

Mindanao Trust Fund–Reconstruction and Development Program (MTF-RDP)
14th Implementation Support Mission
November 21-25, 2016
Aide Memoire

Introduction

1. From November 21-25, 2016, the Bangsamoro Development Agency (BDA), the Office of the Presidential Adviser on the Peace Process (OPAPP), Community and Family Services International (CFSI), Mindanao Land Foundation (MinLand), the International Labour Organization (ILO), the European Union (EU), the Embassy of Australia and the World Bank jointly conducted the Fourteenth Implementation Support Mission (ISM) for the MTF-RDP.¹ Representatives from the Spanish Agency for International Development Cooperation, the Japan International Cooperation Agency and the United Nations High Commissioner for Refugees joined for coordination and information exchange. Field visits to communities in North Cotabato, South Cotabato, Sarangani, Davao Oriental, Zamboanga del Sur, Lanao del Sur and Lanao del Norte provinces were undertaken to assess the state of implementation. Consultations were also held with staff from the island provinces in Zamboanga City and Bongao. Proposed site visits to MILF Camp Rajamuda and to Dinas in Zamboanga del Sur were cancelled at short notice due to security concerns in the area, highlighting the ongoing challenge of implementing development projects in conflict-affected Mindanao.

2. This Aide Memoire reflects the findings and conclusions of the mission and is subject to confirmation by the Management of the World Bank.

3. This was the second mission in 2016 assessing progress under MTF assistance for: (i) communities in the Six Acknowledged Camps of the Moro Islamic Liberation Front (MILF), known as “Camps”; (ii) communities in the influence area of 25 MILF Base Camps, known as “Bangsamoro ADVANCE”; and (iii) mixed Christian, Muslim and Indigenous Peoples communities in conflict-affected areas, known as “Solidarity”. The mission also came shortly before the conclusion of activities under the community enterprise development component of the MTF-RDP, known as PLEDGE.

Objectives of the Mission

4. Against the background above, the main objectives of the mission were:

- a) Review the state of implementation of the Program.
- b) Assess compliance with World Bank safeguards, procurement & financial management standards.
- c) Review implementation of Key Agreed Action from the 13th Implementation Support Mission.
- d) Review exit planning and prospects for sustainability in light of the imminent closure of the project, scheduled for December 2016.

¹ The BDA contingent was headed by Board Chair, Dr. Saffrullah Dipatuan, and Executive Director, Muhammad Shuaib Yacob. Also in attendance for BDA were Engr. Windel Diangcalan, Deputy Executive Director; Julhaina Cadon, PLEDGE Coordinator; Engr. Jandatu Salik, ADVANCE Coordinator and various central and regional office staff. Leila Halud of the Joint Task Forces on Camps Transformation and Misuari Abdullah, Program Manager III, represented OPAPP. The Project Board for the MTF Assistance for the MILF Camps was represented by Mr. Mohammed Saleh and Mr. Anuas Hadjiserad. CFSI’s delegation was led by Steven Muncy, Executive Director, and Noraida Abdullah Karim, Deputy Director for Philippine Programme; MinLand’s by Dam Vertido, Executive Director and ILO’s by Hideki Kagohashi, Enterprise Development Specialist. Tim Smith, 1st Secretary and Dwan Dumas, Senior Program Officer represented the Embassy of Australia. The World Bank team was led by Mara Warwick, Country Director and included Matt Stephens, Senior Social Development Specialist; Roy Tordecilla, Social Development Specialist; Rene Manuel, Senior Procurement Specialist; Jasper Llanderal, Community Development Consultant; Nelia Agbon, Community Development Consultant; Zidni Marohombsar, Financial Management Consultant; Mayuko Shimakage, Capacity Building & Livelihoods Consultant; Ica Fernandez, Conflict & Development Consultant; and Soraya Ututalum, Communications Consultant. Ignacio Cabria, Deputy General Coordinator and Malena Vaca Sotomayor, Senior Program Manager, joined from AECID and Cliff Alvarico, Associate Program Officer, from UNHCR.

Progress against Project Development Objective

5. Overall, steady progress is being made towards achieving the project development objective (PDO) of the MTF-RDP. The two main elements of the PDO are: (a) social and economic recovery and (b) peace-building and institution-building.

6. In terms of *economic recovery*, the community-development activities have delivered 379 subprojects, benefiting close to half a million people (51% women) in 214 villages. Since the last mission, implementation of 158 subprojects under Camps, ADVANCE and Solidarity is now firmly under way. Through the ongoing activities, approximately 150,000 people across conflict-affected areas of Mindanao are expected to benefit from access roads, water systems, income-generating projects (farming equipment, pre-harvest facilities, livestock dispersal, etc.) and opportunities to gain functional literacy and access to schooling. This is around double the target. Progress is up to three months behind schedule, however, and an extension until March 2017 is likely to be required. Implementation during the extension period will focus on completing subprojects and building community capacity to operate and maintain the subproject investments. This was an evident weak point from the field visits, with more tailored and intensive field facilitation and mentoring needed. Under the PLEDGE community-enterprise development component, forty-two business groups have been formed in eleven villages. BDA has now also established an Economic Enterprise Development Unit to institutionalize the learning of PLEDGE within the Agency. Despite these gains and evident improvement on the part of the PLEDGE enterprise groups in terms of management practices and technical capacity, the sustainability of most of the 42 groups remains questionable.

7. With respect to *social recovery*, the project's community-based approach is effectively bringing together different religious and ethnic groups for social cohesion. The joint government-MILF implementation structures are also generating major *confidence-building* benefits by promoting partnership between the parties and by delivering a peace dividend to communities who continue to hold high expectations on what the Bangsamoro peace process can offer. That said, there were some examples of exclusion from access to benefits under Bangsamoro ADVANCE that will need to be addressed. The "jointness" of the TFCTs had also seemingly suffered since the transition, with new government officials coming on board who might not be fully briefed on activities. It will be important to ensure that the GPH-MILF partnership is nurtured at the field level to sustain confidence-building gains.

8. Against *capacity-building* aims of the project, the BDA has made important gains on procurement and financial management. It can improve performance further by better sharing experience and lessons learned across different components of the MTF-RDP. This is particularly evident with respect to income-generating subprojects, where tools and approaches adopted under PLEDGE have still not been applied effectively under the other aspects of the program, despite this being identified and acknowledged repeatedly in previous missions. As the BDA and CFSI chase deadlines, concerns were also evident with respect to the quality and intensity of facilitation at the ground level across all parts of the program.

Summary of Main Findings

9. *Implementation is in full swing*. Subprojects are now fully under implementation for Camps, ADVANCE and Solidarity. The Accelerated Subproject Approval Process (ASAP) initiated during the last mission successfully expedited subproject preparation. A summary of progress is described below:

- Camps covers 34 community-based infrastructure, 27 economic livelihood and 1 Alternative Learning System (ALS) project in 31 villages. Most of the infrastructure subprojects are between 25-75 percent complete but nearly all will be finished by December. Where there are delays, the main causes are security problems in Camp Bushra (which includes the base of alleged ISIS-affiliated groups), flooding in Central Mindanao and some design challenges, particularly with

water system subprojects. The ALS is very popular, reaching over 1,500 people, double the original target.

- **ADVANCE** is supporting 50 community-based infrastructure (mostly water systems and solar dryer/warehouses) and 31 livelihood subprojects (most popular are livestock dispersal and farming/fishing equipment and machinery) in 50 villages. Most of the subprojects are only between 0-25 percent complete, indicating an urgent need to expedite implementation.
- **Solidarity** is supporting 10 community-based infrastructure and 5 livelihood subprojects. Most are close to completion in what is the most advanced of the three ongoing components of the program.

10. *Despite the progress made, not all subprojects are likely to be completed on time and an extension need to be requested for WB management consideration.* The MTF Secretariat is discussing a possible no-cost extension from January 2017 to March 2017 to allow for full completion of the subprojects and to invest further in operations and maintenance capacity for sustainability.

11. *Technical quality of construction is sound and, with some exceptions, social inclusion is evident.* The mission infrastructure engineer noted that the construction quality is improving. Social inclusion was also evident in many sites, with strong participation of women and Indigenous Peoples. One example of exclusion of non-Muslims was evident in one ADVANCE site, however, which will need to be addressed.

12. *Income-generating subprojects remain problematic.* A number of MTF subprojects generate income, whether infrastructure (such as water systems or post-harvest facilities) or livelihood, such as rice mills, livestock dispersal, etc. The mission observed ongoing weaknesses on the part of communities in terms of basic business planning, policies for income generation and benefit sharing. In some cases even more basic questions had not been addressed, particularly for livestock dispersal subprojects (are they for breeding or fattening? If the former, how will the offspring be shared in the community?). Services, including training on breeding techniques, vaccination and care of livestock, etc., are also being provided in an *ad hoc* manner, raising concerns over sustainability.

13. *The priorities until the project ends will be to complete the remaining outputs and to enhance community capacity for operations and maintenance.* Experience suggests that building community capacity is best achieved through experiential methods such as cross-visits, peer learning and hands-on coaching and mentoring rather than classroom training.

