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**COUNTRY ASSISTANCE STRATEGY (CAS) PROGRESS REPORT
FOR
THE REPUBLIC OF THE PHILIPPINES**

April 20, 2011

Philippines Country Management Unit
East Asia and Pacific Region

International Finance Corporation
East Asia and Pacific Department

Multilateral Investment Guarantee Agency
East Asia and Pacific Department

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ACRONYMS AND ABBREVIATIONS

4Ps	Pantawid Pamilyang Pilipino Program – CCT program	DOTC	Department of Transport and Communications
AAA	Analytical and Advisory Activities	DPL	Development Policy Loan
ABC	Approved Budget for Contract	DPO	Development Policy Operation
APCPI	Agency Procurement Compliance and Performance Indicators	DPT3	Diphtheria-Pertussis-Tetanus Third Dose
ADB	Asian Development Bank	DPWH	Department of Public Works and Highways
AFMP	Agriculture and Fisheries Modernization Plan	DRM	Disaster Risk Management
ARMM	Autonomous Region in Muslim Mindanao	DRRM	Disaster Risk Reduction and Management
ASFP	ARMM Social Fund Project	DS	Debt Service
AusAID	Australian Government Overseas Aid Program	DSWD	Department of Social Welfare and Development
BDO	Banco De Oro	EAAIG	East Asia Infrastructure for Growth Trust Fund
BESRA	Basic Education Reform Agenda	EAP	East Asia and Pacific
BIR	Bureau of Internal Revenues	EC	European Commission
BPI	Bank of the Philippine Islands	ECs	Electrical Cooperatives
BRT	Bus Rapid Transit	EITI	Extractive Industries Transparency Initiative
BSP	Bangko Sentral Ng Pilipinas (Central Bank of the Philippines)	ENRMP	Environment and Natural Resource Management Project
BTr	Bureau of the Treasury	EPI	Expanded Program of Immunization
CALA	Cavite-Laguna Expressway	EPIRA	Electric Power Industry Reform Act
CARD	Center for Agriculture and Rural Development	ERC	Energy Regulatory Commission
CAS	Country Assistance Strategy	ERPAs	Emission Reduction Purchase Agreements
CASPR	CAS Progress Report	ESW	Economic and Sector Work
CAT-DDO	Catastrophe Deferred Draw-Down Option	FHSIS	Field Health Service Information System
CC	Climate Change	FOB	Free On Board
CCA	Climate Change Adaptation	FOI	Freedom of Information
CCT	Conditional Cash Transfer	FRS	Fiscal Risk Statement
CDD	Community-Driven Development	FSAP	Financial Sector Assessment Program
CDR	Community Driven Reconstruction	FY	Fiscal Year
CF	Carbon Finance	GDP	Gross Domestic Product
CGAC	Country Governance and Anticorruption	GEF	Global Environment Facility
CIC	Credit Information Corporation	GFDRR	Global Facility for Disaster Reduction and Recovery
CMU	Country Management Unit	GFI	Government Financial Institutions
CO2e	Carbon Dioxide Emission	GIFMIS	Government Integrated Financial Management Information System
COA	Commission on Audit	GNFS	Goods and Non-Factor Services
CoST	Construction Sector Transparency Initiative	GOCC	Government-Owned and Controlled Corporations
CPAR	Country Procurement Assessment Report	GOP	Government of the Philippines
CSOs	Civil Society Organizations	GPF	Governance Partnership Facility
DA	Department of Agriculture	GPOBA	Global Partnership on Output-Based Aid
DAR	Department of Agrarian Reform	IBRD	International Bank for Reconstruction and Development
DBM	Department of Budget and Management	ICT	Information and Communications Technology
DENR	Department of Environment and Natural Resources	IDA	International Development Association
DepED	Department of Education	IDF	Institutional Development Fund
DFSG	Diagnostic Facility for Shared Growth	IDP	Internally Displaced Persons
DIALOG	Decentralization and Local Government	IEG	Independent Evaluation Group
DILG	Department of Interior and Local Government	IFC	International Finance Corporation
DOF	Department of Finance		
DOH	Department of Health		

IMF	International Monetary Fund	PDNA	Post-Disaster Needs Assessment
JICA	Japan International Cooperation Agency	PDP	Philippine Development Plan
JRSP	Judicial Reform Support Project	PEs	Procuring Entities
JSDF	Japan Social Development Fund	PEFA	Public Expenditures and Financial Accountability
KALAHI-CIDDS	Kapit Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services	PFI	Private Financial Institutions
KDC	Knowledge for Development Centers	PFM	Public Financial Management
LAMP	Land Administration and Management Project	PGAT	Philippines Governance Advisory Team
LGUs	Local Government Units	PH	Philippines
LISCOP	Laguna De Bay Institutional Strengthening and Community Participation	PhilGEPS	Philippine Government Electronic Procurement Systems
LRT	Light Rail Transit	PHP	Philippines Pesos
M&E	Monitoring and Evaluation	PHRD	Policy and Human Resources Development Fund
MCC	Millennium Challenge Corporation	PIDP	Participatory Irrigation Development Project
MDFO	Municipal Development Fund Office	PNOC-EDC	Philippines National Oil Company – Energy Development Corporation
MDGs	Millennium Development Goals	POPS	Persistent Organic Pollutants
MIC	Middle-Income Country	PPIAF	Public-Private Infrastructure Advisory Facility
MIGA	Multilateral Investment Guarantee Agency	PPP	Public-Private Partnership
MIS	Management Information System	PUC	Philippines Urban Consortium
MMURTRIP	Metro Manila Urban Transport Integration Project	RE	Renewable Energy
MPI	Material Project Information	RET	Renewable Energy Technology
MRDP	MISO Re-engineering and Development Plan	RMES	Reconstruction and Monitoring and Evaluation System
MSME	Micro and Small and Medium Enterprise	RPP	Rural Power Project
MTF-RDP	Mindanao Trust Fund-Reconstruction and Development Program	SEA-K	Self-Employment Assistance-Kaunlaran
MTSP	Manila Third Sewerage Project	SEC	Securities and Exchange Commission
MW	Megawatt	SME	Small and Medium Enterprises
NAIA	Ninoy Aquino International Airport	SNTA	Sub-National Technical Assistance
NCR	Net Cash Requirement	SOs	Strategic Objectives
NDHS	National Demographic Health Survey	SPF	State and Peace Building Fund
NEDA	National Economic and Development Authority	SPHERE	Support to Phil Basic Education Reforms
NER	Net Enrolment Rate	SPUG	Small Power Utilities Group
NFA	National Food Authority	SSLDIP	Strategic Local Development and Investment Project
NHIP	National Health Insurance Program	SWDR	Social Welfare and Development Reform
NHTS	National Household Targeting System	TA	Technical assistance
NPS	National Program Support	TATF	Technical Assistance Trust Fund
NPSTAR	National Program Support for Tax Administration Reform	TBD	To Be Determined
NRS	National Road System	TDO	Total Debt Outstanding
NSCB	National Statistical Coordination Board	TF	Trust Fund
NSSHRP	National Sector Support for Health Reform Project	TFSCB	Trust Fund for Statistical Capacity Building
OBA	Output-Based Aid	UPSURGE	Urban Partnership for Sustainable Upliftment, Renewal, Governance and Empowerment
ODS	Ozone Depletion Substance	UCS	Use of Country Systems
ORAF	Operational Risk Assessment Framework	WBG	World Bank Group
OTF	Ozone projects Trust Fund	WHMP	Women's Health and Safe Motherhood Project
PCD	Post-Crisis Directions	WPP	Water Partnership Program
PCF	Performance Challenge Fund	WSP	Water and Sanitation Program
PCN	Project Concept Note	WSS	Water Supply and Sanitation
PDF	Philippines Development Forum		

**JOINT IBRD/IFC/MIGA
COUNTRY ASSISTANCE STRATEGY (CAS) FY10-FY13
FOR
THE REPUBLIC OF THE PHILIPPINES

PROGRESS REPORT**

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MAP OF THE PHILIPPINES (IBRD 33466R4)

I. INTRODUCTION

1. **This Progress Report assesses implementation of the joint IBRD/IFC/MIGA Country Assistance Strategy (CAS) for the Philippines at mid-term.** The joint CAS was discussed by the Board of Executive Directors on April 30, 2009 and covers the period July 1, 2009 to June 30, 2012 (FY10-FY12). It was anchored in the country's 2004-2010 Philippine Development Plan (PDP) for 2004-2010, and carries the theme of *Making Growth Work for the Poor*. Under the CAS, the World Bank Group is contributing to achieving more inclusive growth by supporting the Philippines to (i) maintain macroeconomic stability, (ii) improve the investment climate, (iii) increase access to better public services for the poor, (iv) reduce vulnerabilities, and (v) promote good governance. The Philippines program also links with the East Asia and Pacific (EAP) Regional Strategy, as well as the Bank-wide global agenda and strategic themes, including the Post-Crisis Directions (PCD). IBRD and IFC are pursuing joint programs in infrastructure, agribusiness, and the financial sector. MIGA continues to offer its guarantee products, ensuring consistency with the overall Bank Group goals, with a particular focus on infrastructure.

2. **The CAS is overall on track to deliver the majority of the envisioned outcomes despite the uncertainties brought about by the global economic recession, the impact of natural disasters, and some delays associated with the election period.** The key purpose of this CAS Progress Report is to ensure continued alignment of the Bank Group strategy with the development strategy of the Philippines. Based on an analysis of alignment with the new 2011-2016 Philippine Development Plan (PDP), the CAS Progress Report confirms that the overall objectives of the FY10-FY12 CAS remain valid and relevant, and proposes a one-year extension until the end of FY13. Within the overall objectives, the CAS Progress Report suggests some shifts of focus and emphasis in CAS outcomes. The new Government has requested increased lending support from the International Bank for Reconstruction and Development (IBRD) in the amount of US\$1.5 billion a year. The International Finance Corporation (IFC) plans to increase the investment program to US\$300-350 million per year, supplemented by advisory services. The Multilateral Investment Guarantee Agency (MIGA) will continue to offer its products. The World Bank Group (IBRD, IFC, and MIGA) will use a mix of lending and non-lending instruments, including Development Policy Lending (DPL), provided that recent progress in financial management improvements continue, Catastrophe Deferred Draw-Down Option (CAT-DDO), National Program Support (NPS) operations, additional financing, programmatic analytical and advisory activities (AAA), IFC investments and advisory services. The Government's public-private partnership agenda offers opportunities for use of WBG guarantees as well.

II. COUNTRY DEVELOPMENTS

Changes in Political Context

3. **The main political changes during the CAS period were brought about by the May 2010 nationwide elections.** President Benigno S. Aquino III won with a large margin as candidate for the Liberal Party on a platform focusing on anti-corruption and poverty reduction. He was elected with a strong plurality of 42 percent, 16 points ahead of the second-placed candidate, and continues to be highly regarded in opinion polls. The leadership of the Lower House of Congress is now in the hands of the Liberal Party. The Senate continues to be composed of members from a diverse group of parties, many of whom support the President, even as they may vote independently on specific

issues. This political configuration suggests that the Executive may count on significant legislative support for its reform initiatives.

4. **President Aquino's election platform focused on anti-corruption and poverty reduction—themes that are central to the Bank Group CAS.** The President's election slogan "Kung Walang Corrupt, Walang Mahirap" ("without corruption there is no poverty") succinctly summarizes the focus of his presidency. His 16-point election platform, the "*Social Contract with the Filipino People*"¹, outlines the major policy initiatives that President Aquino is aiming to implement during his term. The *Social Contract* prioritizes anti-corruption, jobs that empower, education, health, and access to justice, and highlights the need for peace, security, and preserving the integrity of natural resources. The *Social Contract* was elaborated further in various other pronouncements such as the President's Inaugural Speech, his State of the Nation Address, the President's 2011 Budget Message, and the 2011-2016 PDP. The approved budget for 2011 already reflects some of those initiatives, with a major reallocation of resources to education, health, and social protection, while introducing more transparency in the way the budget is presented and implemented. On the economic side, the focus is on achieving higher growth through improving infrastructure and streamlining business procedures and reducing red tape.

Economic and Social Developments during the CAS Period

5. **The Philippines proved resilient to recent shocks.** The food and fuel price shocks, the global financial crisis and the global recession, typhoons Ondoy and Pepeng, and the El Niño phenomenon all affected the economy and the poverty reduction efforts in the country. Overall, the economy recovered well, thanks to sound initial macro-fundamentals coupled with a fiscal stimulus initiated in early 2009 and large counter-cyclical worker remittances, which bolstered the balance of payments and fueled consumption.

6. **After a sharp slow-down in 2009, the Philippine economy rebounded in 2010.** The economy grew by 7.3 percent in 2010, the fastest rate of expansion in more than 30 years. The headline inflation rate has been stable since 2009, with small variations reflecting developments in fuel, food and utility prices, and well within the Central Bank's target zone. The current account of the balance of payments yielded a large surplus of 5.5 percent of GDP in 2009 and 5.2 percent in 2010. The fiscal deficit increased significantly in 2009, as the Government implemented a counter-cyclical fiscal policy in response to the global financial crisis. Despite a surging economy in 2010, the tax effort remains largely unchanged since the start of the CAS period, as many of the cuts introduced in 2009 were permanent in nature and additional revenue-eroding measures took effect in 2010. Even so, the national government debt-to-GDP ratio declined in 2010, thanks to rapid economic growth and a decline in the Peso value of foreign debt obligations. Since the new administration assumed office on June 30, 2010, the stock market has gained more than 30 percent and spreads on government bonds have narrowed. In the same period, Standard & Poor's upgraded the Philippines to two levels below investment grade (the same as Indonesia), and Moody's upgraded the outlook on the Philippines debt from stable to positive.

7. **Macroeconomic prospects for the period 2011-13 are encouraging.** Growth is projected to remain strong over the medium term, though slightly lower than in 2010, as monetary and fiscal policies are gradually tightened to unwind the economic stimuli introduced earlier. Investor confidence in the Philippines is expected to continue improving with the new administration's strong

¹ <http://www.gov.ph/the-republic/the-president/benigno-simeon-cojuangco-aquino-iii/platform-of-government/>

focus on tackling corruption and reducing the costs of doing business. Fiscal policy is expected to focus on gradual fiscal consolidation through higher tax revenues and more efficient public spending, which would reduce the deficit to 2 percent of GDP in 2013. Fiscal space for additional public investment spending remains limited in the short run, and the Aquino administration aims for public-private partnership (PPP) projects to fill important gaps in public infrastructure. Meanwhile, the balance of payments is expected to remain robust, even though the current account is projected to yield smaller surpluses in future years. Prospects for debt sustainability remain good, while fiscal risks continue to be significant due to the still high level of the fiscal debt, weaknesses in the public debt management framework that prevents quick responses, and contingent liabilities that remain large, mainly on account of the Government-Owned and Controlled Corporations (GOCCs), PPPs, the financial sector, and the threat of natural disasters. (See further analysis of the macroeconomic developments and prospects in Annex 1.)

8. **Growth continues to have limited impact on poverty.** The 2010 Philippines Inclusive Growth Report noted that rapid growth in 2000-2006 had not translated into greater progress in poverty reduction. The latest official poverty data reveal that poverty incidence hardly changed from 2006 to 2009 after having increased from 2003 to 2006. This inelastic poverty response persists through the recent economic recovery, as the Social Weather Station surveys indicate that self-rated poverty improved only slightly in 2010, while self-rated hunger incidence remains at record high levels. The labor market is slowly recovering from the global recession, with the unemployment rate falling from 7.6 percent in mid-2009 to 7.4 percent in January 2011, while underemployment continues to affect some 19 percent of the labor force. These rates are very high by regional standards.

9. **The Philippines' progress towards achieving the Millennium Development Goals (MDGs) remains mixed.** The country is generally on track to improve gender equality in basic education, reduce infant and child mortality, combat tuberculosis, malaria, and other major diseases, and improve access to safe water. However, a number of key MDGs are at risk of being missed, especially after the succession of shocks that occurred since 2008. This includes the targets for a significant reduction in maternal mortality, protecting children from malnutrition and diseases, and achieving universal primary education. The lack of progress in improving maternal health is also particularly worrisome given its implications not only for health but also for employment, public spending, and the overall pace of poverty reduction. The inconsistent performance in various MDG indicators persists across geographic regions and income groups. (See further details in Annex 2.)

The 2011-2016 Philippine Development Plan (PDP)

10. **The 2011-2016 PDP is anchored in a framework of *Inclusive Growth and Poverty Reduction*.** The 2011-2016 PDP seeks to substantiate the vision of inclusive growth and poverty reduction that underlies President Aquino's "*Social Contract with the Filipino People*" through concrete actions that focus on three strategic pillars: (i) attaining a sustained and high rate of economic growth that provides productive employment opportunities, (ii) equalizing access to development opportunities for all Filipinos, and (iii) implementing effective social safety nets to protect and enable those who do not have the capability to participate in the economic growth process. An overarching challenge in the pursuit of development in the Philippines is to improve governance, which has been recognized as an important constraint on sustained growth and poverty reduction. The PDP outlines a comprehensive development agenda for the country. To achieve sustained and high growth, the 2011-2016 PDP calls for a stable macroeconomic environment, increased infrastructure investment and competitiveness, and improved governance. To enable

broad-based access to development opportunities, the Plan calls for increased investment in human capital (education and health) and improved access to infrastructure, credit, land, and other assets. For effective social protection, the Plan lays out the needs for developing effective and responsive safety nets. (See a more detailed analysis of the PDP in Annex 4.) Discussions on the Plan with development partners and other stakeholders were held on February 26, 2011 during the 2011 Philippines Development Forum (PDF), the main vehicle of the Government for policy dialogue and aid coordination with the development partners and other stakeholders.

III. ASSESSMENT OF IMPLEMENTATION UNDER FY10-FY12 CAS

Progress in Achieving the CAS Objectives

11. **Since the Board discussion in April 2009, the FY10-FY12 CAS has been implemented largely as anticipated and is expected to deliver most of the envisioned outcomes.** This assessment is based on the CAS implementation monitoring undertaken by the Philippines country team, organized in strategic objectives (SO) teams led by SO champions. The analysis of progress to date prepared for the third CAS Results Day held in January 2011 indicates that of the 23 outcomes within the 11 results areas under the four strategic objectives and one cross-cutting theme, 16 are *on track*, five are on *watch*, and two are *off-track*. The outcome progress by strategic objective is presented in summary in Table 1 below and further explained in the updated CAS Results Framework (Annex 8).

Table 1: Philippines CAS Progress Report - Results Summary

Results	SO1	SO2	SO3	SO4	SO5	Total
Outcomes	3	4	5	6	5	23
On Track	2	2	4	5	3	16
Off Track	1	0	1	0	0	2
Watch	0	2	0	1	2	5
Milestones	7	32	9	17	9	74
On track	3	24	5	14	3	49
Off track	1	0	4	0	0	5
Watch	3	8	0	3	6	20
<i>Dropped Milestones</i>	<i>0</i>	<i>5</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>6</i>
<i>Added Milestones</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>5</i>

Strategic Objective 1 (SO1): Stable Macroeconomy

Strategic Objective 2 (SO2): Improved Investment Climate

Strategic Objective 3 (SO3): Better Public Service Delivery

Strategic Objective 4 (SO4): Reduced Vulnerabilities

Strategic Objective 5 (SO5): Good Governance (cross-cutting)

12. **Progress towards the CAS outcomes, while encouraging, has been uneven, as Table 1 above and the related Annexes 5, 6, and 8 indicate.** While significant progress has been achieved toward many of the CAS outcomes, performance in others is lagging, such as the tax effort and the coordinated area-based approaches, the two outcomes that are assessed as *off track*. The tax effort was 12.8 percent of GDP in 2009 and 2010, and is only expected to slowly increase over time, given the administration's focus on improving tax administration and compliance before considering tax policy changes. The *watch* list includes outcomes such as investments and employment in rural and urban areas, delivery and access to financial services, addressing disaster- and climate change-related risks, and local government service delivery. Examples of specific achievements toward CAS

outcomes and the World Bank contributions, as well as the challenges going ahead, are presented in detail in Annex 5. The Results Framework (Annex 8) also contains some revisions to the milestones and indicators intended to better align these with the new government priorities, take account of developments since the CAS was prepared, and make clarifications as needed. The revisions and the rationale for them are presented in Annex 9. In the period of CAS implementation, the Philippines program also links with EAP Regional Strategy, as well as the Bank-wide global agenda and strategic themes, including the Post-Crisis Directions (PCD).

