however, the results were not statistically significant (Table A6.1). This means that despite changes in project areas being in the right direction and exceeding those in control areas, there is not enough statistical evidence at this point to attribute such changes to the project alone. Given the open menu nature of the project, different types of communal service were introduced in different treatment locations, which effectively dilutes the benefits of a specific service when measured across all treatment locations. Major contamination of both treatment and control sites was evident during the project implementation, as the government massively increased expenditure on community development during the 2011-2014 period as part of its support for the peace process.

**Percentage of households reporting reduced cost of access to local agricultural production facilities.** In 2012, about 40% of households in both the treatment group and control group had access to local agricultural facilities (such as solar dryers, warehouses and coconut grillers). In 2014, access in the treatment group was approximately 20% higher compared to control areas. The difference was statistically significant.

**Table A6.1: Access to Communal Services in 2012 and 2014**
(percentage of respondents reporting "good" or "very good" access)

| Communal Basic Service | Treatment Group (T) | | Control Group (C) | | Difference (T-C) | | DD* |
|---|---|---|---|---|---|---|---|
| | 2012 | 2014 | 2012 | 2014 | 2012 | 2014 | |
| Educational facilities | 37 | 47 | 40 | 47 | -3 | 0 | +3 |
| Health facilities | 23 | 35 | 24 | 30 | -1 | +5 | +6 |
| Markets | 40 | 47 | 51 | 53 | -11 | -6 | +5 |
| Water supply systems | 35 | 49 | 33 | 37 | +2 | +12 | +10 |

Source: PMO Consultant (October 2014)
* Double difference (calculated as $[T_{2014} – T_{2012}]$ - $[C_{2014} – C_{2012}]$). None of the observed double differences was statistically significant at the 10% level, except piped water supply.

**Proportion of people confident in their ability to influence decisions on identifying local development priorities.** From 2012 to 2014, confidence levels remained virtually unchanged both in the treatment group and the control group. Moreover, confidence levels in the treatment group were not different, in a statistically significant sense, from the control group. This suggests that, during 2012-2014, the project did not have a measureable impact on the confidence of persons living in project locations in their ability to influence decisions on identifying local development priorities.

**Increase in household consumption.** Despite improving access to agricultural facilities and markets, the impact evaluation did not detect a positive relationship between participation in ASFP and an increase in household consumption. In fact, the opposite correlation was observed, albeit not to a statistically significant level. During 2012-2014, household consumption (as measured by monthly per capita expenditures) actually decreased in the treatment group, while it increased in the control group. The difference, however, was not statistically significant. The absence of a statistically significant impact of participation in the project and increase in household consumption may be explained by:

- The relatively high number of *barangays* from Maguindanao Province in the treatment group. During 2012-2014, this province experienced more droughts and irregular rainfall than most *barangays* in the control group, and these conditions may have offset a project-induced increase in household incomes.
- The relatively small size of the project. During 2003-2014, ASFP invested about US$76 million in an area with a population of over 1 million people. This is equivalent to an investment of US$10 per person per year. It is conceivable that other factors, such improved macroeconomic stability and an overall improvement of the security situation in both the treatment group and the control group have drowned out the statistical significance of the project's impact on household consumption rates.
- The timing of the assessment. When the endline survey was undertaken, project implementation was still ongoing in 14 sites and was only just completed in another twenty. This means it is very likely that the assessment understates project benefits.

**Beneficiaries that feel project investments reflected their needs.** About 86% of beneficiaries feel that project investments reflect their needs. These perceptions were checked against the respondent's ability to correctly identify the type of subproject implemented in a *barangay* and are, thus, subproject specific.

**Summary of beneficiary survey results.** The impact evaluation provides strong evidence that the project has significantly improved access to local agricultural production facilities and piped water supply, and indicated that the vast majority of project beneficiaries feels that project investments reflect their needs. The impact evaluation did not provide sufficient statistical evidence that access to communal basic services had improved because of the project alone. The assessment showed no effect on household consumption or confidence of people in their ability of influence local development priorities. It should be noted, however, that the impact evaluation was limited to a two-year period (2012-2014), and the impact of the project such ASFP on household consumption or local politics may require more time to materialize.  It is also worth noting that the statistical analysis of the project's intended impacts was deemed of high quality and deserves to be replicated in other Bank-financed CDD projects.