Overall Assessment of Progress to Date

Status of Intermediate Objectives

14. Table 1 below contains a summary of progress against the five intermediate objectives.

Table 1: Progress against Intermediate Objectives

Intermediate Objective	Status
1: Improved social communication and trust between diverse groups	Through community development activities and support for Sajahatra Bangsamoro, the program has made important strides on this IO. CDD is highly inclusive and consistently demonstrates the capacity to effectively bridge divides between Muslims, Christians and IPs. BDA’s Values Transformation Training is an effective tool for generating mutual understanding between different groups. Sajahatra Bangsamoro delivered important achievements in building trust in the state among Muslim communities who were previously suspicious of government. Support for the MILF Camps and Base Camps is also inclusive, involving different

	religious and ethnic groups. Under the Camps component, 8 percent of beneficiaries are IPs.
2: Improved access to basic services	The project has delivered 379 subprojects, benefiting close to 500,000 people, of a final target of 550,000. That target will be exceeded, as there are currently 158 new subprojects under preparation that will benefit close to 150,000 people. So far, 30,000 people have access to sanitation, 116,000 to safe water and 87,000 better access to market through roads and bridges. Farmers report better access to farming equipment such as roving threshers and corn shellers, reduced post-harvest inputs, and time and cost savings.
3: Improved decision-making processes that are inclusive, gender-sensitive and non-conflictual.	There is a close alignment between subproject choices and the top three needs identified by communities, demonstrating a strong causal link between development priorities and MTF investments. Targets for the participation of women and IPs in people's organizations are being met or exceeded. All community meetings have proceeded without conflict.
4: Improved capacity of BDA and POs to plan, manage and implement local development	Ongoing institutional reforms are consolidating operational knowledge and enhancing efficiency in BDA, including through the recent establishment of an Economic Enterprise Development Unit. BDA's procurement and FM capacity has improved significantly. PO capacity to manage income-generating subprojects and enterprises remains inadequate. With the MTF closing soon, BDA is facing a major loss of funding and the concomitant loss of key staff, yet little has been done yet to anticipate this problem.
5: Improved sustainable livelihood opportunities	42 enterprises have been established, of which 41 are now operational. 1,178 beneficiaries have been trained on entrepreneurship and members of enterprises demonstrate improved knowledge on business fundamentals. The Economic Enterprise Development Unit has been established and 9 BDA staff are now accredited to deliver ILO's Start and Improve Your Business (SIYB) module. Despite these gains, the viability and sustainability of the PLEDGE-supported enterprises is in serious question. Assessments are ongoing to measure impacts on income. The project is preparing for closure in December 2016 and continues to work on enterprise linkages with the formal market and access to government services as part of exit planning.

Status of Disbursement

15. The disbursement status as of November 21, 2016 under the three Grant Agreements is as follows:

Table 2: Disbursement Status of the Trust Fund Recipients (in USD million)

	TF93781 (CFSI)	TF95941 (MinLand)	TF13118 (ILO)
Grant Amount	7,519,463	9,221,881	2,429,178
Disbursed	6,379,092	8,665,675	2,429,178
Undisbursed	1,140,371	556,206	-
% Disbursed	85%	94%	100%

16. The ILO grant is fully disbursed. The grants to CFSI and MinLand are approaching 100%, although approximately \$2.5 million remains to be allocated to CFSI under TF093781 pursuant to the December 2015 Additional Financing. This will be required to complete subprojects for Camps (directly implemented by CFSI) and ADVANCE (implemented by BDA with CFSI support). This allocation will be completed in early 2017.

17. Disbursement has been relatively slow under Camps and ADVANCE, notwithstanding the progress made by contractors on subproject implementation. To improve disbursement performance, CFSI and MinLand will need to encourage contractors to submit more progress claims for payment.

Mission Findings and Observations

Component One: Block Grants

18. This component covers community-development assistance (infrastructure and livelihood) from the pilot to Program Partnership Agreement 4 phases plus Camps, ADVANCE and Solidarity. Since the last mission, no additional subprojects have been completed, leaving the overall total at 379 and the number of beneficiaries at 497,343. Under Camps (31), ADVANCE (50) and Solidarity (10), the project is operating in 91 new sites implementing 158 new subprojects. The table below identifies the number and type of subprojects under each of the ongoing programs.

Table 3: Sub-project type and status for Camps, ADVANCE and Solidarity

SP type/component	Camps	ADVANCE	Solidarity	Total
Community-based infrastructure	34	50	10	94
Livelihood/income generating	27	31	5	63
ALS	1	-	-	1
Total	62	81	15	158

Findings from Field Visits²

19. *All subprojects are now at the implementation stage.* All subproject proposals have been approved and bidding has been completed. The Accelerated Subproject Assessment Process (ASAP) agreed during the last mission brought together all the relevant decision-makers (BDA central and regional offices, plus MinLand and CFSI) in one location to complete the entire process in the space of a few days, avoiding the delays inherent in documents going back and forth between different layers of the approval system.

20. *Infrastructure and alternative learning system (ALS) subprojects align well with the priority needs of the communities.* The suspension bridge in Camp Rajamuda, for instance, provides safe access between two towns where school children have had to take risky *banca* rides to go to school. Demand for the ALS program was enormous, with the program eventually accommodating over 1,500 people, twice the originally budgeted target. This reflects the extent of marginalization from access to education, particularly in the communities in the MILF Camps.

² Split across three teams, the mission visited 11 sites (four Camps, four ADVANCE and three Solidarity).

21. *Implementation of income-generating and livelihood subprojects, however, remains problematic.* While communities are naturally enthusiastic about the prospect of increasing income, the assessment of viability of subprojects and business planning remain weak. One of the key agreed actions from the previous mission was to subject income-generating subprojects to a stricter technical viability assessment. This did lead to a number of previously approved subprojects being changed, but a number of questionable subprojects remain. Particular problems are evident with respect to livestock dispersal, where some lack clear objectives (dispersal, fattening, breeding?) and unclear management systems. Necessary back up services such as access to vaccinations and veterinary care are also being provided in an *ad hoc* manner, leading in cases to animal mortality.

22. *The project architecture and institutional arrangements are supporting peacebuilding and confidence-building aims.* Particularly under Camps and ADVANCE, the project structure provides avenues for various groups (government, traditional leaders and the MILF) to demonstrate partnership and leadership on development issues. The MILF participation is strong at all levels (Project Board, Task Force on Camps Transformation, Camps Technical Team and People's Organizations). In Camp Bilal, TFCT members commented that the work of peace and development is hard, but immediately added that it was a path they were committed to pursue. However, government participation in the TFCTs (Six MILF Camps) and the Camp Technical Teams (ADVANCE sites) has dropped off in some locations, due to staff turnover after the 2016 national elections.

23. *Social inclusion is generally strong.* Women participate actively in project activities, comprising over 50 percent of beneficiaries. Women's membership in decision-making is also evident in the people's organizations. In Camp Abubakar, the PO is composed of women, mostly wives and widows of MILF combatants and members of the MILF Social Welfare Committee. IP participation was also evident, not only in the Solidarity locations, but also in others. Across the Six MILF Camps, IPs comprise eight percent of beneficiaries.

24. *One case of exclusion was identified during the mission.* A Bangsamoro ADVANCE site, barangay Central Malamote, Matalam, North Cotabato, is a mixed community (72% Muslim and 28% Christian). However, the non-Muslim population had not been included in either the PO or as beneficiaries. Water pumps for irrigation and personal use had been distributed to five groups – the MILF Political Committee, members of the Bangsamoro Islamic Armed Forces, barangay officials, a farmers' association and the PO itself. This runs contrary to the requirement in the Operations Manual that the PO represent all *sitios* and, in turn, all ethnic and religious groups and that project benefits should be provided to those most in need.

25. *Misuse of an MTF-funded subproject was also uncovered.* A warehouse in Barangay Palian, Tupi, South Cotabato, constructed under PPA3 had been taken over and converted into a residence and *sari-sari* store by a member of the family who donated the land for the subproject. The PO did not raise this with the mission team during discussions in Palian and neither had BDA monitoring identified this problem but it was identified by the mission team.

26. *A potential conflict of interest was also evident* in Barangay Piso, Banay Banay, Davao Oriental. In this site the subproject is being built on land owned by the barangay Chair, the father of a former BDA staff who is herself a member of the PO. The land on which the subproject is being built was provided to the PO through a "permit to use" rather than a deed of donation as required by the project operations manual. The design of the subproject, a shared services facility for local enterprises, did not appear to meet the requirements for food processing enterprises, such as the absence of waste water facilities.

27. *Community capacity to operate and maintain the subprojects – particularly income-generating and livelihood activities – remains a real concern.* Due to a combination of the speed of implementation, the range of new institutions engaged in the activities in the Camps and Base Camps and weak facilitation and

mentoring on the ground, few community organizations visited during the mission appeared ready to assume management of the subproject investments upon project closure. These weaknesses were evident across all components of the program. Some PO members were unable to answer basic questions on their subprojects. Knowledge of O&M policies and strategies was limited. Benefit-sharing and business planning for income-generating subprojects was a source of confusion and could lead to exclusion and conflict down the line if not properly addressed.

28. *Approaches to building the capacity of peoples' organizations remain generic and based on classroom training and workshops.* Particularly at this stage with just a few months remaining, the POs require tailored technical support by subproject type (how to manage water systems, handling small livestock, etc.) and key skills (business planning, managing income) rather than generic training on managing meetings or bookkeeping. At the same time, the MTF has proven many times that experiential learning from PO to PO based on success stories is more effective than training and workshops. Yet the latter seems to remain the default approach to building community capacities. This needs to change rapidly if the subprojects under implementation now are to be sustained and retained for the broader public good.