Overview of CAS Implementation

13. **IBRD Lending Commitments.** FY10 lending was significant, while FY11 saw considerable slowdown as the incoming administration was preparing its strategic priorities and plans. Lending for FY10 reached US\$685 million, higher than the CAS target of US\$560 million for the year. Total actual deliveries of loans and large Trust Fund-financed grants for the first one and a half years of the CAS amounted to US\$783.7 million. Deliveries so far for FY10 and FY11 include a US\$405 million Social Welfare and Development Reform Project—the largest-ever Bank loan to the Philippines—aiming at countering the effects of the global economic crisis through the conditional cash transfers (CCT) program, a supplemental Food Crisis Response Development Policy Operation (DPO) which was the Bank's response to the Government's request to address the damages and challenges caused by two large typhoons in 2009 by strengthening social protection and safety nets to protect poor and vulnerable households, and two additional financing operations supporting community driven development (CDD) through the KALAHI-CIDSS program and conflict-affected communities through the ARMM Social Fund. A summary of the actual versus planned lending deliveries is presented in Annex 6A. Annex B8 reviews the current portfolio including large Trust Fund-financed operations.

14. **IBRD Knowledge Agenda, Analytical and Advisory Activities (AAA).** In line with the FY10-FY12 CAS strategic shift to increased focus on the knowledge agenda, the Bank Group has created a robust programmatic AAA agenda under each strategic objective. The programmatic AAA provide flexibility to respond to specific requests from the new administration, as was the case for the significant effort to support the PPP agenda, the support for the preparation of an agricultural sector roadmap, and the government health and education agendas. The programmatic AAA were complemented by discussion notes for the incoming administration, innovation notes on poverty diagnostics and decentralization, and some stand-alone tasks that support the strategic objectives of the CAS. A critically important product of the AAA program that was not planned in the CAS was the Post-Disaster Needs Assessment (PDNA), a multi-donor effort that the Bank led in the aftermath of two large typhoons that hit the country in the Fall of 2009. A summary of the actual versus planned AAA deliveries, comprising technical assistance (TA) and economic and sector work (ESW), is presented in Annex 6B. Annex 6C illustrates the part of the AAA program that is supported by Trust Funds. AusAID partnership was particularly helpful for the AAA program. (See more on the non-traditional deliverables in the Partnership section below.)

15. **IBRD Loan Portfolio and Pipeline Management.** In the FY10-FY12 CAS, the Philippines country team committed to paying special attention to strengthening the portfolio and pipeline management. Special focus was placed on improving lending efficiency, furthering the knowledge agenda and leveraging resources through strategic partnerships. Performance indicators were agreed upon and monitored periodically with respect to the time and costs of preparing new operations and proactive actions to address problem projects. The portfolio performed well in FY10 and FY11 with most of the indicators showing improved levels from the previous year except for disbursement

performance and realism index in FY11, which are lower than anticipated. Several actions were undertaken to improve the pipeline management, including screening of new project ideas early in the process, application of a set of early “readiness filters”, agreed with the Government, to screen projects during the regular programming discussions, and creation of a Philippine Governance Advisory Team (PGAT) and use of “governance filters” to help task teams to identify governance risks of projects and strengthen mitigation plans. Project processing lead times and costs of Bank projects were effectively reduced. For further information on the Philippines program status and management, see Annex 10.

16. **IFC Lending Commitments and Advisory Work.** In FY10, IFC committed US\$197 million in three projects. For FY11, as of December 2010, IFC has committed US\$27 million with another US\$229 million worth of projects that have been approved by the Board. The commitment target for FY11 is US\$300 million. As of December 2010, IFC has a committed portfolio of US\$1,047 million, inclusive of US\$2 million from participants (see Annex B8 on IFC Committed and Disbursed Outstanding Investment Portfolio). Infrastructure accounted for 64 percent of the portfolio, followed by the financial markets at 24 percent. The Philippine portfolio continues to be more debt (92 percent) than equity (8 percent). IFC advisory work aims at opening markets and helping firms grow and compete. IFC leverages the strength of many partners across the World Bank Group and in the larger development community. With donor support from Canada and Australia, the Advisory Services focus on creating a robust environment for business and on helping companies enhance their performance, governance and sustainability. Details on the IFC advisory services are reflected in the CAS Results Framework (Annex 8).

17. **MIGA in the Philippines.** MIGA currently has no exposure in the Philippines but expects to expand guarantee operations following the establishment of a hub in Asia. MIGA will focus its efforts on supporting the Government’s agenda for increased infrastructure through PPP approaches. MIGA’s online investment promotion services (<http://www.pri-center.com>) offer free country analyses and information relating to foreign direct investment (FDI) and political risk management and insurance.

18. **Partnerships (including Trust Funds).** The FY10-FY12 CAS recognized that the May 2010 elections were a critical event, and an engagement plan with a new administration was factored into the strategy. With the Philippines country team’s policy advice through the Discussion Notes and a clear engagement plan, there was solid ground to work on, and partnerships with the various government teams remained strong despite the change in administration. The new administration has recognized the value of the PDF and convened a PDF event on February 26, 2011. In parallel, collaboration among **international and national development partners** continued to strengthen through strategic partnerships and Bank administered trust fund programs. An innovative umbrella trust fund with AusAID has enhanced already strong cooperation. Consistent with the Paris Declaration on Aid Effectiveness aiming to harmonize and align aid delivery, AusAID and the Bank are supporting strengthening internal audit services at the Department of Public Works and Highways (DPWH). In addition to Annex 6C, which presents the ongoing trust-funded AAA program, Annex 7 presents the full list of World Bank Group-managed Trust Funds in the Philippines. Collaboration with **multilateral development partners** also continues to be strong. The Bank continues to collaborate closely with the IMF. During the CAS period, the Bank and the IMF country teams initiated an annual consultation process on the Philippines. Cooperation with the Asian Development Bank (ADB) also plays an important role, and collaboration has been ongoing at the sector level, particularly in areas where there is a common agenda (such as energy under the Clean Technology

Fund, the PPP agenda, and more recently social protection in which the ADB joined the Bank in financing the Government's CCT program).

19. **The Bank has extended its knowledge agenda further through the Knowledge for Development Centers (KDC).** The KDCs are partnerships between the Bank and nine academic institutions and the Philippines Congress that have served as a critical platform for learning, discussion, and debate on key development challenges. Also, the Bank has strengthened partnerships in the policy debates through an **informal CSO Advisory Group**, established as planned under the CAS and composed of eminent leaders from civil society, and the private sector.

Lessons of Implementation from IEG Evaluations during the CAS Period

20. **IEG evaluations and reviews during the CAS period were canvassed for lessons learned to be applied to the FY10-12 Philippines CAS Progress Report.** Some of the common lessons learned from the IEG reviews of four projects² in FY10-11 that continue to be relevant to the Philippines program include:

- **Importance of capacity.** Projects should be designed in line with local capacity and/or include technical assistance to augment capacity as needed (all projects).
- **Adapting to political and exogenous factors.** Elections result in change of leadership and possibly priorities both at the national and local levels. The Bank should be aware of the political economy (especially when supporting the country through DPL), have flexible project design (e.g., changing participating local government units (LGUs) under the Water District Project and the LGU Urban and Sanitation Project), and restructure projects in line with changed circumstances (Water District Project).

21. **Four of the seven IEG sector and thematic evaluations prepared in FY10 contained references to the Philippines, in which relevant projects or country experience were cited.** A notable example was the reference to the Philippines Gender Development Network as a good practice in country level coordination on gender issues.

IV. THE CAS PROGRAM GOING FORWARD

Increased Engagement within an Extended CAS Period

22. **The analysis of the PDP indicates close overall alignment of the CAS with the development priorities of the country.** The overall goal of the FY10-FY12 CAS of *Inclusive Growth* is consistent with that of the new PDP's vision of *Inclusive Growth and Poverty Reduction*. The five CAS strategic objectives are likewise closely aligned with the three strategic pillars and nine priority areas of the PDP (see Annex 4). The CAS strategic objectives of stable macroeconomy, improved investment climate, and good governance all align with the first pillar of the PDP, while the strategic objectives of better public service delivery and reduced vulnerability support the two

² The Independent Evaluation Group (IEG) rated the Bicol Power Restoration Project Satisfactory (S) for Development Outcomes and the Water District Project Moderately Satisfactory (MS). The LGU Urban Water and Sanitation Project and the Development Policy Loan were rated Moderately Unsatisfactory (MU) due to weakness in design, implementation and achieving stated objectives. IEG ratings for Development Outcomes confirmed the ICR's own ratings, except for the Water District Project where the IEG rated the project MS compared to S in the ICR.

other pillars of the PDP on broad-based access to development opportunities and effective social protection. All of the 11 results areas outlined in the FY10-12 CAS results framework support directly or contribute indirectly to the priority areas (“chapters”) under the PDP, which include: (i) macroeconomic policy, (ii) competitive industry and services sectors, (iii) competitive and sustainable agriculture and fisheries, (iv) infrastructure development, (v) financial sector, (vi) good governance and the rule of law, (vii) social development, (viii) peace and security, and (ix) environment and natural resources. The PDF continues to be an effective vehicle for engagement and alignment on an annual basis for all development partners, as are the semi-annual programming discussions on the Bank-supported initiatives in the Philippines.

23. Based on the considerations above, the Bank Group team proposes that the CAS implementation period be extended by one year, through FY13. The analysis of alignment with the new PDP confirms that the overall objectives of the FY10-FY12 CAS remain valid and relevant. At the same time, while significant progress has been made, and most of the CAS outcomes are expected to be achieved, the team analysis indicates that the remaining challenges and the emerging priorities of the new administration warrant a longer implementation period of the CAS. This proposal has been discussed with the Government counterpart team that expressed agreement to extend the CAS rather than prepare a new one at this time.

Expanded Financing Envelope and Instruments

24. The new administration has requested larger IBRD lending support in the range of US\$1.5 billion a year³. This request is based on the need for increased public investment, especially in infrastructure, to achieve higher growth and boost the country’s competitiveness. In line with the Bank’s exposure management framework, lending beyond an indicative US\$900 million a year will depend on the country’s performance, IBRD lending capacity, demand from other borrowers, and global economic developments. The lending program would be supplemented by a sustained high level of AAA work. Governance and readiness filters will continue to be applied at the operational level.

25. The Bank will continue to use a mix of lending and non-lending instruments. A key new element of the program is the series of Development Policy Loans (DPL) that is being prepared in the context of a strong reform program and recent progress in government financial management. The overall goal of the DPL series is to help the Philippines achieve sustained poverty-reducing growth through (i) better fiscal management, an improved investment climate and better governance for faster growth, and (ii) investments in human capital to enable the poor to take better advantage of emerging growth opportunities. A CAT-DDO DPL will address disaster risk management issues. New lending in health, education, and social protection will develop an enhanced results focus in the context of National Program Support (NPS) operations, in addition to traditional investment lending in transport, renewable energy, agriculture, CDD, and urban renewal. A national Output-Based Aid (OBA) facility will finance access to basic services. The Government’s public-private partnership agenda offers opportunities for use of WBG guarantees as well. The programmatic AAA will continue in public expenditure management, health, education, water and sanitation, social protection, agriculture, community-driven development, and decentralization and will be supplemented by stand-alone studies on specific issues, such as transport, energy, population, and

³ In the FY10-FY12 CAS, the anticipated IBRD lending program was in the order of US\$700 million-US\$1 billion per year. The IFC investment program was expected to be in the order of US\$250-300 million per year, while advisory services were to be supported by funding of approximately US\$3 million per year.

urban slum upgrading, as well as by South-South knowledge exchange. Annexes B3 and B4 present the IBRD indicative financing and AAA programs.

26. **Aligned with the overall Bank Group strategy, IFC will focus on supporting the private sector to increase rural investment, promote inclusive urban growth, and improve governance for private sector development.** IFC plans to increase the investment program to US\$300-350 million per year, supplemented by advisory services. IFC will support rural investment by expanding rural access to finance, strengthen farmer linkages to value chains, support private service delivery in rural areas, and support investment in agribusiness and mining. IFC will promote inclusive urban growth by helping the private sector improve access to housing, infrastructure and social service delivery including water and waste management and social safety nets. IFC will focus on improved governance through work to improve the quality of business regulations and policy, transparency and efficiency in transactions with government, to demonstrate business case for commerciality in LGU financing, and to help to catalyze privatization of state enterprises.

27. **Collaboration among IBRD, IFC, and MIGA will continue, with joint IBRD/IFC programs in infrastructure, agribusiness, and the financial sector.** With the new administration's priority on PPP in infrastructure and agriculture projects, there is a wide scope for achieving the plans outlined in the CAS. IFC and IBRD have already been coordinating closely with the Government on its initial thinking on this agenda, as well as in the PPP Conference which the Government held in November 2010. As envisioned in the CAS, the Bank Group could provide support through IBRD investment loans and guarantees, and IFC investment and advice could support the development of new models of financing and management for critical infrastructure, including good practice PPPs. MIGA guarantees may offer reassurance for foreign investors, including investors into PPPs, especially those concerned about regulatory risks. MIGA is working to establish a long term relationship with the Government in support of the PPP agenda. More specifically, MIGA will continue to offer its products in support of the wider World Bank Group effort to increase sustainable and environmentally sound foreign investment, which has a significant development impact. The Bank Group will also continue to leverage assistance through partnerships with other development partners by exploring opportunities for parallel and co-financing in the lending program, collaboration on AAA work, support for strategic priorities under Trust Funds, and in the country policy dialogue through the PDF and its Working Groups.

Shifts of Focus and Emphasis in the CAS

28. **The transition to a new administration has brought renewed energy and a strong focus on poverty reduction and better governance—agendas that the Bank Group strongly supports.** Many of the reforms envisioned in the Government's program, especially in the areas of fiscal risk management and budgetary reform, are already off to a good start and promise to yield important benefits. Others, such as the measures contemplated to address public infrastructure bottlenecks through PPPs, still require further preparation. The Government's strategy to rely predominantly on administrative measures to raise revenue efforts may over time have to be complemented with tax policy measures so as to achieve the revenue levels that would be able to finance the Government's spending plans, especially for poverty reduction.

29. **To accommodate some of the new or reinforced priorities of the Aquino administration, this CAS Progress Report is proposing shifts of focus and emphasis in some of the results areas under the original CAS.** The shifts of focus include some new initiatives, both in lending and in knowledge sharing, in fiscal risk and GOCC management, agriculture sector reform, basic education,

and convergence of social protection programs. The shifts of emphasis include intensification of on-going engagements in areas such as public-private partnerships, universal healthcare, disaster risk management, and budget transparency, and possible decreased emphasis in other areas.

Shifts of Focus

30. **Fiscal Risk and GOCC Management.** The Government has drawn attention to the need for better fiscal risk and GOCC management in the PDP and in its policy dialogue with the Bank, and is actively pursuing a major program of institutional capacity strengthening in this area. The Government is working on measures to strengthen the oversight functions on GOCCs and government financial institutions (GFIs). At the same time, it seeks to strengthen the capacity of the Department of Finance (DOF) to review and monitor the risk associated with PPP projects in order to limit risk exposure. The Bank is proposing to support these efforts through the DPL and through an AusAID-supported Trust Fund to strengthen DOF's public finance management capacity which may eventually be followed by an Institutional Development Fund (IDF) grant.

31. **Agriculture Sector Reform.** The Government has initiated agriculture sector and food policy reforms that aim at preventing the accumulation of new financial deficits by the National Food Authority (NFA), while better protecting poor households from food price shocks through direct cash transfers. The Bank Group is providing advice to the Government on the formulation of the 2011-2016 Agriculture and Fisheries Modernization Plan (AFMP), on developing the PPP program for the agribusiness sector, as well as on the reforms in the rice trade policy that would allow better management of rice imports, while minimizing the risk of major impacts on the international price of rice, and on the revision of its sustainable rural development strategy underpinning the convergence initiative involving the Department of Agriculture (DA), Department of Agrarian Reform (DAR), and Department of Environment and Natural Resources (DENR).

32. **Expanding Coverage and Quality of Basic Education.** The quality of basic education services remains one of the pressing development challenges in the Philippines. The Department of Education (DepED) is implementing a number of policy and resource allocation measures to address the interlinked problems of coverage and poor access that disproportionately affect the poor and hold back the competitive development of the Philippines economy. The Government is also considering extending the basic education cycle from 10 to 12 years under the DepED's Enhanced "K to 12" Basic Education Program. The Bank will sustain technical support and assistance to the reforms in partnership with AusAID and others. Ongoing and proposed Bank operations are being aligned to this new policy context and the challenges brought about by the major policy decision to change the basic education cycle.

33. **Convergence of Programs Targeting the Poor.** The conditional cash transfer (CCT) program has emerged as a promising backbone of a modern and more consolidated social protection system for the Philippines. A major initiative of the new administration is to promote convergence among CCT, community-driven development (CDD), and livelihoods programs. Driven by the Department of Social Welfare and Development (DSWD), this initiative seeks to improve coordination and maximize the impact of the *Pantawid Pamilyang Pilipino Program* (CCT), KALAHI-CIDSS (CDD) and SEA-K (livelihoods). The Bank is supporting this agenda through bringing in international experience and assistance in operationalizing the concept, in addition to the ongoing expansion of support for the CCT and the anticipated nationwide expansion of the KALAHI-CIDSS programs.

Increased Emphasis

34. **Public Private Partnership (PPPs) Agenda.** The overall quality of infrastructure service delivery remains a concern and has emerged as a key impediment to the country's economic competitiveness. To address this challenge, the Government is seeking to re-energize the PPP agenda, which aims to address the country's infrastructure backlog by tapping private sector financing and expertise, while attending to the country's fiscal constraints. The Bank Group will support this initiative through advisory services and an IDF grant for the newly established PPP center. Opportunities for lending and guarantees to enhance the viability of the PPPs are being explored jointly with other development partners, including in areas such as transport, energy, agriculture, health, and education.

35. **Universal Health Care.** The new administration has identified achieving universal health care within the 2011-2016 PDP as its main health sector goal. Health financing reforms with a focus on PhilHealth, health facility enhancement, and health-related MDGs are the identified priority areas of action. The objective is to achieve universal health care through increased effective coverage (enrollment, utilization and financial protection) for poor Filipino families under the National Health Insurance Program (NHIP). Bank support will focus on increasing effective coverage (health insurance coverage, utilization and financial protection) under the NHIP for underserved populations, cost-effectiveness of the health delivery system, and better coordination among different levels of government.

36. **Disaster Risk Management.** Disaster risk management (DRM) is among the top priorities for the Philippines, given the high vulnerability of the country. The Bank has been assisting the Philippines in the DRM agenda in several ways, with the support of the Global Facility for Disaster Reduction and Recovery (GFDRR). Important work is already being undertaken on risk prevention in disaster prone local governments. The Government has expressed interest in a disaster risk management DPL with a CAT DDO, as well as in expanding the support for climate change adaptation through tapping various climate funds.

37. **Better Governance through Greater Budget Transparency and Management.** The Aquino Administration has made governance and anti-corruption the centerpiece of its agenda. While a comprehensive strategy to achieve governance improvements is still being developed, early steps to improve public financial management and budget transparency, enhance the quality of public spending and tighten executive discretion over the budget are already underway. The 2011 budget law, which was passed in a timely manner, includes a significant adjustment in the special purpose funds to improve transparency in the congressional allocations and requires all departments to post procurement plans, utilization of funds, implementation reports, and status of appropriations in their official website. Additional measures are underway to strengthen budget preparation and transparency at both the national and local levels to bring about greater efficiency and accountability in government. The Bank is supporting these efforts through the new DPL series, as well as through the ongoing programmatic AAA on Public Expenditure Issues and on PFM. Resources from the Governance Partnership Facility (GPF) help strengthen capacity of civil society organizations (CSOs) for in-depth analysis of budget issues, in addition to providing support for political economy studies to help mainstream the Governance and Anticorruption (GAC) agenda in Bank operations.

Decreased/Shifted Emphasis

38. **There are also areas in which the needs are significant but the Bank's comparative strength has not been confirmed, or earlier initiatives have not led to specific programs.** Examples of such areas are the innovative mechanisms for access to financing, the area-based approaches, the engagement in the justice sector, and the broad decentralization reform efforts. In these areas, the Bank will continue to be engaged through analytical work and will stand ready to initiate further support in case of renewed interest but will not proceed with preparation for lending before an explicit request. The work on innovative mechanisms for access to financing is being more narrowly focused on financial cooperatives, as suggested by the Government. The target for area-based approaches has been reduced to one area. The continued engagement and dialogue in the justice sector reform will be pursued through AAA. The efforts in decentralization are refocused to support just-in-time responses to requests from the Government through a strong AAA program jointly with the AusAID and DIALOG Trust Fund, as well as the preparation and implementation of sectoral operations that support LGUs.