## Annex 7. Stakeholder Workshop Report and Results

**Overview.** On 8 May 2014, the PMO and the World Bank organized a joint workshop to discuss the main findings of the implementation of ASFP and identify lessons learned. The workshop was attended by key staff of the PMO and DSWD-ARMM, members of the World Bank supervision team, representatives of LGUs, *barangays*, PO members, and facilitators. The main findings of the implementation of ASFP are described in the main text of this report, and in Annex 7 (which contains a summary of the Borrower's project completion report). The lessons learned by the World Bank and the implementing agency can be summarized as follows:

**Lessons learned presented by PMO.**

- **Proper Identification of Target Communities and Beneficiaries.** The adoption of project selection criteria ensured that target communities were properly identified as those truly needing assistance, rather than being determined by political considerations.
- **Equal Allocation and Proper Utilization of Resources.** With clear targets, the CDA process ensured that the budget was properly allocated to needy communities and their priority development agenda. In this process, the utilization of meager resources at the community level was maximized to ensure optimum benefits. The capacity building training provided to the Peoples Organizations enable them to handle funds properly.
- **Promotion of Multi-Stakeholder Cooperation and Community Decision-Making.** The participatory and inclusive CDA processes encouraged local stakeholders to see the value of coordination between and among CDA stakeholders. *Barangay* and Municipal LGUs provided cash and non-cash contributions and support to the CDA subprojects while community members provided labor counterpart. In most cases, local counterpart exceeded the 15 percent requirement of the project.
- **Enhancement of Leadership skills.** Community empowerment enhanced leadership through capacity-building interventions and involvement in subproject implementation.
- **Political Interference of Local Officials.** In some areas, local officials took the lead in subproject implementation, controlling activities to the detriment of the community.
- **Alleged manipulation of some barangay officials and project staff in the identification of priority subprojects.** Instead of going through the process in identification of priority subprojects, they shortcut the process because they already have pre-identified subprojects.
- **Subproject appraisal were done for compliance only.** Project staff (engineers) did not always conduct subproject appraisal comprehensively and seriously. Thus, a number of variations between what was planned and what was built were evident.
- **Recognition of women** improved their self-confidence, self-worth, access to basic services and participation in community activities.
- **Involvement of the PO** in subproject implementation is very strong.

- PO's experience of managing and implementing community identified subprojects has provided a foundation to build relationships among its members and some BLGU officials
- The installation of the Municipal Multi Stakeholders Committee (MMSC) was instrumental in facilitating the approval of priority *barangays* and subprojects because decision-making was closer to the *barangay* level.
- In subproject identification, the consultative and participatory process in the social preparation stage generally ensured that small infrastructure projects address community needs. However, identification of subprojects needs to be strengthened so that underutilized subprojects are avoided.
- Technical assistance to support POs to craft solid operations and management plans could also improve the usage and sustainability of subprojects. However, POs only often look out for maintenance of facilities, rather than systematizing operations or making their endeavors profitable.
- **Recommendations:**
  - Local officials should also be involved in the social preparation but they should not take the lead and dominate in the process.
  - The step-by-step process should be followed in the identification of priority subprojects. The process undertaken should always be documented.
  - The project staff should always conduct subproject appraisal comprehensively and seriously to avoid variations. The procedure how the appraisal is done should be documented and be reviewed by responsible project staff before implementation starts.

**Lessons learned presented by World Bank (initial findings).** A "+" sign indicates a positive lesson, whereas "-" indicates a negative lesson.

<u>Lessons about project design</u>:

\+ Project objective highly relevant to ARMM, GPH and World Bank
\+ CDD appropriate means to empower citizens and promote social cohesion and partnerships
\+ Project design relatively simple
\+ Strategy to move from project-hired staff to organic staff in PMO and DSWD-ARMM
\+ Inclusion of LLFS (addressed clear need and increased community involvement)
\- Heavy reliance on impact evaluations for M&E
\- Project initially managed from Manila
\- Late inclusion of Grievance Redress System

<u>Lessons about implementation in general</u>:

\+ Demonstration effect: ARMM government capable of implementing projects
\+ Project widely seen as clean in a region where misuse of funds remains common
\+ Mobilization of co-financing (JICA, AusAID, counterpart funding by LGUs)
\- Political and security challenges
\- Misuse of funds was low but not zero