29. To address the issues raised above, the following key actions were agreed:

- Provide tailored support to strengthen PO capacity to operate and maintain subproject investments. This should focus on two key skills: (i) operation and maintenance of infrastructure, with a focus on water systems as the technically most complex; and (ii) skills for business planning and equitable management of benefits for income-generating subprojects. The technical support should be tailored based on the maturity of the PO and the type of subproject. This would necessitate providing more support to high-risk subprojects (e.g., water systems) and less to those that do not generate income or require complex maintenance (e.g., access roads or solar dryers). Generic training on organizational development basics such as holding meetings and double-entry bookkeeping is not a priority now given the limited time remaining. Experiential learning techniques will be utilized rather than classroom training.
- Reach out to new government officials to consolidate partnership in the TFCTs and CTTs. While relations at the barangay government level remain strong, in some locations it was evident that government participation in the TFCTs and CTTs had declined following the July 2016 transition. Better integration with the LGUs will build partnership and open up access to technical support from the municipal government and better alignment with local government plans.
- Address the exclusion issues in Central Malamote by: (i) opening up access to the PO to all sitios; and (ii) returning management of the subprojects to the PO.
- Investigate the capture issue in Palian and restore the solar dryer and warehouse to the PO and for the benefit of the community.
- Closely monitor the subproject in barangay Piso and ensure that the land is provided to the PO in a deed of donation as required by the MTF-RDP operations manual.

Quality of Technical Workmanship

30. In general the quality of technical workmanship is considered acceptable, based on a review of five subprojects under Camps, ADVANCE and Solidarity.

31. Under Camps and ADVANCE, subproject construction is, for the time first time under the MTF-RDP, being handled by contractors rather than communities. Different approaches have been used for labor. In Barira, Camp Abubakar, it was felt that hiring local labor could create community tensions over who would be hired and who might miss out. Accordingly the contractor brought in labor from outside. In other locations, local labor is being utilized.

32. Contractors reported some issues with coordination with BDA and CFSI on one hand and the POs and TFCTs/CTTs on the other. Regular coordination meetings to supervise contractor performance and address any problems expeditiously would help to address these concerns.

33. Some technical design issues were identified that require corrective action, as follows: (i) several of the water supply projects were designed for a certain number of households but communities expect the project can reach, in some cases, twice as many people. This will require either a management of expectations or design changes to the systems to cover more households; (ii) location of water reservoir in Brgy. Burias is on sloping terrain (unstable) and near a septic tank (unsafe); and (iii) protruding rebars on a solar dryer in Camp Abubakar poses a safety risk to children in the area.

34. The detailed technical report is attached at Annex 5, but the key agreed actions are as follows:

- BDA and CFSI to conduct weekly coordination meetings with contractors and POs/TFCTs/CTTs
- Review design of water systems considering increase in demand over the initial plans.
- Relocate water reservoir in Burias.
- Strictly enforce safety regulations at the construction sites.

Component Two: Creation of Sustainable Livelihood Opportunities³

Progress Against Key Indicators under Component 2	Target⁴	Progress
I. Capacity Building of BDA		
Institution Developed/Created (Enterprise/Economic Development Unit)	1	1
Staff trained, capacitated in LED	35	45
Other partners trained on LED approach	30	263
Tools and Guidelines developed	20	30
II. Creation of Sustainable Community Based Enterprises		
Group Enterprise Projects created	33	34
Common Enterprise facilities established	11	8
Beneficiaries trained in entrepreneurship (community based enterprises)	680	1,178
% engaged in new enterprise, among those trained	60%	91%
% rate increase in monthly income of those engaged in enterprises	50%	25% ⁵
Informal Business Operators Enhanced	120	27
Percentage of businesses with applied knowledge	60%	0
Beneficiaries trained for wage employment	60	0
Percentage placement of those trained	60%	0

³ In the ISR in the Operations Portal, there are only three components – Block Grants, Capacity-Building and M&E – reflecting the legal agreements. But for the sake of operational clarity, in the Aide Memoire we report on the ILO livelihood component separately as the “Creation of Sustainable Livelihood Opportunities” component.

⁴ Based on the December 2015 Additional Financing.

⁵ Reported by PLEDGE. It is believed to be based on a sampling of active members (methodology is to be validated).

35. *Forty-two community-based enterprises have been established.* In these groups, 1,178 beneficiaries in 11 communities have received the combination of tools, equipment, skills and business development training. All enterprises are now operational except for one fish boat enterprise in Brgy. Lucatan, Tarragona, which is expected to begin operations in December 2016.⁶ Twenty-four enterprises have obtained business permits from the LGU and all are working on registration with the Securities and Exchange Commission.

36. *BDA has formed the Enterprise/Economic Development Unit (EEDU) to institutionalize the learnings of PLEDGE.* Establishing the EEDU was considered a major step forward for BDA to internalize learning on community-based enterprise development and income-generation from PLEDGE. Within this unit, nine staff are about to be certified as Start and Improve Your Business (SIYB) trainers. This should equip them with both the skills and the credibility to support future enterprise development activities within or outside BDA.

37. *Improved understanding of business fundamentals and management.* After a series of trainings and heavy coaching in the field, members of the enterprises demonstrate improved understanding of business fundamentals. They were able to articulate the profile of their target markets and competitors, operational expenses and revenues, profitability of their businesses and marketing strategies. The benefits of business or skills training seem to go beyond the original beneficiaries, inspiring family members and relatives to start their own businesses.⁷ In general, however, sales and revenues assumptions of their business plans seem too ambitious.

38. *The size of groups is decreasing but this can be positive.* Contrary to technical advice, in many cases BDA set up business groups under PLEDGE with very large membership, sometimes over 60 people. While this was done in the spirit of equity and opportunity, in many cases it was also never feasible that one village could, for instance, accommodate a business for 60 garment-makers. The mission demonstrated an increasing gap between active and inactive members in the PLEDGE groups. The more successful business were indeed seemingly driven by one or two active, knowledgeable community members, such as the banana chip enterprise in Barangay Tomoaong in Tarragona, Davao Oriental. On the other hand the reduction in the number of active members does carry the risk of benefits being captured by only a few. This highlights the need to have clear policies and procedures for members who wish to exit a group to ensure their contribution is recognized financially.

39. Enterprises' access to technical agencies and formal market has improved, through registration should have been a part of the original design. Many community enterprises have been able to participate in trade fairs or trainings assisted by line agencies such as the Department of Science and Technology (DOST) and the Department of Trade and Industry (DTI). Others have secured capital from programs implemented by the Department of Social Welfare and Development. Compliance with requirements for Bureau of Food and Drugs (BFAD) certification have proven burdensome at this late stage of the project, despite being critical for food-processing products to enter into formal markets. This serves as an important lesson that for food processing enterprises, meeting the requirements of BFAD registration should have been an integral part of the design.

40. *Enterprises are facing business and management challenges associated with their initial growth.* Some groups are starting to encounter challenges as their sales and revenues increase (e.g., inability to collect receivables, groups engaging in lending, transparency related to officers borrowing money, etc.). As

⁶ The enterprise has not begun their fishing operation as the group is attempting to replace some parts of the boat-engine which were found to be "unfit" for the boat.

⁷ One member of the banana processing enterprise in Brgy. Tomoaong shared that her husband was inspired by the Start and Improve Your Business manual to start his own new business. The cassava processing enterprise in Brgy Mamaanun noted that relatives and friends from nearby barangays have been visiting the group to learn about the technology of cassava processing.

noted above, membership in some groups is decreasing. Though these are expected challenges, if left unchecked, they can lead to grievances. Although the project is coming to a close, BDA can continue to facilitate so that the enterprises will update and strengthen organizational policies and business plans.

41. To address the above issues and to consolidate and share knowledge on enterprise/livelihoods development, the following key actions were agreed:

- Document detailed cases of challenges faced by each enterprise, solutions applied and share with Solidarity/Advance/Camps and other projects in BDA;
- Document requirements and required processes for common types of registration and certification (BFAD, BFAR, DTI, etc.);
- BDA to facilitate update and upgrade of enterprise organizational policies to strengthen internal governance; and
- BDA to continue to monitor enterprise performances (# of active members, beneficiaries served, market expanded, volume of sales/clients, profitability, dividends, etc.) through the January-March extension period, and continue to consolidate and share lessons learnt within and outside BDA.

Component Three: Capacity-Building

42. *The mission noted capacity improvements on three issues for BDA:* (i) on procurement, for Bangsamoro ADVANCE, BDA conducted competitive bidding of contractors for the first time. Utilizing World Bank procurement guidelines, the process of tendering, evaluating bids and awarding of contracts was an excellent and much appreciated learning opportunity for BDA; (ii) on financial management, for the first mission in at least the last six years, no major issues were reported with respect to acquittal of expenditures from BDA to the trust fund recipients. This is a tribute to the improvements introduced by BDA's FM team and the ongoing support from MinLand and CFSI; and (iii) the BDA has finally formed the Economic Enterprise Development Unit (EEDU), one of the key outcomes from PLEDGE. The EEDU is supposed to support economic livelihood and enterprise development activities across all BDA projects and to even act as a service provider externally to other institutions. The MTF Secretariat has agreed to mobilize a consultant to help the EEDU formulate a strategic plan to guide its future activities.