Managing the Program

39. **CAS Results Monitoring.** As proposed in the CAS, the Bank Group has organized its Philippines program and country team along the lines of the five strategic objectives. For each strategic objective, the Bank organizes, budgets for, and monitors an integrated program of lending, AAA, trust funds and partnership activities. Individual products remain the responsibility of sector units, but strategic decisions and monitoring of the key results are being undertaken by multi-sectoral teams led by designated strategic objective team champions, coordinated through the Country Leadership Team (CLT).

40. **IBRD Program Management.** To maintain portfolio performance, the Bank will continue to focus on identifying and addressing specific as well as generic issues such as simplified disbursement schemes that impact disbursement and project implementation, and will pursue proactive measures to bring problem projects back on track. The Bank will work jointly with the Government and two major development partners (ADB and JICA) to address portfolio issues. The Bank will continue to use "readiness filters" for screening new project ideas. The "governance filters" will serve as inputs to the Operational Risk Assessment Framework (ORAF) in project preparation. To further strengthen AAA and trust funds management, the Bank will set up a more structured monitoring system. See further details on program management in Annex 10.

41. **Gender Mainstreaming.** Under the FY10-FY12 CAS, the Bank Group has been seeking to ensure that gender considerations are mainstreamed into operations, consistent with government policies. In line with the annual assessment by the Government, the Bank's portfolio in the Philippines has been continuously monitored based on the Harmonized Guidelines on GAD Mainstreaming in Projects, issued by the National Economic and Development Authority (NEDA). For 2010, 47 percent of the Bank-supported projects have been classified as gender-responsive while the rest were rated as gender-sensitive. The Bank team has prepared a Country Gender Action Plan in support of the goal of deepening the mainstreaming of gender dimensions in Bank operations and analytical work into a strategy that promotes more inclusive growth in the Philippines. Moving forward, the CAS will continue to support the Philippines in promoting gender equality as part of the Government's commitment to the Millennium Declaration. Gender dimensions of Bank assistance will continue to be pursued at a project level. The Bank will undertake a gender assessment in preparation for the next CAS.

V. MANAGING RISKS

42. **The implementation of the CAS program will also continue to face various risks for the remaining period.** The most important sources of risk include political risks, governance challenges, conflict-affected areas, exposure to natural disasters (particularly the Philippines' vulnerability to typhoons, which could slow down growth), and the commitment to the reform agenda. The Philippines also exhibits some external vulnerability associated with the possible closure of export markets in the event of a renewed downturn in the global economy or sudden stops in capital inflows in the context of a fluid global economy. However, the Philippine economy has proven to be quite resilient during the recent global downturn.

43. **Political Stability.** The new administration that assumed office on June 30, 2010 faces significant opportunities as well as considerable challenges. The administration is presented with an opportunity for new policy directions and new coalitions to push the development agenda forward with renewed vigor, but it also needs to overcome the inertial forces that slow down decision making and program implementation during a transition. At the national level, the political leadership is arguably more stable, but at the local level the picture remains less stable, with some areas still experiencing local rivalry and political contestation. Even with sustained political stability at the top, significant challenges remain in terms of rule of law. While the new Government has made justice reform a top priority, security of contract, enforcement of property rights and rule of law may continue to be problematic and prone to political intervention as change may be a lengthy process. The Bank Group remains engaged in supporting efforts to strengthen local governance and capacity, as well as in implementing judicial reform and improving the regulatory environment.

44. **Fiscal Risks.** There is a risk that public revenues may not increase as planned. Without a significant increase in tax revenues, the Government will be forced to take austerity measures to maintain macroeconomic balance and will not be able to carry out the contemplated expansion in public infrastructure and in social services that are critical for bringing about more inclusive and sustained economic growth. Also, external investors and credit rating agencies might take a less optimistic view of the Philippine development prospects, leading investors to rein in their activities. Other fiscal risks are related to the still high level of public debt and the contingent liabilities arising from the GOCCs. These various fiscal risks are being addressed directly through the actions supported by the DPL series that are intended to strengthen public revenue mobilization, fiscal risk management and public financial management.

45. **Governance.** An overarching challenge in the pursuit of development in the Philippines is to achieve better governance. The quality of governance is a recognized constraint on sustained growth and poverty reduction, and its improvement is a development goal aspired to by Filipinos in its own right. While the regulatory and institutional framework for anti-corruption efforts is strong and the new administration has made governance the centerpiece of its agenda, there are still significant challenges and concerted efforts are needed to prevent implementation deficiencies, political interference, and a lack of accountability. Ensuring better local governance while there is increasing reliance on decentralized service delivery poses another set of challenges. A bright spot is the very active and vocal civil society and media that closely monitor and publicize government malfeasance. The Bank is active in supporting the Government's governance and anti-corruption agenda, and also applies governance filters for early identification and mitigation of potential problems in its lending portfolio.

46. **Conflict.** Violent conflict affects different parts of the Philippines. In addition to the major ongoing conflict in Mindanao, there are also long-standing armed insurgencies in different parts of the country, conflict between families and clans, and other forms of community-level conflict related to control of land and natural resources. These conflicts, while usually at low intensity, could spike unexpectedly and, in the case of Mindanao, cause significant displacement. Delivering poverty programs and social services, including Bank-supported operations, in conflict-affected areas remains particularly risky. The new administration has signaled its commitment to peace and stability, and to the political solutions of conflicts, but progress could be slow. The Bank regularly undertakes risk and security analyses, and is increasing the conflict sensitivity of its projects.

47. **Natural Disasters.** The Philippines' exposure to natural disasters is rated among the highest in the world. The Government has been strengthening its capacity to deal with natural disasters, including disaster response strengthening measures introduced in the aftermath of Typhoons Ondoy and Pepeng, which devastated large parts of the Philippines in September/October 2009. The Bank, along with the GFDRR and other mechanisms, is a close partner of the Government in the efforts to strengthen disaster risk preparedness and management in the country. Key examples are the planned engagement on the Metro Manila flood planning exercise and the proposed CAT-DDO operation.

48. **External Risks.** The Philippines also exhibits some external vulnerability associated with the possible closure of export markets in the event of a renewed downturn in the global economy or a sudden stop in capital inflows in the context of a fluid global economy, declines in remittances inflows, sharply higher oil and food prices, and the aftermath of the recent earthquake and tsunami in Japan. The potential magnitude of the first two of these potential developments appears to be limited as the Philippine economy has proven quite resilient to the closure of export markets during the global downturn in 2008-09, and a downturn of similar magnitude is not considered likely over the medium term. Also, capital inflows to the Philippines have been fairly modest compared to those experienced by other countries in the region, thereby limiting the danger of a sudden stop. The risks associated with rising international food and oil prices appear to be more significant and could rise further in response to the political turmoil in the Middle East as Filipino overseas workers are being repatriated from several countries. To mitigate the impact of higher fuel prices, President Aquino created an Inter-Agency Contingency Committee in early March 2011 to address issues caused by oil price increases and ensure steady supply of fuel. The impact of the earthquake in Japan is expected to cause a temporary growth slowdown in Japan, which in turn could have a modest impact on the Philippines in the near term. The long-term effects are not expected, at this stage, to be significant and could be slightly positive as Japan launches a major recovery and rehabilitation program and given that Japan is the Philippines' first export destination country. The demand for Overseas Filipino Workers (OFWs) in Japan could be increased as part of the reconstruction efforts. The Bank, working closely with the IMF, continues to support improvements in the macro-fundamentals, including better fiscal management and oversight of contingent liabilities and debt, and diversifying the economic base.

VI. NEXT COUNTRY ASSISTANCE STRATEGY

49. The next CAS is expected to be developed with the Government and presented to the Board of Executive Directors during FY13.

**JOINT IBRD/IFC/MIGA
COUNTRY ASSISTANCE STRATEGY (CAS) FY10-FY13
FOR
THE REPUBLIC OF THE PHILIPPINES**

PROGRESS REPORT

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MAP OF THE PHILIPPINES (IBRD 33466R4)

Annex 1

Recent Macroeconomic Developments and Prospects

1. **After a sharp slow-down in 2009, the Philippine economy expanded vigorously in 2010—by 7.3 percent—putting it back on its pre-crisis growth trend.**⁴ This rapid recovery is largely attributable to the rebound in global trade and increased investor and consumer confidence which have been driving similar growth resurgence in other East Asian countries. In addition, the economic expansion in the Philippines is reflecting temporary domestic stimulus policies that were held over from 2009 and election-related spending in early 2010. The main sector responsible for rebounding growth in 2010 has been industrial production, especially manufacturing and construction. In services, trade, finance, private services and, to a lesser extent, the real estate subsectors were the top contributors to the sector. Only agriculture has been lagging behind, in part on account of the negative influence of the El Niño phenomenon. On the demand side, private consumption remains strong as remittance inflows remain steady, while exports and investment have revived in 2010 to yield a positive impact on growth. Merchandise exports rebounded 33.7 percent in 2010, thanks largely to the recovery of the global electronics market.

2. **The headline inflation rate has been stable since 2009, with small variations reflecting developments in fuel, food and utility prices, and well within the Central Bank’s target zone.** Monetary policy remains broadly accommodative: although the Bangko Sentral Ng Pilipinas (BSP, Central Bank of the Philippines) withdrew some of the liquidity-enhancing measures introduced in the immediate aftermath of the global financial crisis, it has kept its key policy rates unchanged since August 2009. Combined with a rapidly closing output gap, this policy has led to the acceleration of bank lending to an annual growth rate of almost 10 percent—though this remains below nominal GDP growth. Increased foreign portfolio inflows in 2010 have helped strengthen the Peso, push up the stock market index and reduce interest rates. The stronger Peso has helped to contain inflation, but the associated short term capital inflows also have raised policymakers’ concerns about the rising risk of economic and financial disruptions in the event of sudden reversals. The central bank intervened successfully in late 2010, using its forward foreign exchange swap portfolio, to stem the rapid appreciation of the Peso.

3. **Growth continues to bypass the poor: poverty rose again in 2009 and possibly in 2010.** The 2010 Philippines Inclusive Growth Report noted that rapid growth in 2000-2006 had not translated into greater progress in poverty reduction. This inelastic poverty response persists through the recent economic recovery, as the Social Weather Station surveys indicate that self-rated poverty improved only slightly in 2010, while self-rated hunger incidence remains at record high levels. Notwithstanding high average growth rates, the latest official poverty data reveal that poverty incidence hardly changed from 2006 to 2009, while having increased from 2003 to 2006.⁵ The labor market is slowly recovering from the global recession, with the unemployment rate falling from 7.6 percent in mid-2009 to 7.1 percent in October 2010. Underemployment afflicted 19.4 percent of the labor force. The Philippines unemployment and underemployment rate remains high by regional standards.

4. **The current account of the balance of payments yielded a solid surplus of 5.5 percent of GDP in 2009 and 5.2 percent in 2010.** This robust performance reflects the strong contraction of

⁴ Real GDP growth averaged 5.7 percent during 2003-07.

⁵ Poverty incidence rose from 24.9 percent of the population in 2003 to 26.4 percent in 2006 and 26.5 percent in 2009. Meanwhile, over 2003-2006 and 2006-09, average real GDP growth reached 5.4 and 4.3 percent, respectively.

imports in 2009, followed by a more modest recovery in 2010, and strong services and goods exports, combined with steady remittance inflows. As a result, gross international reserves reached a record high of US\$62.5 billion in December 2010, equivalent to more than 10 months' worth of imports and to almost six times the country's short-term external liabilities by residual maturity. Similarly, liquid reserves (as measured by the forward book of the BSP) also exceeded US\$17 billion in December 2010. Meanwhile, the external debt remained broadly stable at around 38.1 percent of GDP in 2010 (see Table 1).

5. The fiscal deficit deteriorated significantly in 2009 as an expansionary fiscal policy was introduced to counter the global recession. With the extension of the Economic Resiliency Plan into 2010, fiscal policy became strongly pro-cyclical and the fiscal deficit remained large at 3.7 percent of GDP (GFS definition). The increase in the fiscal deficit of the National Government by 2.2 percent of GDP between 2008 and 2010 reflects both a decline in tax revenues and increased expenditures in almost equal measure. Despite a surging economy in 2010, however, the tax effort remains largely unchanged from the previous year as many of the cuts introduced in 2009 were permanent in nature and additional revenue-eroding measures were applied in 2010. Even so, the national government debt ratio has slightly declined in 2010 mostly thanks to rapid economic growth and a depreciation of the Peso value of foreign debt obligations.

6. Macroeconomic prospects for the period 2011-13 are positive. Growth is projected to remain strong over the medium term (close to potential output), though slightly lower than in 2010, as monetary and fiscal policies are gradually tightened to unwind the fiscal stimulus. Also, the rebound of exports is expected to taper off toward more modest growth rates. Domestic consumption is projected to remain firm, buoyed by the steady inflow of remittances and an improving labor market, while total investment increases in response to rising investor confidence. In addition to benefitting from the overall surge of foreign interest in Asian emerging markets, investor confidence in the Philippines also is expected to improve with the new administration's strong focus on tackling corruption and reducing the costs of doing business. Even though fiscal space for additional investment spending by the public sector remains limited in the short run, the Aquino government is intent on kick-starting a new wave of public-private partnership projects to fill important gaps in public infrastructure. As these gaps are filled, the cost of infrastructure services should gradually decline, leading to further improvements in investor confidence. Meanwhile, the balance of payments is expected to remain robust, even though the current account is projected to yield smaller surpluses in future years. The monetary authorities will be looking to gradually unwind their previous expansionary monetary policy stance. The BSP has stated its readiness to implement further prudential measures to deal with the effects of capital surges on domestic liquidity and asset price inflation.

7. The fiscal policy is expected to focus on gradual fiscal consolidation through higher tax revenues and improvements in the efficiency of public spending. Initial revenue measures have focused on improving tax compliance, such as the filing of a number of tax evasion cases, but these have only had a marginal impact in 2010. Revenues are projected to increase gradually after 2011, as further improvements in tax administration are implemented and other sources of leakages are plugged and tax policy measures are introduced. Meanwhile, total spending contracted to 18 percent (government definition) of GDP in 2010, thanks to initial efforts undertaken since July 2010 to review and rationalize spending by applying a zero-based budgeting (ZBB) approach. This approach also has enabled the Department of Budget and Management (DBM) to rationalize, put on hold, or scale up key programs in its 2011 budget, based on efficiency and equity considerations. Looking

ahead, DBM plans to strengthen its program evaluation capacity to make such spending reviews a regular feature of public sector expenditure programming.

Table 1. Philippines: Selected Economic Indicators, 2003-2013

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	----- Actual -----							Prel. Act.	----- Projection -----		
Growth, inflation and unemployment	(in percent of GDP, unless otherwise indicated)										
Gross domestic product (% change)	4.9	6.4	5.0	5.3	7.1	3.7	1.1	7.3	5.0	5.4	5.5
Inflation (period average)	3.5	6.0	7.6	6.2	2.8	9.3	3.2	3.8	4.8	4.5	4.5
Savings and investment											
Gross national savings	17.2	18.6	16.6	19.1	20.3	17.5	20.0	20.9	20.8	20.7	20.1
Gross domestic investment	16.8	16.7	14.6	14.5	15.4	15.3	14.6	15.6	16.6	17.5	18.4
Public sector											
National government balance (GFS basis) ^{1/}	-4.9	-4.1	-3.0	-1.4	-1.7	-1.5	-4.1	-3.7	-3.5	-2.9	-2.2
National government balance (Govt def)	-4.6	-3.8	-2.7	-1.1	-0.2	-0.9	-3.9	-3.6	-3.3	-2.8	-2.1
Total revenue (Govt def)	14.8	14.5	15.0	16.2	17.1	16.2	14.6	14.4	14.6	15.3	16.0
Tax revenue	12.8	12.4	13.0	14.3	14.0	14.2	12.8	12.8	13.2	13.8	14.5
Total spending (Govt def)	19.5	18.3	17.7	17.3	17.3	17.2	18.5	18.0	18.0	18.1	18.1
National government debt	77.7	78.2	71.4	63.9	55.8	57.0	57.3	56.1	53.7	51.6	48.5
Consolidated non-financial public sector debt	100.8	95.0	85.9	73.9	61.1	60.7	60.7	58.4	57.3	56.6	53.7
Balance of payments											
Merchandise exports (% change)	2.7	9.8	3.8	15.6	6.4	-2.5	-22.3	33.6	7.4	7.8	9.0
Merchandise imports (% change)	3.1	8.0	8.0	10.9	8.7	5.6	-24.1	28.0	9.6	9.8	9.8
Remittances (% change of US\$ remittance)	10.1	12.8	25.0	19.4	13.2	13.7	5.6	8.2	8.5	9.0	9.0
Current account balance	0.4	1.9	2.0	4.5	4.9	2.2	5.5	5.2	4.2	3.2	1.7
FDI (billions of dollars)	0.2	0.1	1.7	2.8	-0.6	1.3	1.6	0.9	2.0	3.0	4.0
Portfolio Investment (billions of dollars)	0.6	-1.7	3.5	3.0	4.6	-3.6	0.3	0.3	3.0	3.5	3.5
International reserves											
Gross official reserves ^{2/} (billions of dollars)	17.1	16.2	18.5	23.0	33.8	37.6	44.2	62.4	72.1	83.1	89.7
Gross official reserves (months of imports)	4.0	3.6	3.8	4.2	5.8	6.0	8.7	9.6	10.2	10.7	10.2
Real Effective Exchange Rate ^{3/}	59.9	57.5	62.0	70	76.2	80.2	77.3	83.9	...	...	...
% change	-9.9	-4.1	7.9	12.9	8.9	5.2	-3.6	8.5	...	...	...
External debt											
Total ^{4/}	78.6	70.1	62.4	51.3	45.8	38.9	39.0	38.1	34.9	34.4	33.3

Source: Government of the Philippines, World Bank

1/ Excludes privatization receipts (treated as financing items, in accordance with GFSM) and includes CB-BOL restructuring revenues and expenditures

2/ Includes gold

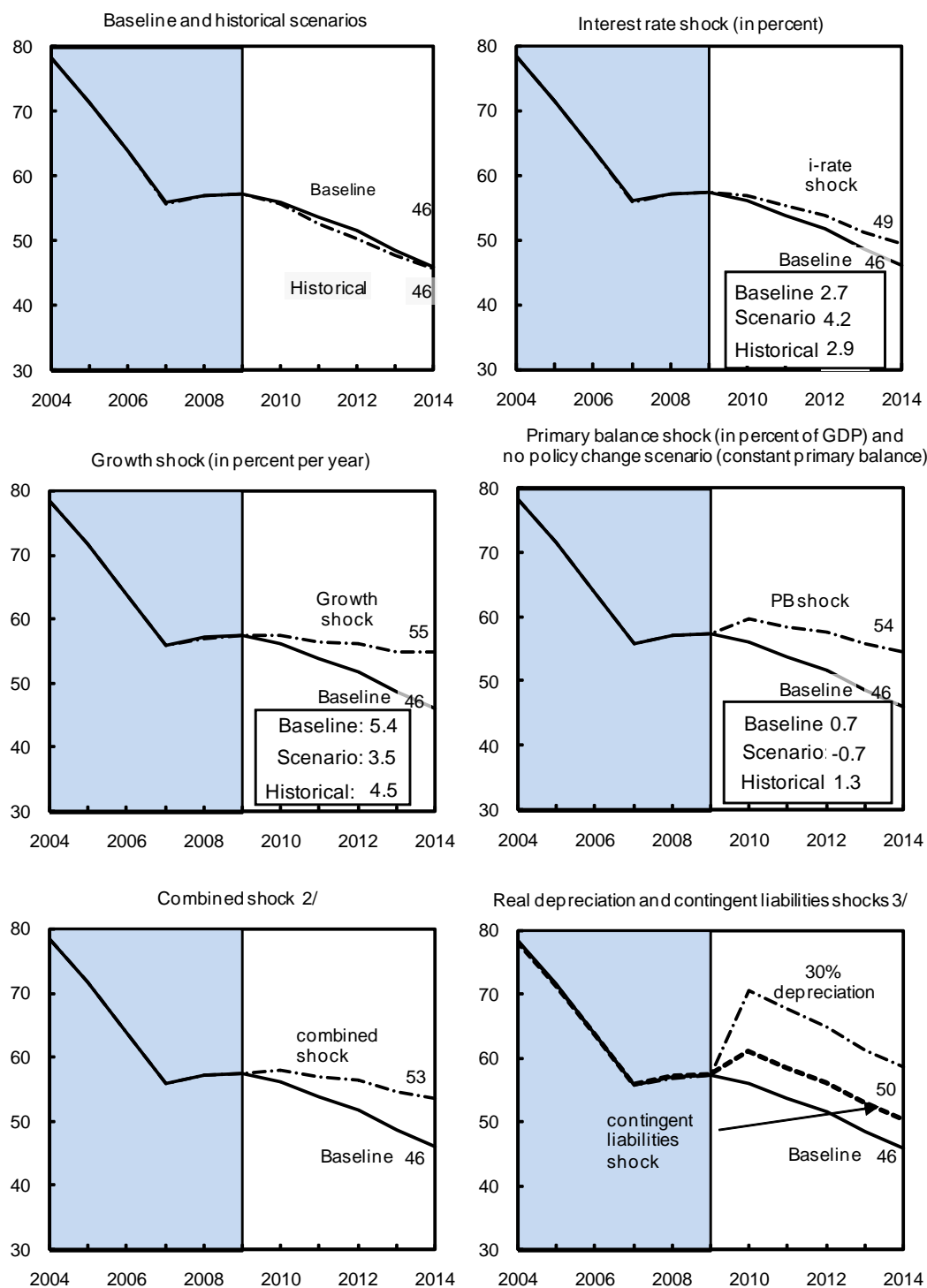
3/ Against major trading partners (US, Japan, European Monetary Union, United Kingdom); data for 2010 is as of September;

4/ Worldbank definition; The difference with central bank data is that this includes the following:

- a. Gross "Due to Head Office/Branches Abroad" of branches and offshore banking units of foreign banks operating in the Philippines, which are treated as quasi-equity in view of nil and/or token amounts of permanently assigned capital required of these banks
- b. Long-term loans of non-banks obtained without BSP approval which cannot be serviced using foreign exchange of the Philippine banking system
- c. Long-term obligations under capital lease agreements

8. **Prospects for debt sustainability are good.** The balance of payments projections presented in Table 1 show a strengthening reserve position and gradually declining external debt from 39 percent of GDP in 2009 to 33.3 percent in 2013. Similarly, the projected trajectory of the national government debt exhibits an even more pronounced downward trend, with the debt ratio falling from 57.3 percent of GDP in 2009 to 48.5 percent in 2013. Barring any unexpected shocks, both trajectories are indicative of a sustainable macroeconomic policy setting. This is confirmed by Figure 1, which show a gradually declining public debt ratio in the base case projection as well as broad resiliency to a variety of standard shocks.