Lessons about implementation of Component 1:

+ CDD approach appears to have promoted social cohesion and partnerships
+ General agreement between priorities identified in household surveys and community assemblies
+ Generally fair selection process of PO members
+ Subprojects addressed community needs
+ Increased access to basic services
+ Empowerment through LLFS (especially literacy)
- Limited innovation (open menu in theory, closed menu in practice)
- Incomplete information about items eligible for block grants
- Incomplete compliance with FM guidelines, resulting in delays in subproject completion
- Subproject selection partly based on political considerations

Lessons about implementation of Component 2:

+ Most subprojects addressed strategic needs of ARMM
+ Clear link with regional development plans
- Delays in subproject implementation; 4 of 13 on time or ahead of schedule

Lessons about implementation of Component 3:

+ Training generally well-received
+ Institutional strengthening of DSWD-ARMM, DILG-ARMM and PMO
+ Cadre of experienced facilitators and technical staff developed
+ Planning skills developed in LGUs and *barangays* through involvement of DILG
+ High levels of awareness (strong brand!)
- Training did not always provide PO members with skills needed to comply with requirements (especially in financial management)
- Limited time for training (interest in more staggered training)
- Limited interest from LGUs in municipal infrastructure
- Avoidable delays in implementation of municipal infrastructure subprojects (counterpart fund contributions)
- Less involvement of communities in municipal infrastructure than in CBI subprojects

Lessons about monitoring and evaluation:

+ Timely submission of reports
+ Timely and accurate information available on subproject implementation
- Limited M&E of technical quality and social preparation activities
- Limited effectiveness of GRS in localities where needed most
- M&E information not used strategically
- Infrequent spot checks

## Annex 8. Summary of Borrower's ICR and Comments on Draft ICR

### (a) Summary of Borrower's Completion Report

In September 2014, the Implementing Agency submitted a 50-page Project Completion Report (PCR) to the Bank. The Borrower's PCR covered the part of the project that was funded by the Additional Financing, although it also refers to achievements during the implementation period of the original project. The report rated the performance of the Bank "satisfactory", primarily because of the project design (the CDD approach was deemed a suitable instrument in a post-conflict situation), flexibility and general support to the Implementing Agency, especially in matters concerning fund allocation and disbursement. The PCR rated the Borrower's own performance as "moderately satisfactory", but did not mention shortcomings to justify the adjective "moderately". Section III of the PCR summarizes the conclusions and recommendations of the Borrower with respect to ASFP. This section is copied below.

**CONCLUSIONS AND RECOMMENDATIONS**

### A. Conclusion

The loan closing date of Additional Financing of ARMM Social Fund Project was originally scheduled on May 31, 2013 but it was extended to one year, upon approval by the World Bank, to complete the remaining activities and other deliverables of the Project. However, at the final close of the loan on May 31, 2014, there were still a number of deliverables left unaccomplished, i.e., 128 CBI subprojects not yet completed and one not started; and six MBG-MI subprojects not yet completed.

Although a grace period of four months (June-September 2014) was granted by the World Bank for the Project to wind-up and accomplish other unfinished deliverables, as of September 30, 2014 there were still 38 CBI subprojects not yet completed and one not started; and two MBG-MI subprojects not yet completed.

The annual financial targets were not met due to some factors beyond the control of the Project, as follows: (a) The Loan Agreement was signed and became effective in 2010 but there was no budget approved for the Project; (b) Special Account was not also available in 2010. It was released by the Bank in 2011; and, (c) Slow delivery of expected outputs for CDA component under the Program Implementation Agreements with the Department of Social Welfare and Development-ARMM. This became evident beginning 2013 when DSWD-ARMM started to be primarily engaged with other programs, thus, their attention, time and efforts had been divided.

The cancellation of MBG-MI subprojects for five (5) MLGUs was triggered by the following factors, viz: (a) political instability and security; (b) non-compliance of the requirements; and (c) non-interest of the Local Chief Executive. Thus, out of the twenty-four (24) recipient MLGUs, only nineteen (19) implemented their respective subprojects.