43. The mission also proposed a shift in the approach to PO strengthening that is more experiential and tailored to the specific requirements of POs based on subproject type. The approach of BDA to PO capacity building has tended to be fairly generic in nature, focusing on organizational capacities such as planning, procurement and financial management, with classroom training and workshops the main teaching method. This is supposed to be backed up by mentoring and coaching in the field, but this aspect has been a weak point. During the mission it was agreed that there is a need to look at any subproject that generates income – including infrastructure such as solar dryers and water systems – as businesses. The simple business planning tools employed by PLEDGE are very relevant in this respect.

44. *BDA still faces a financial cliff once the MTF-RDP closes.* Since the last mission, BDA has prepared a proposal for a new program, Bangsamoro HOPES. While a positive development, the proposal needs to be fleshed out and promoted to government and potential donors beyond the MTF. More serious strategic planning on BDA's niche in the current context of the peace process is also necessary to best position the Agency to continue its important role as the development arm of the MILF.

Component Four: Implementation Support and Training⁸

45. *Monitoring has declined after PPA4.* Since the Camps, ADVANCE and Solidarity programs began, regular reports have occasionally been submitted late and some have failed to report data against the project results framework. Previous good practices, such as geo-tagging, were stopped but have now been partially restored.

46. *Borrowers' Completion Reports.* As the MTF-RDP approaches closure, each of the grant recipients is legally required to prepare a Completion Report. It was agreed during the mission that BDA, CFSI and MinLand would prepare a joint report, covering the duration of the program from the pilot phase until the end. Examples from other projects were shared with the partners, who agreed to submit a draft by June 30, to be finalized by August 31, 2017. ILO will prepare a separate completion report for PLEDGE, which is due on March 31. Both the reports would be ready for incorporation into the World Bank's Implementation Completion and Results Report (ICR), which is due on September 30, 2017.

47. *Impact Assessments.* The World Bank as MTF Secretariat is preparing two impact assessments: (i) endline survey for PLEDGE; and (ii) mixed methods qualitative-quantitative assessment of PPA4, Camps, ADVANCE and Solidarity. Both are under procurement and will proceed in March 2017.

48. To address concerns on this issue, the following actions were agreed:

- Data to be updated against the Results Framework
- ILO to submit completion report by March 31, 2017.
- CFSI, MinLand and BDA to submit draft completion report by June 30, 2017.

Procurement

49. The *overall rating* for Procurement remains moderately satisfactory.

50. CFSI has responsibility for procurement for Camps, MinLand for Solidarity and BDA for ADVANCE (though ADVANCE contracts are co-signed by BDA and CFSI). As of the time of the mission, all infrastructure subprojects have been procured except for three under Camps, which were in process. For ADVANCE, all subprojects have been procured, though due to a failure of bidding, six are being implemented through force account. Procurement under Solidarity has been completed.

51. A post-review of signed contracts was undertaken prior to the mission. Under CFSI, eighteen subprojects from Camps and ADVANCE were sampled (9 infrastructure and 9 livelihood). For MinLand, five SPs were sampled (4 infrastructure and 1 livelihood). The review showed that the agreed procedures have been followed, with the invitation for bids for the CFSI SPs posted and bid evaluations available on file. In some instances, the minimum number of three quotations was not achieved due to the remoteness of the project sites, and the uncertainty of knowing that the SPs are inside MILF Camps. In some cases, awards were not made to the lowest quote, though these instances were explained. Overall, the agreed procedures have been followed. For more details on procurement, see Annex 3.

52. Eleven subprojects are funded under PLEDGE, and all are reported to have been completed as at mission date. Procurement transactions in two SPs (in Barangays Pigcalagan and Nian) were reviewed prior to the mission and no major issues were identified.

⁸ This section covers monitoring and evaluation on the part of the MTF Secretariat and the implementing partners

53. Given all procurement is effectively complete, there is no need to update the procurement plan and there are no agreed actions on procurement.

Financial Management

54. *The overall financial management system for the project at the three Trust Fund Recipients (TFRs) and BDA remains moderately satisfactory.* Community financial management has generally improved, yet continued support to POs is necessary on financial recording and transparency, particularly for income-generating sub-projects and livelihood activities.

55. *Task Force on Camps Transformation Allowances.* Clarifications were raised regarding the monitoring allowance of TFCT members for Camps. It was also noted that monthly allowances were being received by a designated individual on behalf of the five members in each of the six camps. In Camp Bilal, only three TFCT members were said to have remained active. CFSI will review the matter and revisit current procedures to ensure that monthly allowances are given to and received by each TFCT member.

56. *Compliance with financial covenants.* The grant recipients have satisfactorily complied with financial covenants, as follows: (i) Audited project financial statements. Appropriate actions were undertaken by CFSI and MinLand, together with BDA, to address and resolve findings raised by their respective independent auditors for CY2015. The Financial Management Framework Agreement between the Bank and the UN governs audit arrangements for ILO; and (ii) Interim Unaudited Financial Reports (IFRs) – CFSI, MinLand and ILO have submitted quarterly and semestral IFR's to the Bank on a timely basis. IFR's were found acceptable to the Bank.

57. *Extension period.* With an extension from January-March 2017 likely to be approved, CFSI and MinLand need to work with BDA to prepare an updated Work and Financial Plan (WFP) for World Bank concurrence.

58. To address FM issues and challenges, the following actions were agreed:

- CFSI, MinLand and BDA to prepare revised WFP for the proposed extension period.
- ILO to account for and report unutilized PLEDGE funds before the application deadline of April 30, 2017.
- CFSI and BDA to closely monitor disbursement for block grants, and prompt periodic progress billings by contractors.
- Resolve the remaining deferred items from reported expenditures (i.e., PHP 2.5 million under Personnel Fund) and ensure liquidation is completed bi-monthly.
- CFSI to resolve the TFCT monitoring allowance issue.

Safeguards

59. *The overall rating for social and environmental safeguards is satisfactory.* Social and environmental considerations are discussed and embedded in the preparation of sub-project proposals. Most project team members, especially the engineers and community organizers, have intensive safeguards experience. Safeguards supervision is provided by the BDA Central Management Office and the Project Technical Team (PTT) members from MinLand and CFSI, who have been trained by the MTF Secretariat.

60. No major safeguards issues were identified in project sites. Subprojects are, on the whole, located in areas that are not prone to environmental risks like flooding or landslides. No trees were cut to give way to subproject construction. One exception is the shared service facility in Brgy. Piso, which is located in an area potentially prone to flooding. This will need to be addressed through the construction design.

61. Land acquired for subprojects is supported by documentation such as Deed of Donation (DOD) and permit to use. TFCTs and CTTs are facilitating the process. In Solidarity areas, barangay officials are helping the land acquisition process. Land used for subprojects comes from landed members of the community (Sultan, Datu, TFCT members' relatives). Once again, in Brgy. Piso, BDA needs to ensure that the current "permit to use" provided by the landowner to the PO is replaced by a deed of donation.

62. Project team members across the components are well-oriented on Safeguards. With the introduction of contractors in implementation in 2016, the project needs to more closely guide them on safeguards requirements. It was agreed that the weekly coordination meetings with contractors would include briefing on and monitoring of compliance with the environmental and social policies of the program.

Communications

63. *MTF communications is improving.* Recognition of the MTF as a multi-donor facility is becoming stronger. However, community organizers need to disseminate to target communities that the MTF is a collaborative partnership between government, the MILF, international development partners and communities to underscore the program as a product of the GPH-MILF peace process.

64. *Grievance Redress System (GRS) information is present and accessible to communities but utilization of the system is low.* Information on the GRS is available in all Bangsamoro ADVANCE, Solidarity and Camps areas. However, community organizers need to continually remind the communities to use this mechanism to provide feedback on project implementation.

65. *Preparations are under way for the MTF-RDP closing ceremony.* In preparation for the closing of the MTF-RDP, testimonials of beneficiaries on improved livelihood and access to services, increased capacities to lead and manage development and stronger social unity among Muslims, Christians, and Indigenous People need to be documented. The MTF Secretariat is working with the implementing partners to document stories and achievements.