Figure 1. Philippines: National Government Debt Sustainability (Bound Tests) 1/
(in percent of GDP)



Sources: World Bank staff estimates. 1/ Shaded areas represent actual data. Individual shocks are permanent one standard deviation shocks. Figures in the boxes represent average projections for the respective variables in the baseline and scenario being presented. Ten-year historical average for the variable is also shown. 2/ Permanent 1/2 standard deviation shocks applied to real interest rate, growth rate, and primary balance. 3/ One-time real depreciation of 30 percent and 5 percent of GDP shock to contingent liabilities occur in 2009, with real depreciation defined as nominal depreciation (measured by percentage fall in dollar value of local currency) minus domestic inflation (based on GDP deflator).

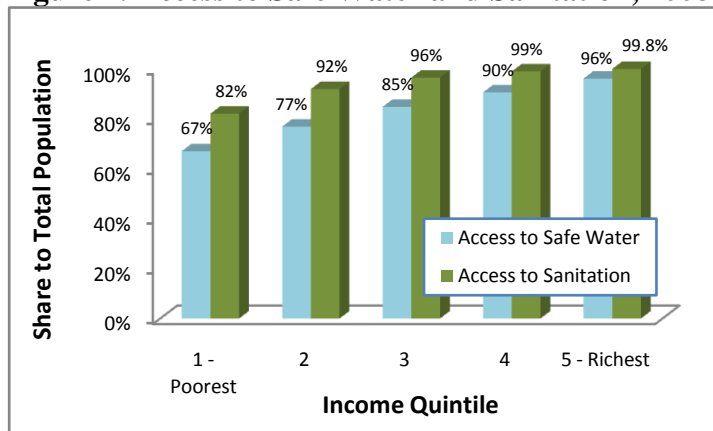
Annex 2

Social Developments and Progress toward the MDG Targets

1. Five years from the target date of the Millennium Development Goals (MDGs), the Philippines' progress towards achieving its goals remains mixed. In its fourth progress report since the country signed up for the MDGs in 2000 together with 189 other countries, the Philippine government acknowledged that, while significant improvements have been made on a number of goals, big challenges remain in ensuring that other key commitments are met (National Economic Development Authority, 2010). The country is generally on track in improving gender equality in basic education (Goal 3), reducing infant and child mortality (Goal 4), combating tuberculosis, malaria, and other major diseases (Goal 6), and access to safe water (Goal 7) (Table 1). However, efforts need to be ramped up especially in reducing poverty (Goal 1), achieving universal primary education (Goal 2), and improving child and maternal health (Goal 5).

2. Clear gains have been made in improving access to safe water, sanitation, and reducing the spread of diseases. Results of the 2008 Annual Poverty Indicators Survey (APIS) showed that the proportion of the population with access to safe water supply increased from 73.8 percent in 1991 to 83 percent in 2008. Access to sanitary toilet facilities also improved markedly from 67.6 percent to 89 percent over the same period, exceeding the target of 83.8 percent for 2015. However, the challenge is to reach the remaining 16 million people without access to safe water and the 10 million without proper sanitation, most of whom are from the poorest population (Figure 1). Better living conditions have reduced the risk of the spread of communicable diseases. Morbidity and mortality rates from malaria declined significantly from 119 cases and 1.4 deaths per 100,000 of the population in 1990 to 13 and 0.2 in 2008, respectively. Although there was an increase in the prevalence of tuberculosis as of 2008, early detection and cure have improved mainly through the Government's National Tuberculosis Control Program. The incidence of HIV/AIDS has become more prevalent in recent years but remains less than 1 percent of the total population.

Figure 1. Access to Safe Water and Sanitation, 2008



Source: 2008 Annual Poverty Indicators Survey (APIS)

Table 1. The Philippines Progress in Meeting the MDGs

Goals/Targets/Indicators	Baseline (1991)	Target (2015)	As of Feb. 2011
GOAL 1. ERADICATE EXTREME POVERTY AND HUNGER			
Target 1.A : Halve, between 1990s and 2015, the proportion of people whose income is less than one dollar a day			
Indicator 1.1 Proportion of population below national poverty threshold /1	33.1 1991	16.6 2015	26.5 2009
Indicator 1.2 Poverty gap ratio /1	8.6 1991	4.3 2015	2.7 2009
Indicator 1.3 Share of poorest quintile in national consumption	6.2 1991	increasing	6.0 2006
Target 1.B : Achieve full and productive employment and decent work for all, including women and young people			
Indicator 1.4 Growth rate of GDP per person employed	1.6 1990	increasing	-1.7 2009
Indicator 1.5 Employment-to-population ratio	59 1990	increasing	59.2 2009
Indicator 1.7 Proportion of own-account and contributing family workers in total employment	51.3 1990	decreasing	42.6 2009
Indicator 1.7a Proportion of own-account (self-employed) workers in total employment	35.6 1990	decreasing	30.6 2009
Indicator 1.7b Proportion of contributing (unpaid) family workers in total employment	15.7 1990	decreasing	12.0 2009
Target 1.C : Halve, between 1990 and 2015, the proportion of people who suffer from hunger			
Indicator 1.8 Prevalence of underweight children under 5 years of age	34.5 1990	17.3 2015	26.2 2008
Indicator 1.9a Percent of household with per capita energy less than 100% adequacy	69.4 1993	34.7 2015	56.9 2003
Indicator 1.9b Proportion of population below national subsistence (food) threshold /1	16.5 1991	8.3 2015	10.8 2009
GOAL 2. ACHIEVE UNIVERSAL PRIMARY EDUCATION			
Target 2.A : Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling			
Indicator 2.1 Net enrolment ratio in primary education /2	84.6 1990	100 2015	85.1 2008
Indicator 2.2 Proportion of pupils starting grade 1 who reach grade 6	69.7 1990	84.7 2015	75.4 2008
Indicator 2.2a Primary completion rate /3	64.2 1990	81 2015	73.3 2008
Indicator 2.3 Literacy rate of 15 to 24 years old	96.6 1990	100 2015	96.6 2003
Indicator 2.3a Ratio of literate females to males of 15-24 year-old	1.0 1990	1.0 2015	1.0 2003
GOAL 3. PROMOTE GENDER EQUALITY AND EMPOWER WOMEN			
Target 3.A : Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015			
Indicator 3.1a Ratio of girls to boys in primary education	1.0 1996	1.0 2015	0.9 2008
Indicator 3.1b Ratio of girls to boys in secondary education	1.1 1996	1.0 2015	1.1 2008
Indicator 3.1c Ratio of girls to boys in tertiary education	1.3 1993	1.0 2015	1.2 2008
Ratio of literate females to males of 15-24 year-olds	1.0 1990	1.0 2015	
Indicator 3.2 Share of women in wage employment in the non-agricultural sector	40.1 1990	50.0 2015	41.9 2009
Indicator 3.3 Proportion of seats held by women in national parliament	11.3 1992	50 2015	17.6 2007
GOAL 4. REDUCE CHILD MORTALITY			
Target 4.A : Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate			
Indicator 4.1 Under-five mortality rate	80.0 1990	26.7 2015	33.5 2008
Indicator 4.2 Infant mortality rate	57.0 1990	19.0 2015	24.9 2008
Indicator 4.3 Proportion of 1 year-old children immunized against measles	77.9 1990	100.0 2015	79.2 2008

Table 1. Philippines Progress in Meeting the MDGs (cont'd.)

Goals/Targets/Indicators	Baseline (1991)	Target (2015)	As of Feb. 2011
GOAL 5. IMPROVE MATERNAL HEALTH			
Target 5.A : Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio			
Indicator 5.1 Maternal mortality	207 1990	52 2015	162 2006
Indicator 5.2 Proportion of births attended by skilled health personnel	58.8 1990	100 2015	62 2008
Target 5.B : Have halted by 2015 and begun to reverse the spread of HIV/AIDS			
Indicator 5.3 Contraceptive prevalence rate	40.0 1993	100.0 2015	50.7 2008
Indicator 5.5 Antenatal care coverage (at least one visit)	91.2 1993	increasing	95.8 2008
Indicator 5.6 Unmet need for family planning	26.2 1993	decreasing	22.3 2008
GOAL 6. COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES			
Target 6.C : Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases			
Indicator 6.6a Prevalence associated with malaria	118.7 1990	0.0 2015	13.3 2008
Indicator 6.6b Death rate associated with malaria	1.4 1990	0.0 2015	0.2 2005
Indicator 6.8a Prevalence associated with tuberculosis	246 1990	0.0 2015	273.1 2008
Indicator 6.8b Death rate associated with tuberculosis	39.1 1990	0.0 2015	31.2 2005
Indicator 6.9a Proportion of tuberculosis cases detected under directly observed treatment short course (DOTS)	53.0 2001	70.0 2015	72.0 2008
Indicator 6.9b Proportion of tuberculosis cases cured under directly observed treatment short course (DOTS)	73.0 2001	85.0 2015	79.0 2008
GOAL 7. ENSURE ENVIRONMENTAL SUSTAINABILITY			
Target 7.A : Integrate the principles of sustainable development into country policies & programmes to reverse the loss of environmental resources			
Indicator 7.1 Proportion of land area covered by forest	20.5 1990	increasing	23.9 2003
Indicator 7.2a Consumption of ozone-depleting CFCs (ODP tons)	2,981 1990	decreasing	681 2006
Indicator 7.B Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss			
Indicator 7.5a Ratio of area protected to maintain biological diversity to surface area	8.5 1990	increasing	12.7 2006
Indicator 7.6a Number of species threatened with extinction	183 1992	decreasing	221 2006
Proportion of households using solid fuels for cooking	66.2 1990	decreasing	
Target 7.C : Halve, by 2015, the proportion of population without sustainable access to safe drinking water and improved sanitation			
Indicator 7.7a Proportion of population with access to safe water supply	73.0 1990	86.5 2015	83.0 2008
Indicator 7.8a Proportion of households with sanitary toilet facility	67.6 1990	83.8 2015	89.0 2008
Target 7.D : By 2020, have achieved significant improvement in the lives of at least 100 million slum dwellers			
Indicator 7.9a Proportion of households with access to secure tenure	91.0 1990	increasing	81.2 2000
GOAL 8. DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT			
Target 8.D : Deal comprehensively with the debt problems of developing countries thru national & international measures in order to make debt sustainable in the long term			
Indicator 8.12 Debt service as a percentage of exports of goods and services	27.2 1990	decreasing	9.6 2008
Target 8.F : In cooperation with the private sector, make available the benefits of new technologies, especially information and communications			
Indicator 8.14 Telephone lines subscribers per 100 population	1.5 1990	increasing	3.9 2009
Indicator 8.15 Cellular phone subscribers per 100 population	0.1 1991	increasing	82.0 2009

/1: Estimates were based on the refined methodology on estimating official poverty statistics as approved by the NSCB Executive Board on 1 February 2011.

/2: NER to be revised by DepED using latest available data from the 2007 Census of Population.

/3: Completion rates to be revised by DepED using the UNESCO Institute of Statistics-World Bank formula.

Sources: 2008 NDHS; NSCB (2010), MDG Watch available http://www.nscb.gov.ph/stats/mdg/mdg_watch.asp.

3. The Philippines has performed relatively well in reducing infant and child mortality, although child malnutrition and declining infant immunization rates remain serious threats to children's survival. The Philippines has achieved a steady reduction in infant and child mortality over the past 15 years. Infant mortality was reduced by more than half from 57 per 1,000 live births in 1990 to 25 in 2008, while under-five mortality rate declined much faster from 80 per 1,000 live births to 34 during the same period (2008 National Demographic and Health Survey). Much of this progress happened in the 1990s and is attributable to the efforts of the Department of Health (DOH) at that time on preventive interventions for children as well as pregnant mothers, such as the nationwide campaign for vaccination and micronutrient supplementation (Vitamin A and iron). Despite continuing efforts, progress slowed beginning 2000. Among 6-10 year olds, the prevalence of underweight and stunted children remained at 25.6 percent and 35.8 percent, respectively—among the highest rates in the EAP region. Based on DOH data, the proportion of immunized 1-year olds against measles slid back to 79.2 percent in 2008⁶ from 82.7 percent in the previous year.

4. Halving the incidence of poverty would require stronger and more strategic efforts, especially after the succession of shocks that have occurred since 2008. Compared to its baseline level in 1990, the proportion of the poor population has been reduced from 33.1 percent to 26.4 percent in 2006. However, poverty has been increasing since 2006. Since 2003, the share of poor population increased to 26.4 in 2006, and then to 26.5 in 2009 (National Statistical Coordination Board (NSCB), 2011). The slight increase in poverty in 2009 brought close to one million people into poverty. The failure of poverty to decline in 2009 was attributed mainly to the impacts of various crises that affected the country in 2008 and 2009, including the food and fuel crises, the global financial crisis, and the disaster brought about by typhoons Ondoy and Pepeng in late 2009. It was earlier estimated that about one-fifth of the population (19.4 percent) clusters just above the poverty line and are at risk of falling into poverty when income shocks like these arise. In addition to increasing poverty, official estimates of hunger also showed that the proportion of the population who are not able to meet their basic food requirements declined only marginally in 2009 (NSCB, 2011), if not increased as alternative estimates show.⁷

5. The MDG for maternal mortality is also unlikely to be achieved by 2015. The current estimated maternal mortality rate is 162 deaths per 100,000 live births (2006 Family Planning Survey), which is high given the country's level of development. The Department of Health reports that the leading causes of maternal deaths include post-partum hemorrhage and hemorrhage related to early pregnancy, hypertension complicating pregnancy, medical complications during labor or delivery, and complications of unsafe abortion. The quality of care provided at birth is thus undoubtedly important in addressing maternal mortality. Yet the 2008 National Demographic Health Survey (NDHS) revealed that only 62 percent of births delivered were assisted by a skilled health worker while 36 percent are still delivered by traditional birth attendants or "hilot" and only 44 percent were delivered in a health facility. Moreover, only 60 percent of mothers go to health professionals for post-natal checkup. Getting money for transportation and to pay for medical services is often cited as the main reason for not going to health facilities for pregnancy-related care (2008 NDHS).

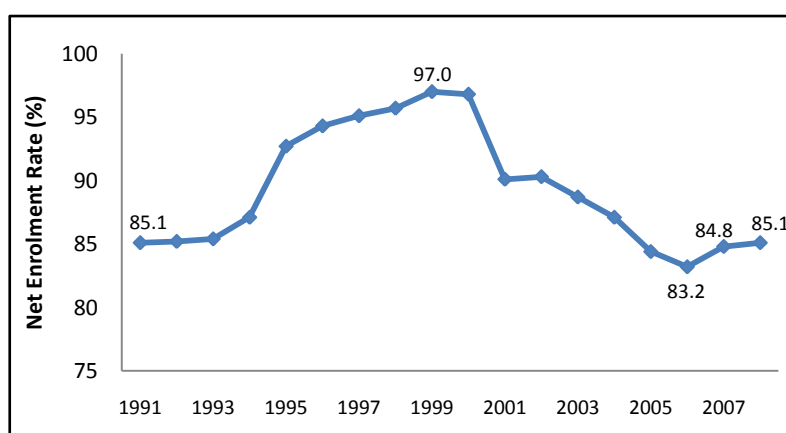
⁶ The 2008 NDHS reports an even lower immunization rate for infants at 76.2 percent in 2008 (National Statistics Office, 2010).

⁷ Latest estimates from NSCB showed that hunger declined from 11.7 percent of the population in 2006 to 10.8 percent in 2009. Meanwhile, the Social Weather Stations (SWS) estimated that self-reported hunger increased from an annual average of 17 percent to 19 percent during the same period (www.sws.org.ph).

6. The lack of progress in improving maternal health is particularly worrisome given its implications not only for health but also for employment, public spending, and the overall pace of poverty reduction. Use of family planning among married women has stagnated at 50 percent since 1995 (2006 FPS), with persistent unmet needs for family planning and inadequate access to family planning services for poor women leading to nearly 40 percent of unplanned pregnancies (2008 NDHS). While poorer women typically want more children than wealthier women, women in the poorest 40 percent of the population have between 1.5-2.1 more children than they desire (Guttmacher Institute, 2009). Moreover, poor women bear the heavier financial burden for family planning, with the lowest income quintile spending 5.6 percent of household health expenditures on contraceptives compared to less than 1 percent for the highest quintile (2006 Family Income and Expenditures Survey).

7. While big improvements have been made in reducing gender gaps in education, other related 2015 targets remain far from being achieved. Girls' participation in elementary, secondary, and tertiary levels relative to boys' have all improved over the last decade. The net enrolment rate (NER) among girls at the elementary level was even reversed beginning 1994, so that a higher proportion of girls are now enrolled in elementary schools compared to boys. Although the NER declined from 85 percent in 1991, to a peak of 97 percent to a low of 83 percent in 2005 (Figure 2), this trend was reversed from 2007, with the NER reaching 85 percent in 2008 (which is equivalent to the 1991 baseline). However, despite this increase, the current level is still far from the 100 percent MDG target of the country by 2015. Completion rates in elementary was at 73.3 percent, the highest rate achieved since 1991, but it is still below the 81 percent MDG 2015 target. Drop-outs remain high particularly among Grade 1 students, which is partly attributed to low pedagogical skills of teachers especially for students in the lower grades, which affect children's interest to continue and aggravate the inability of starting-up students to cope with school work, as well as lack of money for school-related expenses (NEDA, 2010).