## B. Lessons Learned

***LGU Support and Participation.*** The support of local government units is assured even in a region marred by challenges on governance. The active involvement of LGU in project activities and willingness to provide counterpart contributions (cash or in kind) in every project are manifestation of approval inasmuch as the prospective beneficiaries are their respective constituents.

***Skills Transfer to People's Organizations (POs).*** The ability to absorb new technology is not as easy as what we thought to be. Much more that we deal with farmers and other community folks who are less educated or have not gone to school, either. But the significance of every step in project implementation pushed the PO members to acquire the knowledge and learn the skills. The process seemed tedious that some LGU find it challenging. But with the CDA experience wherein communities are directly involved, the process was properly internalized and instilled in their minds as they go along with other development initiatives.

***Diligence and Commitment to Ensure Output.*** These attitudes towards work should go hand-in-hand if we want to produce results. An individual can be very diligent in work but not committed to see his outputs at the end of the day. In like manner that one can have high commitment to deliver goods but do not value completion of works on time.

***Promote Peace and Harmony.*** The implementation of CDA subprojects as well as its inclusive and participatory planning and subproject management processes provided communities an opportunity to exchange views and in the process settled old differences.

***Compliance to Environmental and Social Safeguard Laws.*** Communities were enlightened on the global advocacy on environmental and social safeguard policies. They adhered to environmental laws, requirements and procedures from subproject planning, implementation and execution and monitoring.

***Community Actual Audit & Validation.*** The regular conduct of audit & assessment of People's Organizations was a unique feature in the Project. Accordingly, it was an exciting experience to be audited about the project process and identification of various accounting forms and interview on financial management and procurement. They have recalled their trainings and workshop on seven (7) CDA steps & other learnings. The audit and assessment conducted in far flung communities indicated the presence of government even at the lowest level of ARMM communities.

***Gender Awareness.*** With the aim of promoting gender perspective as a cross cutting issues, the incorporation of gender and development orientation has contributed in a more consistent way with the culture of the community. It introduces gender equity in accessing resources and economic opportunities. The LLFS subcomponent of CDA supported women to be more productive in their economic activities and enhanced female leadership.

***Approval of Barangay and Subproject in the Local Level Fast Tracked Implementation.*** The installation of Municipal Multi-Sectoral Committee (MMSC) fast tracked approval of priority barangays and subprojects as decision-making was brought down nearer to the ground pursuant to E.O. 518 which amended E.O. 124.

***Right Identification of Target Communities and Beneficiaries.*** The adoption of project selection criteria ensured that target communities were properly identified as those truly needing assistance.

***Equal Allocation and Proper Utilization of Resources.*** With clear targets, the CDA process ensured that the budget was properly allocated to needy communities and their priority development agenda. In this process, the utilization of meager resources at the community level was maximized to ensure optimum benefits. The capacity- building training provided to the POs enabled them to manage funds properly.

***Multi-Stakeholders Coordination Established and Enhanced Community Decision-Making.*** The participatory and inclusive processes encouraged local stakeholders to see the value of coordination among one another. Barangay and Municipal LGUs provided cash and non-cash contributions and support of the CDA subprojects while community members provided labor counterpart. In most cases, local counterpart exceeded the 15% requirement of the project.

***Leadership Skills Strengthened through Empowerment.*** Community empowerment enhances leadership through capacity-building interventions and involvement in subproject implementation processes.

***Active Involvement of IPs was triggered by Fair Treatment of their Community and Ancestral Domain***. In areas where there are IPs, they are necessarily involved in subproject implementation in recognition of their rights, culture and traditions.

***Community-Driven Development (CDD)*** approach ensures sustainability of subprojects. It is believed that this particular approach is an effective tool in the promotion of team work and achievement of community empowerment.

***The Final Phase of Transition of the Project to the ARG Manifest Good Performance Output*** The project outlook has become even brighter with the strong support from the new ARMM Regional Government leadership.

***The Project contributed to the socio-economic growth of the region.*** The Project aimed at improving the living standard of the community through the various subprojects assisted thereon. Community residents are given opportunity into the manpower complements of the subproject.

***Observance of Transparency and Accountability in all phases of subproject implementation.*** Identification of subproject is based on an open set of criteria to ensure that selected subproject is the real and felt need in the community.