Next Mission

66. The next and final MTF-RDP implementation support mission will be held in early March 2017.

Annex 1: Update on Agreed Actions from 13th ISM Mission

#	Action	Responsible	Update
1	Intensify community facilitation: Technical teams from BDA, TFRs and the TFCT to provide more intensive handholding/supervision to POs, particularly for Camps and ADVANCE.	BDA, TFRs, TFCT	Reported done, but still a weak point.
2	Subject livelihood/income-generating subproject proposals to immediate viability assessment.	BDA, TFRs	Done, but with some deficiencies
3	Prepare POs for O&M function: provide tailored training and mentoring for operations and maintenance.	BDA, TFRs	O&M plans completed, but requires more tailored coaching
4	For water system SPs, provide additional technical assistance on technology alternatives, water association organization, government regulations and O&M.	BDA RIE & CFSI (for Camps)	Partial completion
5	Clarify that there is no agreed rule splitting budget 80 percent infrastructure-20 percent livelihood.	BDA & CFSI	Done.
6	Expedite subproject proposal approval through Accelerated Subproject Assessment Process (ASAP).	BDA, CFSI & MinLand	Successfully completed in August 2016.
7	Immediately strengthen enterprises' policy on accountable and safe keeping of resources (profit, assets).	BDA PLEDGE Team & ILO	Groups were trained in August & September, but needs follow up and coaching on the ground.
8	Increase coaching for enterprises by ILO and NGO partners to help CEDOs to: (a) Revisit enterprise policy on profit utilization & labor compensation; (b) improve business/action plans, including dealing with business risks (members leave, business fails, things stolen, crops fail, etc.); and (c) Operationalize the above plans	ILO & BDA PLEDGE team	Training provided but needs follow up and coaching on the ground.
9	Solidify PLEDGE's exit plan, including by strengthening involvement of partner NGOs and other stakeholders who can provide BDS after PLEDGE exits.	ILO & BDA PLEDGE team	Done.
10	Continue to share lessons from PLEDGE with Solidarity/ADVANCE/Camps.	ILO & BDA PLEDGE team	Sharing has started but is yet to be internalized.
11	Ensure data is collected in line with MTF-RDP Results Framework and reported in quarterly reports.	TFRs and BDA M&E Teams	Some data is still missing.
12	Geo-tag ADVANCE, Camps and Solidarity sites	BDA & CFSI M&E	Project sites are GIS-mapped but not as much information or photos is being provided as under PPA4.

13	Ensure bi-monthly liquidation of expenditures and ensure strict enforcement of policy to deduct unliquidated expenses from staff salaries at the end of each month.	BDA Finance Head	Done.
14	Provide status of actions on audit recommendations	TFRs & BDA	Done.
15	Submit IFRs for period ending June 30, 2016	TFRs	Done.
16	MTF & BDA to develop simple briefer/flyer for distribution to MTF communities during meetings and trainings, particularly under Camps and ADVANCE.	MTF Secretariat & BDA ICLO	Done.
17	BDA/CFSI to install program markers with MTF program branding & GRS information in all sites.	BDA & CFSI	Done.
18	Form technical working group to plan and implement the closing ceremony in December 2016.	BDA, TFRs & MTF Sec	In progress.

Annex 2: Key Agreed Actions, 14th ISM

Para.	Action	Responsible	Due
29	Provide tailored support to strengthen PO capacity to operate and maintain subprojects. Focus on: (i) O&M of infrastructure, with a focus on water systems as the technically most complex; and (ii) skills for business planning and equitable management of benefits for income-generating subprojects.	BDA, CFSI & MinLand	Immediate
29	Reach out to new government officials to consolidate partnership in the TFCTs and CTTs.	BDA (CTTs) CFSI (TFCT)	Immediate
29	Address the exclusion issues in Central Malamote by: (i) opening up access to the PO to all <i>sitios</i> ; and (ii) returning management of the subprojects to the PO.	BDA CMO and RMO	December 2016
29	Investigate the capture issue in Palian and restore the solar dryer and warehouse to the PO for the benefit of the community.	BDA CMO & RMO	December 2016
29	Closely monitor the subproject in barangay Piso and ensure that the land is provided to the PO in a deed of donation.	BDA CMO & RMO and MinLand	February 2017
34	BDA and CFSI to conduct weekly coordination meetings with contractors and POs/TFCTs/CTTs	BDA and CFSI	Immediate
34	Review design of water systems considering increase in demand over the initial plans.	BDA RIEs	Immediate
34	Relocate water reservoir in Burias.	BDA	Immediate
34	Strictly enforce safety regulations at the construction sites.	BDA and CFSI	Immediate
41	Document detailed cases of challenges faced by each enterprise, solutions applied and share with Solidarity/Advance/Camps and other projects in BDA	BDA EEDU and ILO	December 2016
41	Document requirements and processes for common types of registration and certification (BFAD, BFAR, DTI, etc.)	BDA EEDU	December 2016
41	Facilitate update and upgrade of enterprises' organizational policies to strengthen internal governance	BDA EEDU	December 2016
41	Continue to monitor enterprise performances (# of active members, beneficiaries served, market expanded, volume of sales/clients, profitability, dividends, etc.) through the January-March extension period.	BDA EEDU	March 2017

42	Provide consultant to help BDA EEDU prepare strategic plan	MTF Secretariat	February 2017
48	Data in regular reports to be updated against the Results Framework	BDA, CFSI & MinLand	Immediate
48	ILO to submit completion report by March 31, 2017.	ILO	March 31, 2017
48	CFSI, MinLand and BDA to submit draft completion report by June 30, 2017.	CFSI, MinLand and BDA	June 30, 2017
58	Prepare revised WFP for the proposed extension period.	CFSI, MinLand & BDA	December 5, 2016
58	ILO to account for and report unutilized PLEDGE funds	ILO	April 30, 2017
58	Resolve the remaining deferred items from reported expenditures (i.e., PHP 2.5 million under Personnel Fund) and ensure liquidation is completed bi-monthly.	BDA FM	Immediate
58	CFSI to resolve the TFCT monitoring allowance issue.	CFSI	Immediate
62	Weekly coordination meetings with contractors to include briefing on and monitoring of compliance with the environmental and social safeguards.	CFSI and BDA	Immediate

Annex 3: Procurement Report

MTF 14th ISM, 7-10 November 2016

1. Status of Procurement Activities. Since the last mission in July 2016, procurement activities focused on the implementation of the Amendments to the Grant Letter Agreement for all three (3) Grant Recipients (CFSI, MinLand and ILO) signed and dated 22 December 2015. All three received additional financing with Grant duration from 1 January 2016 to 31 December 2016. Procurement activities by CFSI were mainly for the Camps Project and ADVANCE Project, while MinLand focused on the Solidarity Project. For ILO, there are no more procurement activities. Details of these sub-components of the project follows.
2. Camps Project under Implementation by CFSI. Six (6) camps were identified to receive funding under the project. During the last mission, it was discussed that there will be 34 infra sub-projects (SPs) and 24 livelihood SPs in the following 31 sites: 7 in Camp Abubakar, 3 in Camp Bad'r, 7 in Camp Bilal, 5 in Camp Bushra, 4 in Camp Omar, and 5 sites in Camp Rajamuda. As of mission date, the 34 infra SPs have been retained but number of livelihood SPs increased to 27. This increase is due to the availability of funds after the types of SPs were finalized. The tables below show the revised number of SPs (both infra and livelihood) that will be receiving funding from the project.

Subprojects under the Camps Project (as of Nov. 2016)							
Type of Subproject	Status						Total Number
	Abubakar	Bad'r	Bilal	Bushra	Omar	Rajamuda	
Infra	7	5	5	6	5	6	34
Livelihood	2	7	8	4	4	2	27
Total	9	12	13	10	9	8	61

3. Responsibility for procurement under this sub-component lies with CFSI. As of mission date, all infra SPs have been procured and construction on-going (except for 3 which are under contract processing), no community force account resorted to. The procurement process for all livelihood SPs have also been completed, with POs (Purchase Orders) served, but no deliveries have been made to date.
4. ADVANCE Project under Implementation by CFSI. Under this sub-component of the project, two (2) sites in each of the identified 25 Base Commands will receive funding from the project. As discussed during the last mission, a total of 87 SPs (50 infra SP and 37 livelihood SPs) will be funded. The 50 infra SPs was retained, but the number of livelihood SPs dropped down to 31 as priority of funding was given to the infra SPs. The table below show the current number of SPs in each of the project Regions.

Type of Subproject	Status							Total Number
	CenMin	Davao	Ranaw	SouthMin	Sulu	Tawi-Tawi	ZamSib	
Infra	16	4	16	2	4	4	4	50
Livelihood	13	1	11	2	0	4	0	31
Total	29	5	27	4	4	8	4	81

5. As was agreed during the last mission, BDA is responsible for procurement under this sub-component, with CFSI providing the needed technical assistance during the whole process until contracting. In addition, the construction contract with the contractor was agreed to be a tripartite agreement, and as such is co-signed by BDA and CFSI. This arrangement is consistent with the “joint procurement” process that is indicated in the Operations Manual. As of mission date, all procurement for the infra SPs (done through local bidding) and all procurement for the livelihood SPs (done through shopping) have been completed. Bidding for 6 infra SPs though failed twice, hence was agreed to be implemented through community force account. These are in the following sites:
- Brgy. Tagabakid, Mati, Davao Oriental – Water Supply System Level II
 - Brgy. Banbanon, Laak, Compostela Valley – Water Supply System Level II
 - Brgy. Tangkuan, Omar, Sulu – Water Supply System Level II
 - Brgy. Kan-Mindus, Luuk, Sulu – Water Supply System Level II
 - Brgy. Guiong, Sumisip, Basilan – Warehouse and Solar Drier (On Grade)
 - Brgy. Ulitán, Ungkaya Pukan, Basilan – Warehouse and Solar Drier (On Grade)
6. Solidarity Project under Implementation by MinLand. Under this sub-component of the project, beneficiary sites are selected from villages covered under the previous phases of CDD assistance and working with successful People’s Organizations to maximize impacts in the target communities. Target number of SPs under this project, during the last mission, was 18 (10 infra SPs and 8 livelihood SPs). However, final number is now down to 15 (10 infra SPs and 5 livelihood SPs) as priority of funding was given to the infra SPs. The breakdown of SPs in each of the project Regions is shown in the table below.