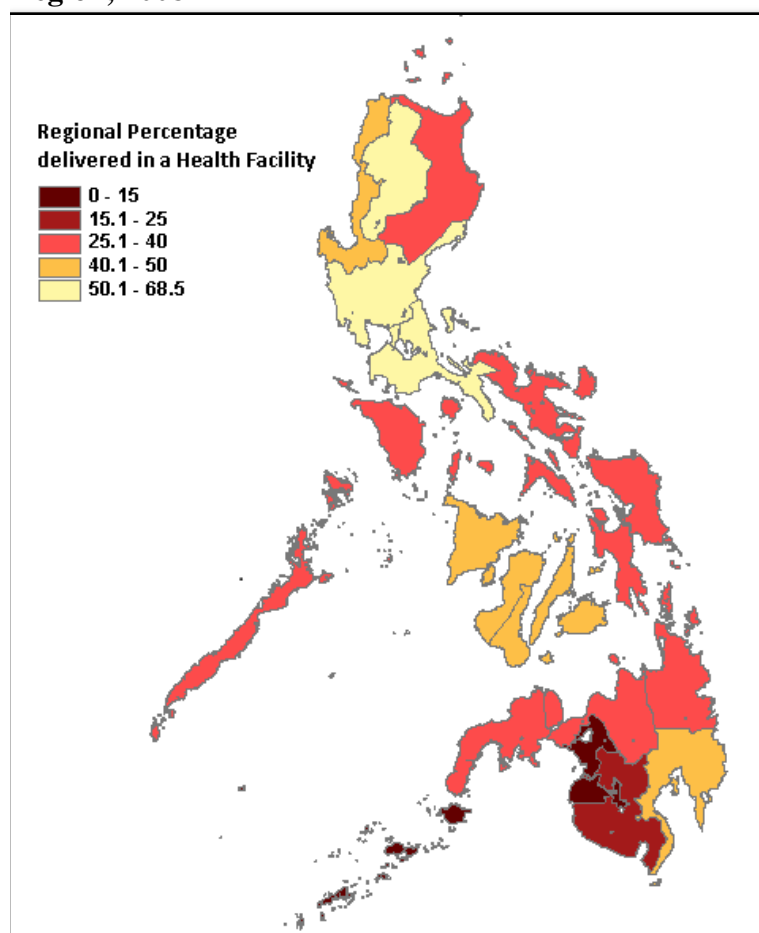
Figure 2. Elementary Net Enrolment Rates, 1991-2008



Source: Department of Education

8. The inconsistent performance in various MDG indicators persists across geographic regions and income groups. In the ARMM, only 78 percent of children 16 years or younger attended school, compared to the national average of 90.2 percent and to 94.3 percent in the Net Cash Requirement (NCR). As of 2008, completion rate in elementary is also more than twice as high in NCR (85.3 percent) than in ARMM (37.5 percent). Similar disparities are apparent in maternal health: 87 percent of birth deliveries in the NCR were attended by a health professional compared to only 19 percent in ARMM, and 68 percent of deliveries in the NCR were health facility deliveries compared to 15 percent in the ARMM (Figure 3). The coverage of Diphtheria-Pertussis-Tetanus Third Dose (DPT3) vaccine—three doses of vaccine against diphtheria, pertussis, and tetanus, commonly used as a measure of health service availability—in ARMM (41 percent) is also less than half the rate in NCR (89 percent). Across income groups, the proportion of children below two years of age without any vaccination in 2008 was reported at 13.4 percent among the poorest quintile compared to 1.5 percent in the richest quintile. Data from the 2008 APIS also show that the proportion of children 6-16 years old who were in school increased by expenditure quintile, from 82.2 percent in the poorest quintile to 98.4 percent in the richest. Dropping-out of school was most severe for children in the poorest quintile.

Figure 3. Birth Deliveries in a Health Facility by Region, 2008



Source: 2008 National Demographic and Health Survey (NDHS)

9. With only five years left before the MDG deadline, there is an urgent need to intensify efforts on all goals and address the slipping progress on key targets as a result of various shocks. Achieving the MDGs would require special efforts to enhance income-earning opportunities of Filipinos especially by ensuring that they are well-educated, healthy, and protected from shocks that may arise in the future. Services must be made equally accessible to the rich and poor in all regions of the country, with the same level of quality. It is also important to put priority in addressing the vulnerability of Filipinos and reinforce their resilience to shocks and income volatility. To realize this, the Government needs to ensure that there is sufficient financing towards the MDGs and resources are used efficiently. Core spending on basic education, health, infrastructure, and social protection should be protected at all costs, and most especially in times of shocks. Successful implementation also depends on effective management and measures to ensure accountability by improving monitoring of budget and delivery of commitments both at the national and local levels of government.

Annex 3

Update on Governance Challenges and Opportunities

1. **Although the new administration has demonstrated a renewed commitment to governance reform, weak governance continues to be one of the Philippines' key impediments to development and poverty reduction.** The new administration's renewed commitment offers a window of opportunity to accelerate the effort to improve the country's overall governance in coming years. Important challenges exist in a number of areas, including anti-corruption, capacity and integrity of selected government oversight institutions, public financial management, procurement, local governance, and state-society relations. The World Bank's governance strategy for the Philippines remains highly relevant to addressing these challenges, and much more so given the administration's priority on governance reforms. This annex provides an overview of governance challenges that the country faces and maps recent key developments and opportunities in governance reform.

Governance Challenges

2. **Corruption has been perceived to impinge on the quality of governance in the Philippines and to have worsened over the past decade.** In its 2010 Corruption Perception Index, Transparency International rated the Philippines with a score of 2.4 on a scale of 1 (high perception of corruption) to 10 (negligible perception).⁸ This low score in 2010 placed the Philippines at the bottom quarter of all countries in the survey (134th of a total of 178 countries). The country's rating in 1999 was 3.6, indicating that the situation worsened over the past decade.

3. **The weak ability to control corruption remains a source of dissatisfaction in the performance of the Government.** In a Pulse Asia survey conducted in 2009, fighting graft and corruption received the highest disapproval rating among various national issues. The findings from the survey indicated that nearly half of Filipinos (45 percent) considers that the Government needs to address graft and corruption as one of the most urgent issues. Moreover, a majority of Filipinos (53 percent) is concerned with the government effort to fight corruption.

PERCEIVED URGENCY OF SELECTED NATIONAL ISSUES AND THE NATIONAL ADMINISTRATION'S PERFORMANCE RATINGS					
February 2 - 15, 2009 / Philippines (Row Percent)					
National issues	% citing as One of Three Most Urgent Issues	Approve	Undecided	Disapprove	NAR*
Fighting criminality	21	36	35	30	+ 6
Stopping the destruction and abuse of our environment	18	32	32	36	- 4
Increasing peace in the country	25	31	33	36	- 5
Controlling rapid population growth	12	29	36	34	- 5
Improving/Increasing the pay of workers	52	29	31	40	- 11
Creation of more jobs	---	29	30	42	- 13
Controlling inflation	63	26	26	47	- 21
Reducing the poverty of many Filipinos	37	23	30	47	- 24
Fighting graft and corruption in government	45	21	26	53	- 32

Source: Pulse Asia Inc., Media Release Re: February 2009 Nationwide Survey of Corruption

⁸ Transparency International. Corruption Perception Index 2010. Berlin: Transparency International, 2010.

4. **The country's competitiveness ranking is also being affected by perception of corruption.** The World Economic Forum's Global Competitiveness Report 2010-2011 ranked the Philippines 134th out of 178 countries due to its poor rating in the aspects of institutions, including diversion of public funds, public trust of politicians, favoritism in decisions of government officials, etc. The quality of governance is found to be a major hindrance to the development of the country's competitiveness and productivity, with investors citing corruption, inefficient government bureaucracy, etc. as the most problematic factors for doing business.

5. **Strengthening the capacity, integrity, and independence of key oversight agencies is another critical challenge.**⁹ Though constitutional bodies such as the Office of the Ombudsman, the Commission on Audit (COA), and the Civil Service Commission are designated to play an important role in combating corruption

in the public sector, political interference and weak institutional and technical capacity reduce their effectiveness in carrying out oversight functions. Furthermore, weaknesses in the constitutional checks and balances among the three branches of government limit effectiveness in oversight. There is need to monitor use of government resources and enhance institutionalized means and procedures to monitor activities such as regular reviews of budget execution or public accounts. The Supreme Court had been generally held in high esteem but the perception of a political bias has recently surfaced. Furthermore, low efficiency in court and judicial proceedings is considered to be prevalent at the lower tiers of the judiciary, contributing to weakening the rule of law in the country.

6. **Accountable and transparent management of public finances lie at the heart of good governance.** As a recent assessment suggests, despite some progress in recent years and an average score in the Open Budget Initiative index on budget transparency¹⁰, the country's performance in public financial management has much room for improvement on key dimensions, including budget credibility, transparency, and efficiency and accountability in budget execution.¹¹ The absence of a comprehensive reporting system, high level of executive discretion in budget management, the complex appropriation structure, and inadequate coordination and harmonization among oversight agencies reduce transparency, accountability, and efficiency in budgetary and financial management and hamper the Government's capacity to finance basic service delivery.¹²

The Global Competitiveness Index in detail

INDICATOR	RANK/139
1st pillar: Institutions	
1.01 Property rights.....	99
1.02 Intellectual property protection.....	103
1.03 Diversion of public funds.....	135
1.04 Public trust of politicians.....	134
1.05 Irregular payments and bribes.....	128
1.06 Judicial independence.....	111
1.07 Favoritism in decisions of government officials.....	131
1.08 Wastefulness of government spending.....	118
1.09 Burden of government regulation.....	126
1.10 Efficiency of legal framework in settling disputes.....	122
1.11 Efficiency of legal framework in challenging regulations.....	116
1.12 Transparency of government policymaking.....	123
1.13 Business costs of terrorism.....	126
1.14 Business costs of crime and violence.....	104
1.15 Organized crime.....	106
1.16 Reliability of police services.....	105
1.17 Ethical behavior of firms.....	129
1.18 Strength of auditing and reporting standards.....	75
1.19 Efficacy of corporate boards.....	56
1.20 Protection of minority shareholders' interests.....	80
1.21 Strength of investor protection*.....	109

Source: Klaus Schwab (ed). The Global Competitiveness Report 2010-2011, Geneva: World Economic Forum, 2010, p 275.

⁹ World Bank. Governance, Philippines Discussion Note No. 22. Washington, D.C.: World Bank, (draft).

¹⁰ The Philippines is ranking in the group with "some budget information available" together with countries such as Ghana, Georgia, Uganda, Italy, and Portugal. See *The Open Budget 2010*, downloaded from: http://internationalbudget.org/files/2010_Full_Report-English.pdf

¹¹ World Bank. Philippines Public Expenditure and Financial Accountability. Washington, D.C.: World Bank, 2010.

¹² World Bank. Public Financial Management, Philippines Discussion Note No. 23. Washington, D.C.: World Bank, (draft).

Opportunities for Governance Reforms

7. **The change in government in mid-2010 created significant space for reforms.** With his appreciation of the importance of good governance, President Benigno Aquino III ran a campaign on a platform of fighting poverty and corruption and won by a wide margin over his opponents. Since assuming power, the President has enjoyed a sustained period of high approval ratings, ushering in hope that the country can enjoy a period of relative stability and the opportunity to recover public trust in its institutions. The Cabinet took early steps by introducing changes in policies to make processes more transparent, especially in the allocation and use of public funds.

8. **Promoting “effective and honest governance” is at the center of the Government’s governance reform agenda.** As part of the strategic framework in the new Philippine Development Plan, the Government prioritizes strengthening effectiveness, transparency, and accountability in public service delivery, scaling up anti-corruption efforts, enhancing the rule of law, and expanding citizens’ access to information and participation. Furthermore, building on the recent political momentum to restore public trust in government and create a new culture of good governance in the country, a number of new initiatives and positive developments are emerging in the key areas, including public financial management, procurement, local governance, partnerships with civil society organizations, and access to information and transparency.

9. **The World Bank’s country governance strategy remains highly relevant to the administration’s good governance agenda in the Philippine Development Plan.** The Bank’s FY10- FY12 Country Assistance Strategy sets out good governance as a cross-cutting theme and supports more capable and accountable government at the national and local, and agency levels. To pursue the overarching objective of strengthening public institutions, the Bank continues to focus on building core business systems, processes, and capacities in selected public agencies.¹³, promoting procurement and financial management reforms at national and local levels, and enhancing local governance through effective decentralization. To align the Bank’s governance strategy for the Philippines with the Government’s good governance initiatives more closely, systemic efforts will be made to not only improve transparency, accountability and participation at both national and local levels but also to explore equity and the rule of law dimensions of governance across the sectors.

Creating Reliable and Transparent PFM System

10. **The big breakthrough in public financial management (PFM) was the passage of the national budget for 2011 (General Appropriations Act) before the start of the year.** For the past 11 years, lateness in passing the budget had caused delays in fund releases that affected service delivery, especially in education and infrastructure. It was also the source of confusion about the precise level of appropriations for each agency, as they had to operate on the basis of the previous year’s budget (a practice called “re-enactment”). Through a zero-based budgeting approach, the Department of Budget and Management (DBM) objectively evaluated 12 major national programs and used the results to reallocate funding from poorly targeted and inefficient programs to basic

¹³ The selected agencies are those that are either of crucial importance to governance and poverty reduction and/or those with high prospects for governance improvements. The core set of agencies are the Departments of Education, Health, Social Welfare & Development and Public Works and Highways, the Bureau of Internal Revenue and the Supreme Court.

social services. The 2011 budget considerably reduced the amount appropriated to special purpose funds,¹⁴ increased the budget for education and health, and expanded the coverage of the program for conditional cash transfers to poor families. Funds used for projects of legislators were placed under transparency provisions so that the objective, status and other information about the use of such funds would be disclosed to the public.

11. The budget preparation process this year offers prospects for greater CSO participation. DBM invited several civil society organizations (CSOs) to be part of the Budget Advocacy Group which will give the CSOs the opportunity to scrutinize the budget and prepare their recommendations on the budget proposals of line departments. The budget call, which officially started the budget formulation cycle for 2012, was issued in December 2010 to allow enough lead time for these processes prior to the submission of the budget proposal to Congress in July. A similar but broader partnership between the Government and CSOs was initiated. The so-called “Open Budget Partnership” launched with Bank assistance by a Senator has high-level support from the legislative and the executive branches of government and loosely aligned CSO networks that share a common interest in increased public spending for social and economic programs, especially those benefiting the poor.

12. The Government is currently finalizing a five-year plan to address critical gaps and weaknesses in the public financial management system. Through a series of workshops and interagency committee meetings, the three PFM oversight agencies, namely COA, DBM, and the Department of Finance (DOF), began to approach the situation with integrated solutions. The PFM Reform Roadmap, as it is commonly called, includes the development of a Government Integrated Financial Management Information System (GIFMIS) as a core strategy. If successfully implemented, this will provide reliable and accurate information to support operational budgeting, cash programming, management of liabilities, timely financial reporting, and effective enforcement of financial controls (see Box). The end-goal is the availability of real-time financial information that managers can access directly from a central database so that they can perform their financial management and control functions effectively and transparently. A fully functional GIFMIS would enhance both operational efficiency and financial accountability of government agencies. Furthermore, ready and timely availability of financial data would facilitate greater public scrutiny of the Government’s budget management and financial operations.

13. The Bank has been providing continuing support for the development and implementation of the Government’s PFM reform agenda at two levels. At the level of the oversight agencies, the Bank has been closely working with the government counterparts, including COA, DBM, DOF, Bureau of the Treasury as a primary source of just-in-time technical advice to the GIFMIS Committee. At the level of line agencies, related PFM reform measures and capacity development are given emphasis in Bank assistance in key sectors. Analytical work such as expenditure reviews and PFM assessments in education, health, and social protection has been completed and is providing direction for sector strategies to address issues.

¹⁴ The existence of various special purpose funds, including congressional allocations, which are not systematically reported, has been a source of concern in public financial management. To improve the efficiency, transparency, and accountability of public finances, the new government consolidated all congressional allocations into one special purpose fund named Priority Development Assistance Fund (PDAF).

Box. Public Financial Management Reform Roadmap

Prepared by representatives of the Commission on Audit (COA), the Department of Budget and Management (DBM), the Department of Finance (DOF), and other government agencies, the Public Financial Management (PFM) Reform Roadmap provides time-bound and concrete steps to be taken over the next five years to improve the budget formulation process, facilitate legislative changes, and develop a common system for recording, reporting and analysis in budgetary and financial management in the Philippines. The roadmap is designed to set out a framework for the entire government to work together towards common goals of simplifying, improving, and harmonizing the budgetary and financial management processes and information systems of the public sector. Also, it is envisioned that the Government will have well functioning Government Integrated Financial Information System (GIFMIS) and a Treasury Single Account by 2015. If these goals are achieved, the overall country governance is expected to improve substantially.

The development of the GIFMIS is a central piece in the Government's strategic effort to tackle some of the main weaknesses in public financial management. Replacing the Government's fragmented financial management system, the GIFMIS would be expected to provide consistent and reliable data and facilitate more transparent financial transactions, leading to more informed decision making at all the stages in the budget cycle, including budget formulation, execution, and monitoring. Another important initiative linked to the GIFMIS is working towards the introduction of a single treasury account through reducing the number of government accounts. This will reduce the amount of time required government agencies are supposed to spend in preparing regular (usually monthly) bank reconciliation statements for each account (many of which are currently not completed hence undermining the integrity of the financial information provided) and will limit the power of government agencies to disburse cash, which is one of the sources of fund diversion. To prepare a solid ground for the development and introduction of the GIFMIS and a single treasury account, the PFM Reform Roadmap lays out a set of specific steps and activities in each stage of the budget cycle and assigns responsible government agencies.

Preparation is well under way to move forward on this important agenda. For example, the Government is in the process of harmonizing its internal audit manual with the Institute of Internal Auditors' International Professional Practices Framework, a current best practice and global standard in internal audit. Furthermore, COA has initiated work to implement the International Public Sector Accounting Standards as part of the effort to set up a consolidated set of national accounts. It is expected that an Executive Order will be issued shortly to start the full implementation of the PFM Reform Roadmap.

Source: Government Integrated Financial Information System (GIFMIS) Committee, Philippines Public Financial Management Reform Roadmap: Towards Improved Accountability and Transparency 2011-2015.

Promoting Better Enforcement in Procurement

14. **The Government Procurement Reform Act successfully consolidated more than 100 rules and regulations into a unified procurement system.**¹⁵ The key challenge that the Government is now tackling is to ensure the law is implemented and enforced across all government agencies. Like any law, to be effective, procurement rules and regulations must be known to the public, consistently applied, and enforced in a predictable manner through transparent procedures. Thus, successful implementation calls for measures to raise public awareness and mobilize public support for procurement reform. Furthermore, it is critical to develop the procurement monitoring system at the agency and national levels, connect systems for the analysis of procurement-related information and other databases for policy and decision making purposes, and strengthen the capacity of the Technical Support Office at the Government Procurement Policy Board.

¹⁵ The Government of the Philippines, the Asian Development Bank, and the World Bank. Philippines Country Procurement Assessment Report. Washington, D.C.: World Bank, 2008.

15. **Good progress has been made on the development of the electronic procurement system.** The use of PhilGEPS, the central portal for all procurement, is now mandated by the procurement law. Of the five phases in the development of the portal, including (1) vendors' registry and catalogues of contract prices, (2) virtual store for shopping on line, (3) electronic charges and fees, (4) electronic payment, and (5) electronic bidding, so far Phases 1 and 2 are operational and Phases 3 to 5 are under development. In accordance with the law, the external independent auditor, COA, examines compliance of the procuring entities on the use of PhilGEPS. As of today, 70 percent of all procuring entities are registered users of PhilGEPS.

16. **The CoST initiative in the Philippines was formally launched with great promise.** The Construction Sector Transparency Initiative (CoST) is an international multi-stakeholder program designed to enhance the accountability of Procuring Entities (PEs) and construction companies for the cost and quality of public sector construction projects. The initiative calls for disclosing to the public 'Material Project Information' (MPI) at all stages of the construction project cycle. As part of the effort to attain sustainability of operation, the Philippines' Multi-stakeholders' Group whose members include representatives of civil society organizations, bilateral and multilateral development partners, COA, the Office of the Ombudsman, and the (now-defunct) Presidential Anti-Graft Commission, turned itself into an entity which was registered as a non-profit corporation with the Securities and Exchange Commission, called CoSTPhils Foundation, Inc. It had successfully completed the posting of MPIs of 10 contracts in the PhilGEPS website. It has a Memorandum of Understanding with COA to perform validation services in assuring the veracity of the MPIs. Further, it has an ongoing contract with the PhilGEPS for the maintenance of MPI disclosures on its website.