## C. Recommendations

The Project reiterated the two (2) recommendations contained in the PCR of Original Loan, viz: (1) That the Autonomous Regional Government (ARG) shall, consistent with its mandates under RA 9054, as amended, continue helping the communities by providing them improved access to social and economic infrastructures and services; and, (2) That the ARG shall also explore other financial resources in order to assist the remaining 65% unserved communities and needy sectors of society, albeit the interventions of other development partners extended to some of these communities.

The ARG should encourage the regional line agencies to adopt and institutionalize the Community-Driven Development (CDD) approach in the implementation of community development programs, institute some modification in the institutional arrangements, e.g. Involvement of local government units, partner agencies, civil society group and other stakeholders to ensure smooth delivery of expected outputs.

### (b) Borrower Comments on Draft ICR

In an official letter dated January 22, 2015, the ARMM Executive Secretary Laisa Alamia provided the following comments on the draft ICR, plus detailed technical comments (which were incorporated into the final version of the ICR).

"Generally we find the report substantial and reported in a straightforward manner.

However, we are putting forward here the latest implementation status as of December 31, 2014, of the Community-Based Infrastructure and the Municipal Infrastructure-Municipal Block Grant subprojects, although the loan agreement between the GOP and WB has officially closed on May 31, 2014.

We also appreciate the satisfactory rating given to the ARMM Regional Government through its implementing unit, the ARMM Social Fund Project, under the current administration.

Our sincere thanks for the fruitful partnership."

<u>Additional technical comments received from the Office of the Executive Secretary on January 26, 2015:</u>

| Items in the ICR | Comments | Recommendations |
|---|---|---|
| 1) Positive Factors (Page 8) | The Project had crossed four (4) ARMM administrations (Hussin, Ampatuan, Adiong, Hataman), but it maintained its good reputation not only to the national government but also to the communities it served.<br><br>• Hussin (2003-2005) worked for the financing of the ASFP (WB and JICA funding) and its transition from SZOPAD-CFMO to ASFP-PMO. Triggers required by the Project Appraisal Document (PAD) were met, thus, the smooth transition from SZOPAD to ARMM. | Include this in the positive factors since it is considered a historical milestone of the Project. It has survived in the four administrations and maintained its good reputation with "Satisfactory/ Moderately Satisfactory" rating. Also, in the end, it had realized savings. |

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|---|---|---|
| | • Ampatuan (2005-2009) worked for the decentralization of ASFP from Manila/centrally-managed CFMO to ARMM-PMO, the approval of the Additional Financing, and implementation of both WB-AF and JICA funding.<br><br>• Adiong (2009-2011) implemented the additional financing including the remaining JICA component.<br><br>• Hataman (2011-2014) implemented the remaining subprojects until the closure of the WB-AF with savings realized at the end of the Project. | |
| 2) Several pages in the ICR | Emphasis on the Maguindanao infamous case as the cause of Project delay and exposure to risk | If over-emphasized, the Project achievements, positive gains and lessons learned could be overshadowed by the cause of Additional Financing delay in Maguindanao province. |
| • ICRR #2. Key Factors Affecting Implementation under Risks and mitigation measures (page 7) | ICR will be an international document that will be read by people all over the world.<br><br>The use of *"Ampatuan clan"* is detrimental to other members of the clan who are not in any way part or charged with the sensational case. Besides, there are other members of the *Ampatuan clan who are professionals and are holding public office because of competence*. | It would be appropriate to use specific names of those charged *(not yet convicted)* instead of dragging the whole big clan which is composed of thousands of families. |
| • ICRR #2 under Factors outside the control of the | The statement "From 1998 to 2009, ARMM was governed by Andal Ampatuan Sr." The ARMM region was not governed by Andal Ampatuan Sr., he is at that time the Governor of the Maguindanao | Correct the information that Andal Ampatuan Sr. governed ARMM. Instead of ARMM", replace with "Maguindanao province." |