Type of Subproject	Status			Total Number
	Davao	SouthMin	ZamboPen	
Infra	3	3	4	10
Livelihood	1	3	1	5
Total	4	6	5	15

7. Procurement responsibility lies with MinLand. All SPs have been procured and construction of all 10 infra SPs are on-going. Procurement of the livelihood SPs are also all completed at the time of the visit, with deliveries already scheduled. It is expected that all infra SPs will be completed before end-December 2016, and similarly delivery of procured items in all livelihood SPs will be done and SPs completed as well prior to end-December 2016.

8. **Procurement Post Review.** Post review of signed contracts was undertaken by the Bank's DPS prior to the mission proper. Under CFSI, out of the total number of SPs for both Camps and ADVANCE, a total of 18 SPs were sampled (9 infra and 9 livelihood). For MinLand, a total of 5 SPs were sampled (4 infra and 1 livelihood). The findings of the post review showed that the agreed procedures were followed, with publication of the invitation for bids for the CFSI infra SPs (which were procured through local bidding) posted and evaluations of submitted bids on file. For the CFSI livelihood SPs, procurement were done through shopping, and in some instances, the minimum number of three quotations were not achieved, due to the remoteness of the project sites, and the uncertainty of knowing that the SPs are inside base camps. In some cases, award were not made to the lowest submitted quote, with explanations provided why it was the case. For the MinLand review, findings show some missing documents which can easily be provided as they may have misplaced. In some cases, there are no delivery receipts so it was unclear when actual deliveries happened. Overall though, the agreed procedures were followed and there no issues of concern for both TFRs. Attached Table below lists the contracts that were post-reviewed during the mission.

No.	Barangay	Municipality	Province	Subproject	Project Cost	MTF Cost
Camps Infra (CFSI)						
1	Tamparan	Munai	Lanao del Norte	Road Rehabilitation	3,756,454.96	3,446,348.28
2	Tuayan	Datu Hofer	Maguindanao	Water Supply System, Level II (Spring)	2,011,716.50	1,707,797.75
3	Talitay	Pikit	North Cotabato	Suspension Bridge / Walkway	5,489,587.51	5,429,582.85
4	Wago	Lumabayanague	Lanao del Sur	Solar Drier and Warehouse	1,910,825.26	2,000,000.00
ADVANCE Infra (CFSI)						
1	Katibpuan	Talayan	Maguindanao	Warehouse with Solar Drier	1,740,000.00	1,594,364.92
2	Tran	Lebak	Sultan Kudarat	Warehouse with Solar Drier	1,799,000.00	1,638,239.95
3	Mamaanun	Balo-i	Lanao del Norte	Concrete Tire Path	1,633,000.00	1,618,652.70
4	Bas Nunuk	Languyan	Tawi-Tawi	Water Supply System, Level II	1,772,000.00	1,718,267.52
5	Dalangin	Titay	Zamboanga Sibugay	Water Supply System, Level II	1,999,000.00	1,997,331.67
ADVANCE Livelihood (CFSI)						
1	Katibpuan	Talayan	Maguindanao	Stationary Rice Mill	259,000.00	259,000.00
2	Dunguan	Aleosan	North Cotabato	Farm Machineries	427,185.00	427,185.00
3	Cabpangi	Pigcawayan	North Cotabato	Stationary Rice Mill	259,000.00	259,000.00
4	Panosolen	GSKP	Maguindanao	Farm Machineries	285,000.00	285,000.00
5	Central Malamote	Matalam	North Cotabato	Farm Machineries	190,600.00	190,600.00
6	Puya	Datu Paglas	Maguindanao	Corn Sheller & Hauler	288,000.00	288,000.00
7	Pamotolen	Kalilangan	Bukidnon	Mobile Corn Sheller & Hauler	425,000.00	425,000.00
8	Nabalawag	Barira	Maguindanao	Stationary Rice Mill	256,500.00	256,500.00
Solidarity Infra (MinLand)						
1	Pangi	Maco	Compostela Valley	Water Supply System, Level II (Electric)	2,352,941.00	2,000,000.00
2	Taluya	Glan	Sarangani	Water Supply System, Level II (Spring)	1,373,530.00	1,100,000.00
3	East Migpualao	Dinas	Zamboanga del Sur	Tire Path	2,338,487.00	1,999,971.00
4	Canacan	Kabasaran	Zamboanga Sibugay	Water Supply System, Level II (Electric)	2,344,854.00	1,993,942.00
Solidarity Livelihood (MinLand)						
1	Sambulawan	Dinas	Zamboanga del Sur	Carabao Dispersal & Cattle Fattening	177,400.00	100,000.00
22				PhP	33,089,081.23	30,734,783.64

Percentage of contracts/SPs post reviewed to date is as follows: 12.6% for CFSI (18 out of 142 SPs) and 33.3% for MinLand (5 out of 15 SPs). Both are in excess of the required 10% sample (1 in 10 contracts/SPs).

9. **PLEDGE Implementation.** Eleven (11) SPs under PLEDGE are funded under the project, and all are reported to have been completed as at mission date. Procurement transactions in 2 SPs (in Barangays Pigcalagan and Nian) were reviewed prior to the mission proper, and adding this to the 2 SPs that have been post-reviewed in a previous mission (in Barangays Tomoang and Mamaanum) brings the total

number post reviewed to 4 and this represents 36% of all SPs. The list of all 11 SPs implemented under PLEDGE is given below.

List of PLEDGE Subprojects							
No.	Barangay	Municipality	Province	Region	Subproject	Project Cost	MTF Cost
1	Pigcalagan	Sultan Kudarat	Maguindanao	Central Mindanao	Bambo Craft Making	161,405.31	
					Vegetable Production	300,588.20	
					Banana Processing	191,152.01	
					Bread and Pastries	254,414.32	907,559.84
2	North Binangga	Talayan	Maguindanao	Central Mindanao	Fish Processing	165,038.43	
					Banana Processing	181,215.36	
					Coconut Processing	133,062.00	
					Furniture Craft Making	202,789.24	682,105.03
3	Lucatan	Tarragona	Davao Oriental	Davao	Salt Making	177,459.35	
					Mother Fishing Boat w/ Fishing Gears	563,357.80	
					Dried Fish Making	209,203.17	950,020.32
4	Tomoaong	Tarragona	Davao Oriental	Davao	Banana Product Processing	164,769.22	
					Dress Making and Garments Making	219,890.80	
					Double B Common Marketing Facility	219,999.45	
					Indigenous Products Production	392,144.70	996,804.17
5	Pisaan	Dinas	Zamboanga del Sur	Zamboanga Peninsula	Rice Farming Facilities	196,741.60	
					Crab Fattening	227,077.40	
					Fish Processing	58,366.88	
					Bunsod Production	233,390.85	715,576.73
6	Nian	Dinas	Zamboanga del Sur	Zamboanga Peninsula	Rich Farming Facility	254,886.50	
					Fishcage Facility	155,656.82	
					Seaweeds	364,028.50	
					Crab Fattening	142,092.72	916,664.54
7	Seronggon	Muhammad Ajul	Basilan	ZamBas	Home Décor	243,595.72	
					Fish Processing	248,954.54	
					Cassava Processing	245,663.83	738,214.09
8	Candiis	Muhammas Ajul	Basilan	ZamBas	Halal Bakery	272,143.30	
					Coconut Processing	202,311.56	
					Banana Processing	248,945.94	
					Home Décor and Garments Making	199,310.65	922,711.45
9	Rantian	Piagapo	Lanao del Sur	Ranaw	Home Décor and Garments Making	226,584.60	
					Water Refilling	302,604.50	
					Meranao Delicacies	207,477.27	
					Cassava and Sweet Potato Processing	245,773.55	982,439.92
10	Mamaanun Proper	Piagapo	Lanao del Sur	Ranaw	Cassava nad Sweet Potato Processing	184,559.32	
					Dress Making and Embroidery	264,195.14	
					Goat Fattening	160,610.45	
					Rice and Corn Support Processing	427,872.50	1,037,237.41
11	Koronadal Proper	Polomolok	South Cotabato	South Mindanao	Banana Processing	228,514.80	
					Catering	221,028.01	
					Home Décor and Garments Making	260,750.00	
					Rice and Corn Production	238,369.14	948,661.95
PhP						9,797,995.45	9,797,995.45

10. Procurement Plan. There is no need for an updated procurement plan as all procurement have been completed and project is closing soon.

11. Procurement Performance Rating. Moderately Satisfactory.

Annex 4: Financial Management

1. Objectives and scope of review – A review of the implementation of financial management (FM) arrangements of the Mindanao Trust Fund – Reconstruction and Development Program (MTF-RDP) and compliance with the financial covenants of the related grants (TF 93781, TF95941, TF13118) was conducted from November 7-11, 2016 at CFSI, MinLand, and Bangsamoro Development Agency (BDA); and during the 14th ISM on November 21-25, 2016 by the World Bank’s FM Consultant, Mohammad Zidni S. Marohombsar under the supervision of World Bank’s FM Specialist, Tomas A. Sta. Maria, Jr.