17. **To facilitate progress in procurement reform, the Bank has been focusing on developing country capacity through a range of activities.** These include: (i) the development of the Agency Procurement Compliance and Performance Indicators (APCPI) that help procuring entities identify weaknesses and formulate mitigating measures to address them, (ii) the Institutional Development Fund (IDF) grant for preparing the roadmap for professionalization of procurement practitioners which produced 20 trainers and a curriculum for training leading to a career stream for procurement officers, (iii) support in the CoST Initiative, (iv) an IDF for the further expansion of PhilGEPS up to Phase 5 or electronic bidding, (v) provision of support for exposure training of COA Auditors on the Guide in the Audit of Procurement, and (vi) development and enhancement of procurement tools such as bidding documents and manuals that are harmonized with development partners.

Strengthening Accountable Local Governance

18. **To address significant challenges in the decentralized system, the Government has embarked on several noteworthy efforts to introduce new grant and incentive programs for local governance and performance.**¹⁶ These initiatives, which include cross-sectoral (e.g., the Department of the Interior and Local Governments' (DILG) memorandum circular on local budget transparency (No. 2010-83), a provision on transparency at the local level in the General Appropriations Act (GAA) of the fiscal year 2011, the DILG's Performance Challenge Fund, and the National Anti-Poverty Commission's (NAPC) proposed new fund to support community driven development (CDD) projects) and sectoral (e.g., Department of Health's (DOH) provincial performance-based grants) programs, work within the existing binding constraints of the intergovernmental fiscal system to directly address the need to strengthen the accountability

¹⁶ World Bank. Decentralization, Philippines Discussion Note No. 24. Washington, D.C.: World Bank, (draft).

mechanisms and institutionalizing systems for public monitoring and evaluation of local government units (LGUs). The Government is also pursuing a national community-driven development program commitment to promote local empowerment, community participation, transparency and accountability at the local level.

19. **The new Performance Challenge Fund (PCF) highlights the importance of local governance in the reform agenda.**¹⁷ The Government is leading a new initiative to implement the PCF, a performance based grant system for the country's LGUs. Focusing on "good housekeeping" practices in planning, fiscal management, and transparency and accountability, the PCF is designed to support low income LGUs to align their development activities with national priorities and enhance upward accountability from LGUs to the national government. The PCF is also intended to engage civil society organizations, academic institutions, and the media in LGU performance assessment and monitoring processes. Furthermore, as part of the government-wide effort to strengthen transparency and accountability, DILG calls on all LGUs to publicly disclose their expenditure plans and reports.

20. **The Bank and other development partners have been working with DILG and LGUs on the decentralization agenda and accountability and transparency issues at the local level.** The Bank will seek ways in which the Government's emerging transparency framework can be applied to the World Bank financing to local government. To this end, the Bank will explore the possibility of adopting DILG's "seal of good housekeeping" indicators as a filter or screening criteria for extending financing to LGUs. Also, the Bank is committed to supporting DILG in (i) strengthening the design and implementation of the PCF in the medium term (including facilitating CSO involvement in the program), and (ii) developing a national strategic policy for incentive systems for LGUs through an AusAID trust fund-financed AAA program.

Fostering Partnerships with Civil Society Organizations (CSOs)

21. **The Government continues to develop partnerships with CSOs – some in a cooperative manner, others adversarial, while others would call their approach as "critical engagement or collaboration."** The spectrum of CSO involvement is wide – from giving inputs to the Government's Philippine Development Plan and monitoring and evaluating it, helping deliver some projects/programs to the poor, monitoring and evaluating projects, acting as CSO observers in the bidding process, equipping and training local communities to build their capacities for project implementation, community organizing, and monitoring delivery of public goods and services. On the advocacy side, CSOs often focus on a wide range of issues, including transparency and accountability in government (including Bank-assisted projects and programs), debts, program loans that require restructuring and passage of bills in Congress, globalization, privatization, mining, climate change and its effects, additional taxes, family planning, population, human rights, etc.

22. **With a new political environment, the advocacy role of CSOs can be more effectively leveraged to reduce corruption and improve governance.** The new Government's appreciation that CSO can play a critical role in holding government accountable and improving country governance is creating more opportunities to develop not only partnerships between government and CSOs but also healthy state-society relations. Positive developments are also observed in the

¹⁷ World Bank. Project Concept Note – Philippines AAA on Institutionalizing Incentive Systems for Local Governance and Performance. Manila: World Bank, 2011.

legislative branch partly because it has support from the dominant political party and prominent leaders of some CSOs have become legislators through the party-list system.

23. **The World Bank has been working with a number of civil society organizations**, (e.g., Open Budget Partnership, Road Watch, Affiliated Network for Social Accountability in East Asia and the Pacific) to generate a better understanding of social and political issues prevailing in some sectors and inform the design of Bank operations. Through a range of activities such as learning events and participatory research, the Bank is aiming to enable civil society organizations to build up their analytical ability and enhance their effectiveness to engage the Government in governance reform.

Promoting Access to Information and Transparency

24. **The campaign to enact a Freedom of Information (FOI) bill is attracting wide public support.** The Philippine Constitution guarantees public access to information, but the absence of legislation that details specific parameters and procedures of public disclosure of government information limits the actual disclosure of information to society and hinders the ability of CSOs to extract accountability from government agencies. For a very long time, CSOs have been lobbying for the passage of a FOI bill. Public support for the bill swelled in 2010 when large groups of CSOs formed a coalition called “Right to Know Right Now” comprised of a wide range of CSOs led by progressive groups and media organizations. The bill successfully went all the way through to the bicameral committee of the joint houses of Congress but failed to get final approval before Congress closed that year. The bill has been filed again and CSOs are working intensively with champions in Congress.

25. **The Government seeks proactive disclosure of information, public feedback, and participation.** There have been significant steps taken by the Government towards proactive disclosure of some government information to the public and seeking public feedback as ways to improve its performance and accountability and respond better to public needs and demands. Proactive disclosure practice not only grants public access to government information but also enables CSOs to perform their independent role more effectively as third-party monitors of government performance. The DBM is showing the way with the posting of information on fund releases for projects of congressmen and senators, financial subsidies to LGUs, and infrastructure projects of the Department of Public Works and Highways on its website. A number of government agencies, including DBM and DILG, have entered into partnerships with CSOs to systematically gather feedback from the field to strengthen the accountability and efficiency of agencies. Furthermore, the website of the Office of the President now allows people to directly express their views, opinions, and concerns and anonymously file complaints.

26. **The World Bank has shared its experience on disclosure and access to information with the authorities.** For many years, there were attempts to enact a FOI law. However, given the Government’s strong leadership and the growing public support, the Congress may be able to move forward with the measure. Anticipating the enactment of the legislation, the Bank is willing to build on good practices and lessons from international experience to provide the Government with further technical advice and assistance in the implementation of policies on disclosure and access to information.

Annex 4

Overview of the 2011-2016 Philippine Development Plan (PDP)

1. **The 2011-2016 PDP is anchored in a framework of *Inclusive Growth and Poverty Reduction*.** The 2011-2016 PDP seeks to substantiate the vision of inclusive growth and poverty reduction that underlies President Aquino's "*Social Contract with the Filipino People*" through concrete actions that focus on three strategic pillars: (i) attaining a sustained and high rate of economic growth that provides productive employment opportunities and reduces poverty, (ii) ensuring greater equity of access to development opportunities and social services for all Filipinos, and (iii) implementing effective social safety nets to protect and enable those who do not have the capability to participate in the economic growth process. An overarching challenge in the pursuit of development in the Philippines is to improve governance which has been recognized as an important constraint on sustained growth and poverty reduction. To achieve sustained and high growth, the PDP calls for a stable macroeconomic environment, increased infrastructure investment and competitiveness, and improved governance. The plan calls for increased investment in human capital (education and health) and improved access to infrastructure, credit, land, and other assets to enable broad-based access to development opportunities. For effective social protection, the plan lays out the needs for developing efficient and responsive safety nets.

2. **The PDP examines the challenges and barriers to achieving these objectives and the reasons inclusive growth has been elusive so far in the Philippines.** While the incidence of poverty has declined, the rate of decline has been slow (and even increased in some years), and the link between growth and poverty reduction has been weak with high income inequality. It identifies inadequate infrastructure and low and declining investment rates, gaps and lapses in governance and the weak enforcement of the rule of law, high construction and electricity costs with lack of real competition, issues with property rights in agriculture investments, and inadequate levels of human development and poor service delivery as key constraints. The PDP addresses each of these issues in the various chapters which assess the current situation and challenges, articulate sectoral and thematic strategic frameworks with clear goals and outcomes, and translate these into implementable action programs including the related legislative agenda as appropriate.

3. To achieve the objectives under the **first pillar, high sustained growth**, the PDP focuses on maintaining a stable macroeconomic environment, increasing public investment and improving competitiveness, and improving governance, while strengthening institutions to promote competition. In order to maintain a stable macro environment, the PDP stresses the need for fiscal consolidation, low and stable inflation, a reduction in external vulnerabilities, and a strengthening of the financial system through adequate capitalization, better supervision and market discipline. The PDP emphasizes the development of strategic public-private partnerships (PPPs) and improvements in the investment climate for the private sector to promote public infrastructure development. To improve governance, the PDP seeks to promote sound and consistent public policies, while enforcing the rule of law. It places great importance on improving the efficiency, transparency and accountability of public finances, while also raising the efficiency of public investment programming processes. It also aims to ensure equal justice for the rich and poor through reforms of the judiciary and criminal justice system, as well as to revive the peace efforts in Mindanao.

4. To achieve the objectives of the **second pillar, ensuring greater equity of access to development opportunities and social services**, the PDP focuses both on developing the human

capital of the poor in order to enable them to take better advantage of emerging income-earning opportunities, and on reducing barriers to access to land, credit, technology and infrastructure services. Human capital development will be promoted through increased public investment in more and better education services, as well as on improving public health, nutrition and other basic social services.

5. Finally, to achieve the objectives under the **third pillar, putting in place effective social safety nets**, the PDP focuses on expanding the coverage of social protection mechanisms that have proven effective and responsive, such as the conditional cash transfer program (4Ps, Pantawid Pamilyang Pilipino Program – CCT program), expanding the public health insurance program for the poor, and improved targeting of public expenditures. Looking toward the longer term, it also emphasizes the need to strengthen disaster risk and climate change management.

6. **The PDP commits itself to following observable targets and monitoring progress.** These include an average annual GDP growth rate of 7-8 percent over the plan period implying a tripling of per capita income to about US\$5,000 in two decades, generating about one million new jobs each year mostly in industry and services, and reducing the unemployment rate to about 6.8 – 7.2 percent. With higher growth, sustained cash transfer programs, improved access to health and education services, the incidence of poverty is expected to decline from 33.1 percent in 1991 to 16.6 percent or less by 2015 in line with the country's MDGs. Inequality is also expected to decline as access to development opportunities and social services become more equitable. The PDP points to the country's healthy external payments situation, a fairly undistorted industrial structure, a stable currency, moderate inflation, and the resilience exhibited during the recent global economic downturn as positives to draw on.

7. **The 2011-2016 PDP was developed in a consultative way.** Under the leadership of the National Economic and Development Authority (NEDA), the Government organized several planning committees to facilitate the drafting and consultation of the new PDP. The PDP Steering Committee was chaired by Secretary Paderanga of NEDA, and included the DOF Secretary to represent the Cabinet cluster on Economy, the DSWD Secretary to represent the cluster on social protection and poverty reduction, and the DILG Secretary to represent the cluster on security and governance. Five planning committees were assigned to draft the Plan chapters. National and regional consultations took place in January 2011. The draft Plan was submitted to President Aquino in mid-February 2011. Consultations with the development partners took place on February 26, 2011 during the 2011 Philippines Development Forum (PDF). President Aquino approved the PDP on March 28, 2011 and it is expected to be released in June 2011.

8. **The Bank Group's CAS strategic objectives and cross-cutting themes and related outcomes continue to remain well-aligned with the PDP priorities** (see table below). The key PDP priorities and most of the sub-topical objectives are supported by multiple CAS outcomes which in turn are being or will be realized through well defined Bank Group instruments including the portfolio of ongoing projects, new lending operations, and economic and sector work and technical assistance. Adjustments in outcomes and instruments to support areas of newly emerging or changed priorities are addressed in this Progress Report and described in other sections.

Table 1. Alignment of CAS Outcomes and 2011-2016 PDP Priorities

PDP Priorities	CAS Outcomes
<i>Priority 1: Macroeconomic Policy</i> <ul style="list-style-type: none"> • Pursue fiscal (tax and non-tax revenues) and expenditure policy reforms • Continue monetary policy and debt management reforms • Continue external sector reforms 	<ul style="list-style-type: none"> • Maintained tax effort through strengthened tax administration and tax policy reform (SO 1.1) • Improved efficiency and targeting of public expenditures (SO 1.1) • Improved management of key fiscal and financial sector risks (SO 1.1) • Improved management and greater transparency in public finances (SO 5.2)
<i>Priority 2: Competitive Industry and Services Sectors</i> <ul style="list-style-type: none"> • Provide a better business environment: FDI, exports • Improve productivity and efficiency: employment, MSMEs • Foster greater value for money • Encourage PPPs 	<ul style="list-style-type: none"> • Enhanced regulatory policy frameworks and institutional capacity for investment, service delivery, and trade (SO 2.1) • Increased investment and employment in rural and urban development (SO 2.1)
<i>Priority 3: Competitive and Sustainable Agriculture and Fisheries Sector</i> <ul style="list-style-type: none"> • Ensure food security and increased incomes • Reduce risks inherent to the sector, including climate change impacts • Enhance policy environment and governance 	<ul style="list-style-type: none"> • Increased investment and employment in rural and urban development (SO 2.1) • Disaster- and climate change-related risks reduced (SO 4.2)
<i>Priority 4: Accelerating Infrastructure Development</i> <ul style="list-style-type: none"> • Transport: Ensure integrated, coordinated, and safe transport network • Water and sanitation: Address equity, efficiency and access issues; health impact • Irrigation: Provide basic support services and infrastructure • Flood and drainage: Strengthen operation and management • Energy: Ensure energy security, reliable power supply, expand program • ICT Infrastructure: Ensure urban/rural access and enabling environment for private sector investments • Social infrastructure: Address issues related to waste management, housing, facilities 	<ul style="list-style-type: none"> • Increased and improved delivery of infrastructure (SO 2.1) • Increased household access to safe drinking water and sanitation services (SO 3.1) • Disaster- and climate change-related risks reduced (SO 4.2)
<i>Priority 5: Towards a Dynamic and Resilient Financial System</i> <ul style="list-style-type: none"> • Strengthen credit policy, legal and governance framework, credit information • Develop enabling environment for savings generation and long-term investments 	<ul style="list-style-type: none"> • Increased delivery and access to financial services (SO 2.2) • Improved management of key fiscal and financial sector risks (SO 1.1)

PDP Priorities	CAS Outcomes
<p>Priority 6: Good Governance and the Rule of Law</p> <ul style="list-style-type: none"> • Ensure effective, efficient, transparent and accountable delivery of public service • Curb corruption and strengthen the rule of law • Enhance citizens' access to information and participation in governance 	<ul style="list-style-type: none"> • Core business systems, processes and capacities in selected agencies improved (SO 5.1) • The Procurement Law more strictly enforced (SO 5.2) • Improved management and greater transparency in public finances (SO 5.2) • Deepened and refined decentralization through broad-based reforms (SO 5.3) • Strengthened LGU performance for more effective service delivery (SO 5.3)
<p>Priority 7: Social Development</p> <ul style="list-style-type: none"> • Implement universal health, nutrition and population policies • Support education reforms, training, and culture • Support housing and urban development • Continue increased focus on social protection: poverty, vulnerable groups 	<ul style="list-style-type: none"> • Improved access to quality basic education services (SO 3.1) • Improved access to health services (SO 3.1) • National household poverty targeting system in place and used (SO 4.1) • Conditional Cash Transfer (CCT) program fully operational (SO 4.1) • Scaled-up provision of basic services through a nationwide community-driven development program (SO 3.2) • Enhanced effectiveness of public service delivery through more coordinated area-based approaches (SO 3.2)
<p>Priority 8: Peace and Security</p> <ul style="list-style-type: none"> • Pursue goal of winning the peace • Ensure national security 	<ul style="list-style-type: none"> • Enhanced impact and conflict-sensitivity of development programs implemented in communities in Mindanao affected by armed or violent conflict (SO 4.3) • Scaled up provision of basic services and livelihood support through CDD in communities affected by armed or violent conflict (SO 4.3)
<p>Priority 9: Conservation, Protection and Rehabilitation of the Environment and Natural Resources</p> <ul style="list-style-type: none"> • Improve conservation, protection, and rehabilitation of natural resources • Improve environmental quality • Enhance resilience of natural systems and improved adaptive capacities 	<ul style="list-style-type: none"> • Disaster- and climate change-related risks reduced (SO 4.2) • Greenhouse gas emissions reduced through expansion of mitigation programs in key sectors and LGUs (SO 4.2)

Strategic Objective 1: Stable Macro Economy

Note: **P**: Proposed FY in CAS; **A**: Actual FY; [**P**]: Proposed FY in CAS but not done; **C**: Changed FY in CASPR

1. Under the first strategic objective, the Bank aimed to support the Government's efforts to encourage growth and maintain macroeconomic stability and cope with uncertainties. In particular, the country needed to brace for the impact of the global economic recession and downturn, and stimulate the economy without jeopardizing fiscal stability. Significantly improved tax administration and implementation of tax policy reforms, increased expenditure efficiency, and better risk management were key elements. The Government has maintained macroeconomic stability in spite of multiple external shocks, avoiding a recession and achieving a very strong recovery with little exchange rate volatility and with benign rates of inflation. The financial markets have

withstood global economic shocks and the FSAP was positive on banking system risk management. The 2011 budget has eliminated some wasteful items to improve expenditure efficiency. Fiscal risks are now more clearly assessed and a Fiscal Risk Statement has been prepared and is being discussed by the Cabinet.

2. **Outcome 1: Maintain tax effort through strengthened tax administration and tax policy reform.** This CAS outcome is *off track*. The tax effort remains weak – worsened by the global financial crisis and successive devastating typhoons. The tax effort, which fell to 12.8 percent of GDP in 2009 and remained at this level in 2010, is only expected to partly and slowly increase over time reflecting the structural nature of the decrease and the focus of the new government to first improve tax administration and compliance before considering tax policy changes. The Bank continues to support tax reform efforts through the National Program Support for Tax Administration Reform (NPSTAR), as well as Trust Funds to strengthen revenue administration and budget policy. Key pieces of AAA such as the regular Philippines Development Reports and Quarterly Economic Updates, and the Economic Report on Inclusive Growth, continue to contribute to economic monitoring and policy analysis. In particular, the Discussion Notes prepared for the incoming administration covered a broad range of topics and provided in-depth analysis and recommendations for the new Government’s consideration. The challenge of reversing the structural weakening of the tax ratio will need to be addressed within the election pledge of no new taxes or tax increases – at least during the first year of the administration. Also, the reforms of the Bureau of Internal Revenues (BIR), even if successful and supported by a substantial TA program, will take time to get traction. WBG engagements will support the strengthening of tax administration and capacity for tax forecasting (e.g., new strategy for BIR, strengthening DBM/NEDA’s expenditure evaluation capacity).

3. **Outcome 2: Improved efficiency and targeting of public expenditures.** The CAS outcome in the areas of expenditure efficiency and targeting is well *on track*. The proposed 2011 budget is an improvement in terms of expenditure efficiency. The budget for social services is now better aligned to priority areas such as addressing classroom shortages. Several special purpose funds have either been eliminated or incorporated into the agency's budget, thereby increasing transparency. These recent budget initiatives need to be sustained and enhanced to further improve the efficiency and targeting of public expenditures. Bank support will work towards increasing the reliance on public-private partnership (PPP) frameworks to improve infrastructure, revising expenditure policies (for example, shifting from NFA subsidies to conditional or non-conditional cash transfers), and achieving greater budget transparency. AAA would continue to focus on government priorities, such as further work on Public Expenditure Review. Engagements on Public Financial Management (PFM) could provide opportunities to support new government initiatives more broadly. AusAID Trust Fund support to strengthen DOF capacity to enhance PPP frameworks and build capacity for tax forecasting could be complemented by an IDF grant.