| | | |
|---|---|---|
| government or the implementing agency (page 8) | province only. | |
| • ICRR#5 under ARMM Government (page 20) | There is a conflicting statement "…*During the Ampatuan administration, the project operated under more difficult circumstances than in later years especially with regards to political interference in subproject selection and misuse of funds*" and with the succeeding line "*On the positive side, both during and after the Ampatuan administration, ASFP was widely known as a clean project (signifying limited suspected misuse of funds*) | To make a clear conflicting statements on the "misuse of funds" and cite particular study/ audit findings, if any. It would be better if the report can include the involved amount and the office or LGU. |
| 3) ICRR #2 under Positive Factors (page 9) | During the early stage of the ARMM Social Fund Project, there was a partnership forged by the Project with Local Governance Support Program in ARMM or LGSPA for the ISG component specifically support on Barangay Development Plan (BDP) preparation in a number of barangays. | Mention the contribution of LGSPA funded by CIDA in the Project. |
| 4) On Monitoring (Page 10) | Part of the Bank's monitoring and supervision is the conduct of periodic Implementation Supervision Mission (ISM) which evaluates the status of the Project. | Include in the ICR the matrix of the results of the periodic Implementation Supervision Missions so that we would know or determine the rating of each mission, thus, we could link the overall Project rating in the ICR to the ISMs ratings. |
| 5) ICRR#5.2 under Borrower Performance (page 19) | The statement *"…notably by GPH approving the creation of the Bangsamoro"* | The "creation of Bangsamoro" is yet to be realized. Instead of this, the signing of the Comprehensive Agreement on the Bangsamoro and the on-going deliberation on the Bangsamoro Basic Law in Congress should be mentioned in the document. |

## Annex 9: Comments of Cofinanciers and Other Partners/Stakeholders

Not applicable.

## Annex 10. List of Supporting Documents

- Project Appraisal Document. World Bank. November 2002.
- *Country Assistance Strategy for the Philippines FY2003-2005.* World Bank. 2003.
- Aide Memoires (various). World Bank. 2003-2014.
- Implementation Status Reports (various). World Bank. 2003-2014.
- Year-End Progress Reports (various). PMO. 2004-2014.
- E.O.518 amending E.O.124 series of 2002 providing for the implementing mechanism of the ARMM Social Fund Project for pace and development. March 2006.
- Mid-Term Review Mission (January 23 – February 6, 2006), Main Report. World Bank. February 2006.
- *ARMM Social Fund Post-Project Assessment*. June 2009.
- *Project Paper on a Proposed Additional Financing Loan in the Amount of US$ 30 Million to the Republic of the Philippines for the Autonomous Region in Muslim Mindanao (ARMM) Social Fund Project.* World Bank. 2010.
- *Philippines Development Plan 2011-2016*. NEDA. 2010.
- *Restructuring Paper on a Proposed Project Restructuring of ARMM Social Fund Project. World Bank*. May 17, 2013
- *Country Partnership Strategy for the Philippines FY2015-2018*. World Bank. 2014.
- *Project Completion Report (PCR) of the ARMM Social Fund Project*, Project Management Office. September 2014.
- *The LLFS Subproject Approach: A Pathway Towards Poverty Reduction*. Research Institute for Mindanao Culture. October 2014.

# MAP


IBRD 33466R4
PHILIPPINES
SELECTED CITIES
PROVINCE CAPITALS
REGION CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
RAILROADS
PROVINCE BOUNDARIES
REGION BOUNDARIES
INTERNATIONAL BOUNDARIES
I Ilocos
CAR Cordillera Admin. Reg.
II Cagayan Valley
III Central Luzon
NCR National Capital Reg.
IV-A CALABARZON
IV-B MIMAROPA
V Bicol
VI Western Visayas
VII Central Visayas
VIII Eastern Visayas
IX Zamboanga Peninsula
X Northern Mindanao
XI Davao Reg.
XII SOCCSKSARGEN
XIII Caraga
ARMM Autonomous Reg. in Muslim Mindanao
Luzon Strait
Luzon
Philippine Sea
Samar
Mindoro
Sulu Sea
Palawan
Mindanao
Celebes Sea
MALAYSIA
MANILA
Tuguegarao
San Fernando
Baguio
Calamba
Calapan
Legaspi
Tacloban
Iloilo
Cebu
Cagayan de Oro
Pagadian
Cotabato
Davao
Koronadal
Zamboanga
Puerto Princesa
PHILIPPINES
20°N
10°N
5°N
120°E
125°E
0 50 100 150 Kilometers
0 50 100 Miles
NOVEMBER 2012