The review aimed to ensure that FM arrangements for the project continue to be adequate for the successful achievement of program development objectives. The review generally covered the following: (1) the Project’s FM system and other FM-related issues or concerns through: (a) inquiry and discussion with project finance officers and staff at the TFR’s and at the BDA, and (b) inspection of selected expenditures as to eligibility and adequacy of supporting documentation and compliance with policies and procedures of the Project; (2) financial reports and book of accounts; (3) compliance with the financial covenants under the Grant Agreements; (4) follow up of the results of previous FM implementation review; (5) progress against the Work and Financial Plans (WFP’s); and site visits, including discussions with community enterprises, PO’s and/or beneficiaries.

2. Status of disbursements – As of Nov 21, 2016, disbursements under the three grants were as follows:

	TF93781 (CFSI)	TF95941 (MinLand)	TF13118 (ILO)
Grant Amount	7,519,463	9,221,881	2,429,178
Disbursed	6,379,092	8,665,675	2,429,178
Undisbursed	1,140,371	556,206	-
% Disbursed	85%	94%	100%

The implementation period for Solidarity, Camps and ADVANCE would be extended at no cost for three (3) months from January to March 2017. The CFSI, MinLand, and the BDA would have to revisit and revise the Work and Financial Plans (WFP’s) accordingly. As of November 24, 2016, CFSI projected to disburse Php99.6 million under ADVANCE, and Php80.4 million under Camps; while another Php9.8 million in allocation to block grants based on the previous WFP’s would remain available. On the other hand, MinLand has still to disburse Php7.5 million in block grants under Solidarity.

The following observations were also noted during the FM review:

Camps and ADVANCE (CFSI):

- a) There were minimal disbursements for block grants wherein sub-projects were already at various stages of actual implementation. CFSI, in coordination with the BDA, agreed to closely monitor financial status of sub-projects; and to facilitate prompt submission and processing of periodic progress billings by contractors, including follow through on purchase orders already served to suppliers. Several progress billings were subsequently received and processed by the CFSI.
 - i All disbursements for community-based infrastructure (CBI) sub-projects under Camps and ADVANCE pertain to the 15% mobilization fees paid to contractors.
 - ii The following five (5) CBI sub-projects at corresponding sites under ADVANCE with awarded contractors have still to report any disbursements.

Sub-project	Site	Budget/Allocation (PhP)
Construction of 1-Unit Warehouse with Solar Dryer	Pamotolen, Kalilangan, Bukidon	1,544,000.00
Construction of Warehouse	Tatayawan, Tamparan, Lanao del Sur	1,920,000.00
Construction of Warehouse	Langi Talub, Masiu, Lanao del Sur	1,861,000.00
Water System Level II	Burias, Glan, Saranggani	1,850,000.00
Water System Level II	Polonuling, Tupi, South Cotabato	1,800,000.00

- iii Six (6) CBI sub-projects at the following sites under ADVANCE with no awarded contractors will be implemented through force account. CFSI would ensure adequate FM procedures on sub-project implementation.

Sub-project	Site	Budget/Allocation (PhP)
Water System Level II	Tagabakid, Mati, Davao Oriental	2,000,000.00
Construction of Water System Level II	Banbanon, Laak, Compostela Valley	2,000,000.00
Construction of Water Supply System Level II	Tangkuan, Omar, Sulu	1,997,000.00
Construction of Water Supply System Level II	Kan-Mindus, Luuk, Sulu	1,997,000.00
Construction of Warehouse and Solar Drier (On Grade)	Guiong, Sumisip, Basilan	2,000,000.00
Construction of Warehouse and Solar Drier (On Grade)	Ulitian, Ungkaya Pukan, Basilan	2,000,000.00

- iv Physical work has yet to start on the following two (2) CBI sub-projects under Camps with paid mobilization fees.

Sub-project	Site	Contract Amount (PhP)
Construction of Water System Level II – Spring Development	Kinebeka, Datu Odin Sinsuat, Maguindanao	1,676,616.95
Construction of Water System – Level II	Kulimpang Buldon, Maguindanao	1,746,172.17

- v For livelihood sub-projects under ADVANCE, disbursements have yet to be in RMOs Davao, Ranaw, SouthMin, and Tawi-Tawi with total cost of PhP3.7 million. Also, no reported disbursement under Camps for livelihood sub-projects totaling PhP18.4 million. These are due to pending deliveries by suppliers for the purchase orders already served.
- b) CFSI has still to submit WA and SOE for disbursements made under Camps, which totaled PhP20.336 million as of November 24, 2016. CFSI agreed to submit WA and SOE to the Bank immediately.

Solidarity (MinLand):

- a) Disbursements have yet to be made for livelihood sub-projects under Solidarity. MinLand agreed to closely monitor financial accomplishment for said sub-projects.
- b) Deferred items from reported expenditures by the BDA, particularly PhP2.5 million under the Personnel Fund remain outstanding. MinLand agreed to follow up and monitor compliance by the BDA in order to completely resolve said matter.

PLEDGE (ILO):

- a) The BDA have recently released third tranche to enterprise groups. The BDA will account for and provide status of funds at the community level, and will require enterprise groups to submit fund utilization plan of remaining balances.
- b) The ILO needs to account for excess grant funds at the project level, and refund any determined amount to the Bank.

BDA:

- a) The BDA has to continuously coordinate with the TFR's on the reconciliation and documentation of all program funds received. CMO also has to strictly monitor compliance by all RMO's, and submit consolidated liquidations to TFR's for outstanding fund releases totaling PhP6.5 million for CFSI, and PhP3.7 million for MinLand as of October 31, 2016.

3. Overall financial management system rating – The overall financial management system for the project remains moderately satisfactory. The BDA and the TFR's should continuously coordinate for the timely reconciliation and documentation of all outstanding program funds. Revised Work and Financial Plans (WFPs) must be in place in relation to the project's three-month extension for Solidarity, Camps and ADVANCE. Community financial management has generally improved, yet continued support to POs is necessary on financial recording and transparency particularly for income-generating sub-projects and livelihood activities.

4. Adequacy of accounting staff and maintenance of accounting records – The financial management staff and the maintenance of accounting records at the TFR's and the BDA remain adequate. The TFR's handle the overall FM system of the project. Project staff includes an Accountant/Bookkeeper, and a Finance and Administrative Assistant. The group processes the project's financial transactions, facilitates timely release and disbursement of funds from the Designated Account, evaluates and analyzes claims for payment, maintains the project's journal and books of accounts and prepares financial reports. TFR's maintain the book of accounts for the Project, and it records and reports all project transactions based on consolidated Statement of Expenditures or SOE's submitted by the BDA-CMO.

At BDA-CMO, the Finance Head (FH) supervises the Finance Unit and is primarily responsible for the organization's FM system. The Finance Officer (FO), which directly reports to the Finance Head, is mainly responsible in maintaining an adequate FM system for the Project. Other support staffs include a Finance Assistant and a Cashier. At the regional level or at RMO's, the Finance Assistant or Officer performs the finance functions under the supervision of the Regional Manager (RM), while the Administrative Assistant (AA) performs cashiering.

5. Internal Controls and Assessments – There is proper segregation of incompatible duties and responsibilities at the TFR's. Physical controls over cash, documents and records remain adequate. Levels of review and approval are also considered adequate to provide reasonable assurance that the policies and procedures for recognition and recording assets, liabilities, revenues and expenses are being complied. The TFR's also regularly conducts Regional FM review and validation together with the BDA.

6. Results of review of selected expenditures – The controls at the TFR’s over payments processing, documentation and recording remain adequate. The review included determination of the adequacy of supporting documents of disbursements reported in the Statement of Expenditures (SOE) of Withdrawal Applications (WA) that were submitted to the Bank, and its compliance with the Grant Agreements.

7. Results of site visits – FM-related matters and concerns were discussed with community enterprise groups, People’s Organizations (POs), beneficiaries and other stakeholders, together with the TFR’s and the BDA at selected sub-project sites during the mission proper. There was considerable progress on the capacity of the communities to implement proper financial management arrangements for the sub-projects. However, the Project still needs to continue its support to the enterprise groups and PO’s in order to maintain adequate community FM arrangements (i.e., financial record keeping and transparency in budget allocation and usage) particularly on income-generating and livelihood sub-projects.

Moreover, clarifications were raised regarding the monitoring allowance of TFCT members in the implementation of sub-projects under Camps. It was also noted that monthly allowances were being received by a designated individual on behalf of the five (5) members in each of the six (6) major camps. In Camp Bilal, only three (3) TFCT members were said to have remained active as of the mission. CFSI would further review the matter, and would revisit current procedures to ensure that monthly allowances were actually given to and received by the intended TFCT member.

8. Compliance with the financial covenants – The TFR’s satisfactorily complied with financial covenants.
 (a.) Audited project financial statements – Appropriate actions were undertaken by the CFSI and the MinLand, together with the BDA to address and resolve findings and observations raised by their respective independent auditors in the Management Letters for the CY2015 annual project audit. Both TFR’s have provided the Bank with status updates in August 2016. The Financial Management Framework Agreement between the Bank and the UN governs audit arrangements for ILO.

(b.) Interim Unaudited Financial Reports (IFRs) – CFSI, MinLand, and ILO have been submitting quarterly and semestral IFR’s to the Bank on a timely basis. IFR’s were found acceptable to the Bank.