4. **Outcome 3: Improved management of key fiscal and financial sector risks.** The 2009 FSAP update was positive on banking system risks and their management. The new government has prepared a Fiscal Risk Statement (FRS) and had it published alongside the 2011 budget. This placed the country among best practice countries in terms of comprehensive fiscal risk assessment and disclosure. The outcome is *on track*. The new administration has indicated a stronger focus on transparency, accountability, and governance. A first step toward an improved management of fiscal risks was recently taken with the publication of a Fiscal Risk Statement, which the authorities plan to

update periodically in the context of the annual budget presentation to Congress. The efforts to improve fiscal risks management center on the public debt and the contingent liabilities arising from Government Owned and Controlled Corporations (GOCC) and PPP projects guaranteed by the national government. The Government plans to set up a Debt and Risk Management Office in DOF, with the aim of enabling a more proactive liability management of the public debt, and is working on the passage of laws and measures to strengthen government oversight functions on GOCCs/GFIs, including administrative and legislative measures to amend or restructure GOCC charters. At the same time, it seeks to strengthen the DOF's capacity to review and monitor the risk associated with PPP projects in order to limit risk exposure. As part of strengthening fiscal risk management, Bank Group support could focus more in the areas of assisting the Department of Finance in monitoring the performance, contingent liabilities, and restructuring of GOCCs, in particular, reviewing the public goods rationale of the National Food Authority (NFA). The proposed DPL series, within a framework of continued improvements in PFM, would address multiple outcomes under this and other results areas, and could be supplemented by trust-funded activities and an IDF.

Strategic Objective 2: Improved Investment Climate

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY 12	FY13- new
2.1 Enabling business environment to promote competitiveness, productivity, and employment	<u>Completed During CAS Period:</u>				
Outcome 1: Increased and improved delivery of infrastructure [On track]	Financing: Metro Manila Urban Transport Integration AAA/Others: Trade Facilitation/Transport/Logistics/Customs Adm Environmental Safeguards (including EA) Options Study for Universal Service Study on Agribusiness Logistics in Mindanao Study on Agribusiness Clusters Discussion Note on Energy Discussion Note on Competitiveness Discussion Note on Environment Discussion Note on Urbanization Discussion Note on Transport	P, A A A A A P, A P, A P, A P, A A			
Outcome 2: Enhanced regulatory policy frameworks and institutional capacity for investment, service delivery, and trade [On track]	Discussion Note on Agribusiness Development Discussion Note on Information and Communication Technology	A A			
Outcome 3: Increased investment and employment in rural and urban development [Watch]	<u>Ongoing*:</u> Financing (Committed US\$M): GEF Grant: Mindanao RDP Phase 2 (\$6M) AAA/Others: Programmatic AAA on Agriculture Urban: Pro-poor Policies for Cities Energy Sector Reform Transport (National and Local/Urban Roads)	P, A	P, A A A A	New New New	New New New
	<u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing (Planned US\$M): Light Rail Transit 1 South Extension PPP (\$260) CALA Tollway (Cavite-Laguna) (\$140M) Urban Transport (Cebu Bus Rapid Transit) (TBD) Secondary/Local Roads (\$200M) Renewable Energy Development (formerly Rural Power APL 2) (\$150M, including \$50 million CTF) Agriculture Reform Project (\$100M) Urban Renewal (\$150M) Manila Wastewater (\$275M) (renamed)	[P]		C P P P P	C New C

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY 12	FY13- new
	Infrastructure Fund/Guarantee (TBD) PPP for Liquefied Natural Gas (TBD) LAMP2 Additional Financing (TBD) AAA/Others: PPP Support (IFC, PPIAF) Urban Slum Upgrading Strategy			New New P P	New P P
2.2 Financial services Outcome 1: Increased delivery and access to financial services [Watch]	<u>Completed During CAS Period:</u> Financing: AAA/Others: <u>Ongoing*:</u> Financing (Committed US\$M): AAA/Others: Facility for Innovations in Financing – focused on Support for Financial Cooperatives (Bank) Risk-sharing Facility for Agribusiness (IFC) <u>Indicative (FY10F-Y12 CAS and CASPR):</u> Financing (Planned US\$M): Regional Infrastructure for Growth (\$100) IFC Projects in Banking, Housing Finance, LGUs AAA/Others: (see ongoing above) Policy Notes on NFA/Food Policy Reform	 P, A [P] P, A	 P C P	 P New	 P

*For ongoing activities approved before FY10, please see Annex B8.

Note: P: Proposed FY in CAS; A: Actual FY; [P]: Proposed FY in CAS but not done; C: Changed FY in CASPR; D: Dropped

5. The second CAS Strategic Objective aims at improving the investment climate in the Philippines by strengthening an enabling business environment that promotes competitiveness, productivity, and job creation, as well as improving the access to and delivery of financial services. Key outcomes include improved delivery of more infrastructure services, an improved regulatory framework for investment and trade, and strengthened rural and urban development. The ongoing emphasis on private sector-led growth and balanced and equitable income and employment generation is supported through infrastructure investments, institutional capacity building, and the creation of a stronger and more responsive financial sector.

Results Area 2.1 Enabling business environment to promote competitiveness, productivity, and employment

6. **Outcome 1: Increased and improved delivery of infrastructure.** There have been considerable developments and the outcome is *on track*. The main new development is the Government's new PPP program that was launched and concrete measures were announced such as on guarantee of government obligations, and separate single borrower's limit for PPPs. There have been significant increases in funding for transport infrastructure reflected in the DPWH and Department of Transport and Communications (DOTC) budgets. WBG financial and non-lending support for the achievement of this objective continues to be strong with a large ongoing portfolio of projects and multiple planned deliveries under preparation with outcomes and milestones mostly on track to be achieved, despite unsuccessful earlier efforts for jump-starting the PPP agenda (for example, the Light Rail Transit (LRT) 1 South Extension failed to proceed and the South Luzon Expressway was unsuccessful in soliciting proposals). There is, however, a renewed and promising effort to use the PPP approach in a number of areas, such as infrastructure, health, and agriculture.

The new PPP agenda calls for (i) the reorganization and strengthening of a PPP unit to manage the overall process, (ii) the development of a Peso denominated fund for financing the government contribution to project development costs of PPPs, (iii) the strengthening and capacity-building activities of NEDA and other oversight agencies, and (iv) the identification of 10 priority projects which would be fast-tracked for bidding by private operators.

7. Most Bank-financed projects are being implemented satisfactorily and contributing to country goals. For example, the recently completed Metro Manila Urban Transport Integration Project (MMURTRIP) contributed to improving the operational efficiency and safety of the transport system in the capital, with the construction and improvement of 86 km of major and secondary roads. The travel speeds of users have increased in other Bank-supported transport projects. The IFC is active in supporting private sector Renewable Energy/Energy Efficient (RE/EE) projects with the feed-in tariff rules in place. The IFC has targeted three PPP projects, of which one has been signed (Metro Clark Water), a second one about to be signed (Ninoy Aquino International Airport (NAIA) Tollway as joint advisory with Development Bank of the Philippines), while the third (LRT1) is yet to be decided. At present there are no new generation projects with IFC involvement; two coal-fired power plants totaling 400 Megawatt (MW) of capacity is being completed in the Visayas (funded by local banks).

8. While there is progress in achieving the CAS strategic objectives and outcomes, there continue to be substantial challenges. In energy, investments need to be accelerated for power generation, transmission, and distribution. The financial health of the power sector remains critical, putting upward pressure on tariffs. Capacity for transport planning (technical) and infrastructure investment (financial) at LGU level remains low. Increases in the transport budget have not translated into quality priority infrastructure development. There is also some lack of coordination among agencies involved in the transport sector (DOTC, DPWH, MMDA and LGUs). Funds are insufficient to undertake the required rehabilitation and restoration works following the damages and losses brought about by typhoons Ondoy and Pepeng to ARCDP2, Laguna De Bay Institutional Strengthening and Community Participation (LISCOP), and Participatory Irrigation Development Project (PIDP). There are indications of some emerging new priorities in these areas. In the national roads infrastructure, the emphasis is shifting towards asset preservation and results orientation. Secondary roads are getting greater attention as DPWH aims to improve the quality and safety of the total national roads network. There is greater focus on addressing power supply gaps, especially in Mindanao, and a growing awareness of the important role of Electrical Cooperatives (ECs) in ensuring reliable power supply. The PPP model is emerging as a centerpiece strategy and not just for infrastructure.

9. The CAS program for the remainder of the program period will be adjusted to reflect these challenges and emerging priorities. The WBG will strengthen its support for the Government's PPP agenda (e.g., support to the PPP Center, program and policies, PPP fund, and PPP projects such as Cavite-Laguna Expressway (CALA), LRT, Bus Rapid Transit (BRT), and new proposals). In addition to the current portfolio and planned projects, some new and refitted WBG engagements may be needed to support these slight realignments (subject to further program discussions with the Government). In line with the PPP agenda, there could be possible engagement on LRT Line 1 South Extension, CALA, NAIA Tollway, and Cebu BRT. A TA on national and local/urban roads could respond to the Government's request.

10. **Outcome 2: Enhanced regulatory policy frameworks and institutional capacity for investment, service delivery, and trade.** This outcome is *on track*. A clean energy policy framework is in place with the passage of the Renewable Energy Law. The power sector is moving closer to retail competition and open access under the Electric Power Industry Reform Act (EPIRA) that will allow industries and big consumers to access power from the market. A US\$150 million country program under the Clean Technology Fund (CTF) was approved as well, and work is underway on specific project proposals. A transport policy and planning framework is being laid down, and a National Environmentally Sustainable Transport Strategy and a National Transport Plan have been drafted. The critical bottlenecks in land transactions are being addressed with the approval of the Implementing Rules and Regulations (IRR) for the law on Free Patent Amendment (Residential Free Patent) and the Real Estate and Service Act (RESA). The proposed land and valuation related bills – Valuation Reform Act (VRA) and Land Administration and Reform Act (LARA) – are being re-filed in the Lower and Upper Houses. The passage of the proposed bills on VRA and LARA during the 15th Congress will be critical to strengthening the business climate by easing land transactions.

11. The Bank has provided TAs to the Energy Regulatory Commission (ERC) in relation to the RE law (feed in tariffs), to the Toll Regulatory Board to focus on international best practices for regulators and on institutional arrangements, and to prototype cities to improve processes related to business entry at the local level thereby reducing the transaction cost of doing business. The WBG will support the dialog in the power sector with technical assistance on key topics such as supply, prices, and alternative energy sources. Governance initiatives in the roads sector are also getting strong support from the Government, and expanding the roads program beyond NRIMP2 over the medium term has potential (e.g., secondary/local roads, urban roads). The Bank will also increase attention to the transport regulators (e.g., Toll Regulatory Board for tollways).

12. **Outcome 3: Increased investment and employment in rural and urban development.** Cities are getting increased access to viable financing and there has been a 30 percent increase in lending by Government Financial Institutions (GFI) to second and fourth class LGUs since October 2008. Urban issues are becoming more prominent in the development agenda supported by analysis (e.g., policy notes by the Philippine Urban Consortium) and the process of developing City Development Strategies is improving awareness and interest in infrastructure development at the city level. Typhoons Ondoy and Pepeng caused heavy damages and losses, and funds are insufficient to undertake required rehabilitation and restoration. Despite some promising developments, the outcome is on *watch*.

13. WBG support to agribusiness development and the rural sector in general continues with the satisfactory implementation of PIDP, LAMP2, ARCDP2, LISCOP, and MRDP2 projects, which are contributing to improving rural infrastructure and the active partnership with LGUs and communities in strengthening local level planning, implementation, and O&M. The Bank's AAA program is particularly effective with the completion of the Discussion Note for Inclusive Agribusiness Growth, and the Study on Mindanao Logistics/Value Chain. The Rural Poverty Program Assessment Study is nearly completed and there are ongoing studies analyzing agribusiness productivity growth, domestic resource cost, value chain analysis, and PPP models.

14. Stronger rural and agricultural developments are hampered by a lack of strategic overview, discrete and piecemeal reform initiatives, and the continuation of the emphasis on old strategies and

programs (e.g., rice self-sufficiency, focus on inputs rather than service delivery). TA to the Department of Agriculture supported the preparation of the new Agriculture and Fisheries Modernization Plan (2011-2016) which is a major input in the 2011-2016 Philippine Development Plan (PDP). The key thrusts of the reform in the plan include: (i) separation of NFA's proprietary and regulatory functions and an increased focus on its buffer stock management functions, (ii) increased participation by the private sector in rice trade, (iii) a more prominent role of private investment to fill the infrastructure gap in the agribusiness sector through the PPP program, (iv) operational and institutional convergence of Department of Agriculture (DA), Department of Agrarian Reform (DAR), and Department of Environment and Natural Resources (DENR) in view of the expiration of the agrarian reform program by 2014, aiming at making rural development interventions more effective and efficient by working through clusters of LGUs and by strengthening the linkages between farmers and the agribusiness sector, (v) restructuring of the DA budget from commodity to functions-based allocations, and (vi) development of farm-based targeting systems to enhance the efficiency and effectiveness of farm support programs.

15. During the extended CAS period, WBG support to the emerging rural and agricultural development agenda would be through programmatic AAA on agricultural policy, productivity and agribusiness development, including TA to assist in the operationalization of coordination and convergence among the three rural development agencies, TA for DA to improve the targeting and Monitoring and Evaluation (M&E) of its programs (Farmers' Registry, etc.) and strengthen its land information and planning systems, TA for DA to shift from self-sufficiency to food security (e.g., reform of NFA, options for the modernization of the rice value chain), and capacity strengthening for oversight agencies and the Congressional Committee on Fisheries and Agricultural Modernization (COCOFAM) for better M&E of public expenditures in agriculture.

16. A more strategic urban focus in development planning is needed. An urban slum upgrading strategy needs to be implemented to enable a shift from shelter provision to initiate urban transformation and enhance the local investment climate. The emphasis in urban development is on building properly planned communities towards the eventual elimination of squatter settlements in metro-urban areas. The WBG will consider the possible gearing up of the support to slum upgrading work and support to Metro Manila development. The Bank will support the formulation of a National Slum Upgrading Strategy, which will bring all stakeholders to lay the foundation for a paradigm shift, and also support continued analytical work led by Philippines Urban Consortium (PUC) to elevate urbanization policy in the national agenda. The feasibility of alternative PPP modalities for investments targeted at improving agricultural competitiveness (e.g., irrigation, Farm Management Record-keeping, wholesale markets and trading centers, Information and Communications Technology (ICT), agro-processing facilities, etc.) will be explored including support to improve governance for better delivery of agribusiness services.

Results Area 2.2 Financial services

17. **Outcome 1: Increased delivery and access to financial services.** In the financial sector, risk sharing facilities to support sustainable energy investments and Small and Medium Enterprises (SME) finance are being promoted. The number and volume of new housing finance and SME loans have increased significantly. Even though the law creating the public credit bureau was passed since October 2008 and the related IRRs were issued, the bureau has not yet completed its organization nor formally started operations. There are still two pending appointments for government Director posts

in the Credit Information Corporation (CIC), and the CIC is still awaiting the release of the final tranche of the Government's share in the required capitalization for the CIC. This outcome is on **watch**.

18. The WBG, mainly through IFC, will continue to expand its current activities to help private financial institutions (PFIs) and to provide loans for SMEs and sustainable energy. IFC has signed agreements with the Bank of the Philippines Islands & Banco de Oro, and there are ongoing discussions with other commercial banks. IFC will continue discussions with PFIs and potential agribusiness off-takers on risk-sharing facilities, and with the Securities and Exchange Commission (SEC) for the credit bureau, and will continue to look for opportunities to help PFIs and developers to provide loans for low-income housing. The SEC, whose Chairperson will likewise chair the CIC, has sought IFC support to fully outsource the information sharing platform of the bureau, and IFC has proposed preliminary terms for the technical assistance, but discussions are only expected to progress significantly once the CIC becomes operational.

19. The lack of credit information impedes the ability of the commercial banks to lend to Micro and Small and Medium Enterprises (MSMEs). Placing the CIC under the supervision of the SEC instead of BSP is not what IFC had proposed and could lead to challenges in obtaining the full benefit of the reform. TA to the Credit Information Corporation would strengthen the capacity for lending by NFIs. In addition, IFC is in preliminary discussions with the DOF for improving the legal framework and registry system for personal and/or moveable collateral, to incentivize banks to lend more against personal and/or moveable property. This reform is expected to improve access to finance for SME's who typically do not have real estate properties to provide as security for loans.

20. The work on innovations in financing is focused on a number of core areas, ranging from financial cooperatives reform to microinsurance. In the area of financial cooperatives reform, the program is intended to be achieved through a variety of engagements, including technical assistance and possible lending operations to support the building of the core information technology infrastructure of the sector, strengthening supervision of the sector, and studying future needs in terms of capital, liquidity and/or deposit insurance to further safeguard the financial cooperatives. The Bank Group team is also exploring possible channels for government payments that utilize new technologies, which could potentially be used to make payments for the CCT program, as well as potential new ways to expand microinsurance in the Philippines, including to CCT beneficiaries. The work in this area is leveraging the FIRST Trust Fund to support other initiatives to expand access to financial services in the Philippines, including a project to enhance the consumer protection and financial literacy programs of the BSP and upgrade the regulatory framework where necessary, as well as a project to assist the Insurance Commission in developing the microinsurance sector through building new reporting to monitor and supervise the sector. The FIRST Trust Fund is also being used to follow up on some of the key FSAP recommendations to bolster the financial sector, including a project to support the BSP in developing a financial crisis preparedness framework, and a project to strengthen the Philippines Deposit Insurance Corporation's insurance reserve targeting framework to make it at par or consistent with international best practices.

Strategic Objective 3: Better Public Service Delivery

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY12	FY 13 - new
3.1 Public service delivery in key sectors Outcome 1: Improved access to quality basic education services [On track] Outcome 2: Improved access to health services [On track] Outcome 3: Increased household access to safe drinking water and sanitation services [On track]	<u>Completed During CAS Period:</u> Financing: AAA/Others: Education Public Expenditure Review Study on Education Service Contracting Health Sector Review Discussion Note on Basic Education Discussion Note on Higher Education Discussion Note on Health Discussion Note on Water & Sanitation <u>Ongoing*:</u> Financing (Committed US\$M): AAA/Others: Programmatic AAA for Health Programmatic AAA for Education Programmatic AAA for Water Supply & Sanitation Output-Based Aid (OBA) Implementation <u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing (Planned US\$M): NPS for Basic Education 2/Additional Financing (\$300M) NPS for Health 2 (\$300M) Output-Based Grants (OBA) Facility (health, water, urban) AAA/Others: (see ongoing above)	A P, A A P, A P, A	A A P, A P, A P, A A P P New	P P P P P New	P P P P P New
3.2 Basic service delivery in poor areas Outcome 1: Scaled-up provision of basic services through nationwide community-driven development program [On track] Outcome 2: Enhanced effectiveness of public service delivery through more coordinated area-based approaches [Off track]	<u>Completed During CAS Period:</u> Financing: AAA/Others: Indigenous Peoples and Vulnerable Groups Discussion Note on CDD <u>Ongoing*:</u> Financing (Committed US\$M): KALAH-I-CIDSS Additional Financing (\$59M) AAA/Others: Programmatic AAA on CDD <u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing Planned (US\$M): Nationwide CDD (\$200M) AAA/Others: Philippines Population Report Synergies for Service Delivery (CCT, CDD, NPS) Country Gender Assessment (see ongoing above)	P, A A	P, A New P P New	New P P New	New C P New

*For ongoing activities approved before FY10, please see Annex B8.

Note: **P**: Proposed FY in CAS; **A**: Actual FY; **[P]**: Proposed FY in CAS but not done; **C**: Changed FY in CASPR

21. Strategic Objective 3 of the CAS aims to improve public service delivery in two main results areas: public service delivery in key sectors, and basic service delivery in poor areas. Under the first results area, the intended outcomes are improved access and quality of basic education services, health services, and household access to safe drinking water and sanitation services. Under the

second results area, envisaged outcomes include expanded provision of basic services through a nationwide CDD program, and greater effectiveness of public service delivery through integrated area-based approaches.