9. Action Plans – Previous FM requirements were satisfactorily met. The following key actions were currently agreed:

Action Plans	Responsible Unit	Due Date
1. Revisit and revise Work and Financial Plans (WFP’s) accordingly in view of the three-month no cost extension for Solidarity, Camps and ADVANCE.	CFSI, MinLand, and BDA	Immediately
2. Account and report for unutilized PLEDGE funds at the TFR and at the enterprise groups, in consideration of the grant’s closing on December 31, 2016 and application deadline date of April 30, 2017.	ILO and BDA	(a) December 31, 2016 for balances at the enterprise groups; and (b) April 30, 2017 for grant funds at the ILO
3. Closely monitor disbursement for block grants. Facilitate prompt submission and processing of periodic progress billings by contractors, and follow through on purchase orders served to suppliers.	CFSI, MinLand, and BDA	Immediately

4. Resolve the remaining deferred items from reported expenditures (i.e., PhP2.5 million under Personnel Fund).	MinLand and BDA	Immediately
5. Reconcile regularly with CFSI and MinLand outstanding program funds received. Monitor compliance by RMO's, and submit bi-monthly consolidated liquidation of expenditures to CFSI and MinLand.	BDA-CMO	Continuous

Annex 5: Technical Workmanship

The ISM-Infrastructure Team conducted site visit to various Camps Site, Solidarity Site and ADVANCE Site in the provinces of Maguindanao, North Cotabato, South Cotabato, Sarangani and Davao Oriental to assess infrastructure subprojects under implementation in terms of technical quality and extent to which the detailed engineering designs and program of works are actually being implemented. The following subprojects were validated:

- Construction of Solar Dryer, Warehouse and Rice Mill which is currently under construction with a physical accomplishment of 40%. The subproject is being implemented thru Contract. The subproject is located in Camp Abubakar, Brgy. Barira Poblacion, Barira, Maguindanao.
- Construction of Warehouse and Solar Dryer which is under implementation and being constructed by a Contractor, BAMEC Construction, the same contractor implementing the MTF SP in Camp Abubakar. The physical accomplishment of the subproject is 30%. The subproject is located in Brgy. Central Malamote, Matalam, North Cotabato.
- Construction of Water System Level III, the subproject is under implementation with a physical accomplishment of 35%. The subproject is being implemented by the community/PO. The subproject is located in Brgy. Palian, Tupi, South Cotabato.
- Construction of Water System Level III, the subproject had just started with a physical accomplishment of 10%. The subproject is being implemented thru contract with Curveline Construction. The subproject is located in Brgy. Burias, Glan, Sarangani.
- Construction of Shared Service Facility Building in the Brgy. Piso, Banay Banay, Davao Oriental. The physical accomplishment of the subproject 40% and being implemented by the community/PO.

Key Observations and Issues

1. Construction of Solar Dryer, Warehouse and Rice Mill (Camp Abubakar)

- 1.1 One major concern is the protruding vertical rebars at the CHB zocalo of the solar dryer. This poses a safety hazard as children of residents near the subproject site tends to play in the completed section of the solar dryer. The contractor was instructed to bend down (who immediately complied) all vertical rebars to prevent untoward incidents. The contractor was also advised to secure the site and provide warning signs.
- 1.2 No structural defects were noted on the completed concrete columns and workmanship is acceptable.
- 1.3 The skilled and unskilled workforce were brought-in by the contractor as the community decided not to participate in the construction of the subproject.
- 1.4 The PO decided to delete the storage area inside the warehouse and instead requested the provision of toilet and septic vault, RMO to prepare the design. This would be a variation of work with cost implication.
- 1.5 No materials quality tests being conducted.
- 1.6 No structural analysis was made in designing the warehouse building. Design of other typical structure were instead adopted.
- 1.7 Poor housekeeping was noted in the subproject site as construction debris and construction materials were scattered around the subproject site. Again this poses as safety hazard. For immediate removal of construction debris and proper storing and stockpiling of construction materials.

2. Construction of Warehouse and Solar Dryer (Brgy. Central Malamote)

- 2.1 Work force for the subproject (skilled and unskilled) are from the community. The Contractor did not brought-in any work force from outside the community.
- 2.2 No construction activities during the site visit, the laborers were attending a training on financial literacy.
- 2.3 No structural analysis was made in designing the warehouse building. Design of other typical structure were instead adopted.
- 2.4 Completed solar dryer has shown the start of concrete scaling. This could be attributed to wrong methodology in finishing concrete slab. The proper methodology to attain a smooth concrete finish is to continuously steel trowel the concrete slab until a smooth finish is attained. The process usually take 3-4 hours to attain the desired finish. The usual practice of masons is to apply dry cement on the concrete to hasten its drying period and this will always result in scaling or flaking of cement.
- 2.5 The contractor is simultaneously implementing at least two MTF subproject. This SP is experiencing poor construction supervision (e.g. concrete scaling, non-removal of forms, no shear keys on the first lift of concrete columns) and delay in the delivery of materials. The downside of implementing more than one SP.
- 2.6 No materials quality tests being conducted.
- 2.7 Poor housekeeping was noted in the subproject site as construction debris and construction materials were scattered around the subproject site. Again this poses as safety hazard. For immediate removal of construction debris and proper storing and stockpiling of construction materials.

3. Construction of Water System Level III (Brgy. Palian)

- 3.1 The design of the water system is for 80 households only, but the present number of households who signify their intention to avail the water facility is 170 households. Given the present demand, the system is insufficient. Re-check the design of the system considering the present demand and appropriately upgrade the system based on the result of the system design review.
- 3.2 Based on the DED, electrical control panels of the submersible pump is underneath the elevated water reservoir (not acceptable, prone to accident if water reservoir leaked). No provision for a pump house was considered in the design. Variation order/additional work for the construction of pump house will be required.
- 3.3 Minor details were incorporated in the DED.
- 3.4 The RIEs were reminded that all exposed pipes should be G.I. pipe and not PE pipe.

4. Construction of Water System Level III (Brgy. Burias)

- 4.1 The design of the water system is for 90 households only, but the present number of households who signify their intention to avail the water facility is 160 households. Given the present demand, the system is insufficient. Re-check the design of the system considering the present demand and appropriately upgrade the system based on the result of the system design review.
- 4.2 Based on the DED, electrical control panels of the submersible pump is underneath the elevated water reservoir (not acceptable, prone to accident if water reservoir leaked). No

- provision for a pump house was considered in the design. Variation order/additional work for the construction of pump house will be required.
- 4.3 Location of the elevated water reservoir is at the base of a sloping terrain which could be prone to landslide/soil erosion, environmental hazard was not considered in determining the location of the subproject. There is a need to relocate the elevated water reservoir even though the foundation of the structure is ready for concrete pouring.
 - 4.4 Proposed location of the deep well is beside a septic tank. The deep well should be at least 100 meters from any source of possible contamination. There is a need to relocate the deep well.
 - 4.5 Minor details were incorporated in the DED.
 - 4.6 The RIEs were reminded that all exposed pipes should be G.I. pipe and not PE pipe.
5. Construction of Shared Service Facility Building (Brgy. Piso)
 - 5.1 The original location of the subproject is along the national highway but was relocated by about 95 linear meters from the national highway. The present location is flood prone and swampy area. Environmental hazard was not considered in relocating the subproject.
 - 5.2 Design adjustment were made upon relocating the subproject. Footing tie beams were constructed on the perimeter footing of the building and the flooring was elevated by one meter. The additional tie beam structure was intended to mitigate the possible sinking of the building.
 - 5.3 Waste water facility for the Shared Service Facility is not part of the DED.
 - 5.4 Splicing and connection of wooden trusses not in accordance with the details in the DED. Splice plates should be bolted to the trusses not nailed. For rectification upon arrival of steel bolts.
 - 5.5 Purlins splices is in one alignment only creating the weakest point in the purlin layout, Purlin splices should be staggered. For adjustment prior to the installation of metal roofing.

Overall Recommendation:

1. CMO to conduct weekly coordination meeting with the contractors and beneficiaries to address construction related issues. This will be the avenue to discuss progress of the subproject, quality requirements, compliance with the safeguard policies, safety issues and concerns at the site, and other construction related issues that may hamper the completion of the subprojects. CFSI and MinLand technical personnel can attend the coordination meetings to provide inputs and insights.
2. CMO to continuously conduct technical coaching to field engineers on the appropriate construction methodologies of the subproject to make certain contractor's compliance with the technical requirements of the subproject. The RIEs to closely supervise and monitor the subprojects given the very tight construction schedule.
3. In most subprojects visited, quality testing of materials had not been conducted. In view of this, CMO to develop an alternative test methodologies (quality control) to at least approximate the results of the required quality requirements.
4. Re-check the design of the water system considering the increase in demand from 80-90 households to 160-170 households. The present design of the systems may not be sufficient given the increase in demand. Based on the results of the design review, implement the appropriate measures to ensure that the current number of beneficiaries will have Level III potable water connection.

5. Undertake the structural design analysis of the warehouse buildings (steel/wooden trusses and concrete structures) to ensure the structural stability of the subprojects. Adopt the latest design criteria. This should be applicable to all BDA subprojects of similar structure.
6. Relocate the elevated water reservoir of Brgy. Burias to the previously agreed location.
7. Strictly enforce the safety regulations at the construction sites and adopt the “Safety First” policy. Also ensure that proper housekeeping is being implemented in every subproject site. Poor housekeeping is a safety hazard.
8. The RMO/PO to coordinate with the MLGU regarding the design/requirements of the proposed waste water facility of the Shared Service Facility Building.