Results Area 3.1 Public service delivery in key sectors

22. **Outcome 1: Improved access to quality basic education services.** There has been some progress in basic education outcomes and the CAS result is *on track*. The number of children enrolled in free public basic education has been increasing rapidly (2.56 million more students than in 1999). The net enrolment rate at the elementary level increased modestly, even as the average enrolment rate increase of 1.36 percent was outpaced by the rapid growth in the 6-11 and 12-15 year-old population groups (2.11 percent and 2.01 percent, respectively). Initial estimates show a surge in enrolment and an increase in attendance and retention rates in schools with 4Ps beneficiaries. Latest data on 4Ps Set 1 areas show a 12 percent increase in school attendance (i.e., about 48,500 more children are attending school compared to the first quarter of 2010). Learning achievement scores at the elementary level have also increased in the past two years. There have been improvements in the implementation of school-based management in areas such as school improvement planning, school governing councils, and school card reporting. More resources are being shifted to schools to allow them to respond flexibly to their needs. Available data (as of July 2010) show that 67 percent of all public elementary and secondary schools have approved School Improvement Plans (an improvement from the 61 percent reported in February 2010) and about half have established school governing councils. The percentage of public schools trained in simplified accounting procedures, in line with efforts to improve school-based financial management, has also increased from 57 percent to 66 percent during the same reporting period. A much higher level of practical understanding of school-based management is noticeable in schools visited during the last National Program Support for Basic Education-Support to Phil Basic Education Reforms (NPSBE-SPHERE) Review Mission.

23. To accommodate increased enrolments, the Bank contributes directly through project funds as part of the total additional expenditures required for classrooms, textbooks, teacher training, school grants, hardship allowances, school maintenance and other operating expenses, and other education materials, which contribute to the improvement of access to basic education, especially in the needy areas. Bank support is channeled through the ongoing National Program Support (NPS) operations in basic education. Going forward, the new administration has decided to extend the basic education cycle from 10 to 12 years. DepED plans to start offering universal kindergarten by 2011 and put in place the needed infrastructure and other requirements to be able to provide senior high school by 2016. DepEd also intends to plug the classroom, teacher, and textbook deficit in the next few years by increasing the budget for these critical inputs. For the remainder of the CAS period, the Bank will respond to the challenges by adjusting to providing just-in-time technical advice and analytical support for new priorities and organizational reforms. It will provide additional financing in FY12 for the NPS Basic Education for principal-led classroom construction to be followed by a new operation later this year.

24. Aside from the rapid growth of school-aged children due to high fertility, a major challenge in the education sector is the fact that the children and youths from poor families either do not go to school at the right age (as measured by the net enrolment rate) or do not complete school. The drop off in schooling opportunities is most severe for children in the poorest quintile. Demand-side interventions such as the 4Ps program, and increased grants to study in private schools to those

students who cannot be accommodated in public schools, will be the critical responses to this challenge. There are also institutional challenges stemming from limitations in the current organizational structures, processes, accountabilities, technical and financial resources, and management capacities in the Department of Education (DepEd) to implement broad-based reforms. There are encouraging signs of changing government priorities to address some of these critical challenges. For example, there is now greater focus on increasing transparency and accountability in the DepEd, and on strengthening capacities. There is a commitment to filling resource shortages within two years (classrooms, teachers, textbooks, seats).

25. **Outcome 2: Improved access to health services.** The 2008 National Demographic and Health Survey showed that the number of PhilHealth enrolled families may not be as high as reported earlier but the Government is addressing this issue by mandating the enrolment of all the poor families identified by the DSWD's National Household Targeting System Proxy Means Test. Other health sector outcome indicators are showing sustained or improving performance; for example: the percentage of facility deliveries is increasing, and vaccination coverage is being sustained at percentages in the high 80s. The CAS health sector outcome is *on track*.

26. The National Sector Support for Health Reform Project (NSSHRP) finances the national government's premium counterpart if the Government does enroll the National Household Targeting System (NHTS) poor in PhilHealth. Facility deliveries are supported by Second Women's Health and Safe Motherhood Project (WHSMP2) while vaccination coverage is supported from NSSHRP. A number of Bank-managed Trust Funds (GEF, AusAID, European Commission (EC), Policy and Human Resources Development (PHRD)) and IFC operations complement the lending operations. Programmatic AAA continue to underpin engagements and inform policies. Continuing challenges include the tight fiscal situation (which, for example, led to delays in fund releases constraining program implementation by the Department of Health), and in translating higher PhilHealth enrolments into better maternal and child health outcomes given issues of accountability in the Philippine Health Insurance Corporation (PHIC), expansion of service delivery, and quality of care. The Universal Health Care program adopted by the Government is helping to accelerate reforms. These actions are expected to help correct problems such as: (i) disparities in health outcomes between poor and non-poor households, (ii) the high levels of out-of-pocket payments at point of service, which increases the vulnerability of poor households to impoverishment, and (iii) disparities in the utilization of health services. The DOH is drafting a medium-term plan and an investment plan based on these broad objectives. New lending and grant operations are being developed to support the reforms. Additional AAA will support analytical and operational aspects of the universal health care reforms.

27. **Outcome 3: Increased household access to safe drinking water and sanitation services.** Key issues to improve the quality, efficiency and sustainability of water and sanitation services are at the center of monitoring the sector's progress which is rated as being *on track*. At the national level, roundtable discussions and dialogues among major players have been initiated to minimize fragmentation of institutions, allowing decision-makers to be more accountable and to improve incentives. Within the Philippine Development Forum's Sub-Working Group on Water Supply and Sanitation, rationalization of public financing and investments is marked as a key agenda to be pursued in 2011. A paper on National Rationalization Program for Water Supply and Sanitation (WSS) Investments is being drafted by DOF and NEDA, including the drafting of a bill on the formation of a Philippine Water Regulatory Commission. The recent development and adoption of

the National Sustainable Sanitation Plan (NSSP) and the National Sewerage and Septage Management Program (NSSMP) by DOH and DPWH, respectively, are major achievements by the Government to increase coverage of sanitation and wastewater services in both urban and rural areas.

28. The Bank's contributions to increase household access to safe drinking water and sanitation services are mainly from the completed sub-projects under the Global Partnership on Output-Based Aid (GPOBA), Urban Partnership for Sustainable Upliftment, Renewal, Governance and Empowerment (UPSURGE), Strategic Local Development and Investment Project (SSLDIP), Manila Third Sewerage Project (MTSP) and Water and Sanitation Program (WSP). It is expected that access will increase further with the approval of the additional US\$1.8 million GPOBA grant to connect poor households, the completion of the on-going MTSP sub-projects for Metro Manila, and the completion of WSS sub-projects under UPSURGE, SSLDIP and WSP for LGUs outside Metro Manila. Small water supply projects have also been completed under MRDP, LISCOP, Mindanao Trust Fund and ARMM Social Fund. Progress on the "brown agenda" in sanitation and solid waste management has been slowed by the challenges of instituting tariffs for sanitation services, expanding private sector participation, and the limited implementation capacity of the concerned department. Although new tools and approaches have been developed, particularly in scaling-up rural sanitation and establishing water quality management areas, both national and local governments will require new set of skills and additional resources to roll-out such programs at scale. The Bank is proposing to approve and implement the MWMP to increase further the access to sanitation services in Metro Manila, and RIGP to provide financing for water and sanitation services, including solid waste facilities outside Metro Manila.

Results Area 3.2 Basic service delivery in poor areas

29. **Outcome 1: Scaled-up provision of basic services through a nationwide community-driven development program.** The achievement of the outcome for expanded delivery of basic services (rated *on track*) through the community-driven development approach will be further bolstered by the recent approval of the KALAH-CIDSS Additional Financing operation (US\$59.124 million). The Millennium Challenge Corporation (MCC) has also approved their compact support for the Philippines, including US\$120 million in grant financing for the next five years for KALAH-CIDSS. This will be implemented under a common operational framework. The KALAH-CIDSS Additional Financing and MCC support will expand coverage from 184 to 381 LGUs. Agreement has been reached through high level dialogue for the Bank to work with the DSWD partners (and others) to develop a roadmap towards a nationwide scaling up of CDD. Related to this, a Programmatic AAA on CDD is being undertaken in FY11. The expansion to a national CDD program requires more than just adding to sites under the existing KALAH-CIDSS model with DSWD. Integrating the program more closely with local governance structures will require greater engagement with the Department of Interior and Local Government (DILG). Securing support for the CDD approach from central line agencies and LGUs (delivering health, education and WSS services, for instance) will also require additional analytical work and consensus building. Greater attention is being paid to fixing institutional fragmentation by consolidating sectoral responsibilities, creating incentives for mergers, and replacing supply subsidies by targeted subsidies based on household income.

30. **Outcome 2: Enhanced effectiveness of public service delivery through more coordinated area-based approaches.** There has been limited traction (the outcome is rated as being *off-track*

and three of the four milestones are off-track) in enhancing the effectiveness of public service delivery through more coordinated area-based approaches. The purpose of the outcome is to promote more effective public service delivery (health, education, water supply and agriculture) through integrated approaches, initially in a selection of locations. Work is underway to put the intended outcome on track, albeit with a reduced target of one province instead of the original plan of three provinces. A local area-based approach group has been formed within the Bank, and consensus reached on the concept of working in a selected region with high poverty where there are already a number of active Bank operations. Preliminary scoping is being undertaken to identify target regions, with initial discussions to test local government interest and commitment to the approach planned for the final quarter of FY11. Given the strong connection to the local governance agenda, this work will be linked to the local governance AAA during FY11. In addition to this initiative, the Bank has been actively supporting other government efforts to enhance coordination of service delivery. The SD and HD teams, for instance, have been actively supporting DSWD to develop an operational framework for convergence of the KALAHI-CIDSS, 4Ps (CCT) and Self-Employment Assistance Program (livelihood program of DSWD). Though this convergence focuses on major programs of the DSWD, the evolving framework could serve as a model for broader integrated delivery of key public services at the local level. Internal brainstorming on a more consistent approach to supporting local governance and decentralization through the Bank portfolio has also been undertaken. This is expected to drive support for more integrated service delivery approaches. A programmatic AAA will support the convergence agenda and a national CDD program.

Strategic Objective 4: Reduced Vulnerabilities

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY12	FY13 - new
4.1 Social protection system Outcome 1: National household poverty targeting system in place and used <i>[On track]</i> Outcome 2: Conditional Cash Transfer (CCT) program fully operational <i>[On track]</i>	<u>Completed During CAS Period:</u> Financing: DPO Supplemental Food Crisis Response (\$250M) AAA/Others: Discussion Note on Social Protection <u>Ongoing*:</u> Financing (Committed US\$M): Social Welfare and Development Reform (\$405M) AAA/Others: Programmatic AAA for Social Protection and Poverty Reduction <u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing (Planned US\$M): SWDRP Additional Financing (\$300M) AAA/Others: (see ongoing above)	A P, A P, A	 P, A	 P	 P New
4.2 Disaster risk management and climate change Outcome 1: Disaster- and climate change-related risks reduced <i>[Watch]</i> Outcome 2: Greenhouse gas emissions reduced through expansion of mitigation programs in key sectors and LGUs <i>[On track]</i>	<u>Completed During CAS Period:</u> Financing: AAA/Others: PDNA Post-Disaster Needs Assessment Philippines Climate Change Strategy (scale-up) Discussion Note on Disaster Risk Management Discussion Note on Climate Change <u>Ongoing*:</u> Financing (Committed US\$M): GEF: Integrated Persistent Organic Pollutants (POPS) (\$8.64M)	A A P, A P, A P, A	 	 	

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY12	FY13 - new
	<p>GEF: Climate Change Adaptation (\$4.97M) GEF: Chiller Energy Efficiency (\$3.60M) AAA/Others: Programmatic AAA for DRM Metro Manila/Urban/DRM Climate Change, Poverty & Energy Efficient Growth Climate Change Adaptation for Coastal Areas</p> <p><u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing (Planned US\$M): LISCOP Additional Financing (\$10M) Integrated Water Quality Management (\$50M) Disaster Risk Management (CAT – DDO) (TBD) Central Philippines Rural Development Project (TBD) AAA/Others: Social Impact Monitoring of Typhoons Metro Manila Flood Master Plan (see ongoing above)</p>	<p>P, A P, A [P]</p>	<p>P, A P, A A A A New [P] New New</p>	<p>P P New New</p>	<p>P C New New</p>
<p>4.3 Stability and peace</p> <p>Outcome 1: Enhanced impact and conflict-sensitivity of development programs implemented in communities in Mindanao affected by armed or violent conflict [On track]</p> <p>Outcome 2: Scaled-up provision of basic services and livelihood support through community-driven development (CDD) in communities affected by armed or violent conflict [On track]</p>	<p><u>Completed During CAS Period:</u> Financing: AAA/Others: Mindanao Scaling-Up Discussion Note on Peace and Development Mindanao Development for Peace & Growth</p> <p><u>Ongoing*:</u> Financing (Committed US\$M) Mindanao Trust Fund (\$9.3M) ARMM Social Fund AF (\$30M) GEF-MRDP2 (\$6.35M) AAA/Others: Encouraging More Resilient Communities in Conflict-Affected Areas (State and Peace Building Fund -SPF)</p> <p><u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing (Planned US\$M): Fund for Peace and Development (\$100M) AAA/Others: Programmatic AAA for Conflict/Mindanao (see ongoing above)</p>	<p>A A A A A A P, A</p>	<p>A P New</p>	<p> P New New</p>	<p> C New</p>

*For ongoing activities approved before FY10, please see Annex B8.

Note: **P**: Proposed FY in CAS; **A**: Actual FY; **[P]**: Proposed FY in CAS but not done; **C**: Changed FY in CASPR

31. Grouped under the results areas of social protection system, disaster risk reduction and management and climate change, and stability and peace, the outcomes for the fourth CAS Strategic Objective are aligned with the PDP goals of poverty reduction, managing disaster risks which disproportionately affect the poor and vulnerable, and sustainably managing the environment and natural resources to safeguard livelihoods. Specific outcomes include putting in place poverty targeting mechanisms, operationalizing the Conditional Cash Transfer (CCT) program, reducing vulnerabilities to climate change (CC) impacts and disaster risks and reducing Greenhouse Gas emissions. Outcomes are also designed to address the vulnerabilities faced by conflict-affected communities.

Results Area 4.1 Social protection system

32. **Outcome 1: National household poverty targeting system in place and used.** The implementation of the National Household Targeting System (NHTS) is *on track* and the enumeration for 9 million households has been completed. Executive Order No. 867 was issued in March 2010 providing for the adoption of the NHTS-PR (Poverty Reduction) as the mechanism for selecting beneficiaries of social protection programs nationwide. There is increased interest from more agencies (e.g., the Department of Health, Department of Agriculture, Department of Labor and Employment) to use the system for poverty targeting which will require the continued ensuring of their integrity and timely availability. Poverty reduction efforts will benefit from the mainstreaming of the NHTS as the targeting mechanism for social programs. The recently-approved Social Welfare and Development Reform (SWDR) – National Household Targeting System project is providing support.

33. **Outcome 2: Conditional Cash Transfer (CCT) program fully operational.** The CCT program is fully operational with large expansion planned for 2011 and it has become the core poverty reduction and social protection program of the Government. The outcome is *on track*. The planned massive expansion of the CCT program has the potential to make significant dents in poverty and improve welfare. The abolition (or down-sizing) of ineffective social programs such as the Food-for-School and NFA rice subsidy programs holds promise for rationalizing public expenditure priorities. There is also a strong push for the Convergence Agenda as a means towards better coordination of the splintered social protection and service delivery mechanisms for focused and targeted public provision of services and assistance. Driven by the Department of Social Welfare and Development (DSWD), this initiative seeks to improve coordination and maximize the impact of the *Pantawid Pamilyang Pilipino Program* (CCT), KALAHI-CIDSS (CDD) and SEA-K (livelihoods). These three programs are the main elements of a poverty reduction strategy that aim to: (i) provide a safety net and investment in human capital, (ii) deliver necessary infrastructure investments at the local level, (iii) promote social cohesion and participation in local governance, and (iv) facilitate community-driven enterprise development for sustainable livelihood. By using a common targeting system and integrated monitoring and evaluation, it is expected that the convergence agenda will lead to improved efficiency and effectiveness in the delivery of government services and assistance to the poor. Government interest in setting up the unique identification mechanism is manifested in inter-institutional collaboration already underway.

34. The approval of Bank lending for the DPO Supplementary Food Crisis Response (US\$250 million) during this CAS period has supplemented the ongoing portfolio of Bank-supported programs under this SO, including the SWDR – CCT project (US\$405 million). As the CCT program expands nationally, the Bank will continue to provide recommendations on strategies drawing on its global experience and possible additional financing. DSWD components will be strengthened to sustain NHTS and the expansion of CCT. The planned expansion of the CCT program in a feasible manner poses risks to ensuring project quality considering the rapidness and scale of the expansion and current level of resources and capacity of the program. The program delivery institutions need to be further strengthened through: (i) scaling up staffing at the central, regional, and municipal levels, (ii) providing extensive training on detailed operational steps to program implementers at all levels, and (iii) deploying IT equipments and systems at the regional offices. In addition, the timing of the expansion is expected to coincide with the implementation of proposed fundamental changes in

project design, such as the verification cycle, payment frequency, and health conditionalities. Ensuring quality implementation, particularly if the proposed changes in project parameters are made, is of high importance for the overall success of the CCT program. Furthermore, there is a need to design a viable exit strategy for CCT beneficiaries. The push under DSWD for “convergence” of the various core programs (i.e., 4Ps, KALAHI-CIDSS, and Self Employment Assistance - Kaunlaran (SEA-K)) may require combining of the Project Management Offices (PMOs) and Management Information System (MIS) teams. Technical issues include the implementation of a system for the secure and unique identification for actual and potential recipients of social protection and health insurance programs without which there are risks of inefficiency and misuse. Concrete adjustments to Bank engagements may include increasing the coverage under SWDRP and the processing of additional financing, consideration of additional TA, and possible implementation support for a multi-purpose unique identification scheme.

Results Area 4.2 Disaster risk management and climate change

35. **Outcome 1: Disaster and climate change-related risks reduced.** The outcome is on *watch*. Continuous dialogue with key government partners is necessary to put clarity on policy directions and actions related to CC and DRRM to put the CAS targets back on track. The passage of the Climate Change (CC) and Disaster Risk Reduction and Management (DRRM) enabling laws has helped to prioritize the Government’s agenda in these areas. There is good coordination with partners and development agencies. With the enabling laws on CC and DRRM, their corresponding Implementing Rules and Regulations, the Strategic National Action Plan for DRRM, and the strategy framework of CC already in place, WBG assistance is available to support these crucial agendas, especially as the capacities of the new agencies created under these laws have yet to be built, and the CC action plan has yet to be formulated. The WBG will mobilize TA and grants, and will work with other partners in developing and sharing a catastrophic risk financing strategy and support the organization of a Philippines Development Forum (PDF) Working Group on CC and DRRM as the basis for undertaking extensive dialogue with the Government to promote understanding and appreciation of identified CAS targets. The Bank will also use project-level instruments, such as the Metro Manila program, for integrating DRRM and CC agendas into development planning. Tasks under the various programmatic AAA have started and there have been some key deliveries including the just-in-time piece on Post-Disaster Needs Assessment, the Philippines Climate Change Strategy, the LGU Framework for Disaster Risk Reduction and Management, Catastrophe Risk Financing Strategy, Discussion Notes on climate change and disaster risk management, and Mindanao Scale Up reports. The formulation of a comprehensive flood management master plan is also underway.

36. While CC and DRRM have been identified as country priorities, challenges related to coordination of agencies and delineation of functions and responsibilities, and harmonization of CC and DRRM action plans prepared and owned by the Government need to be addressed in order to prevent fragmentation of policies and strategies. The longer-term measures need to be balanced with the urgency to address climate-induced natural disasters. A Memorandum of Understanding between the National Disaster Risk Reduction and Management Council and the Climate Change Commission has been forged in March 2011 to promote harmonization of efforts, especially at the local level. Clear signals of the Government’s willingness to take action and invest in risk reduction and adaptation measures need to be demonstrated moving forward. The Government has also prioritized the ensuring of climate-resilient livelihoods, and the newly approved Strategic National Action Plan

for DRRM will need to reconsider aspects such as the adoption of risk finance instruments (e.g., contingent credit facilities for disasters, Catastrophe Deferred Drawdown Option or CAT DDO) and catastrophe recovery financing pool, especially for local governments. This would be an innovative approach to the country's current financing of disaster risks and would enable immediate liquidity to be available in an event of a major natural disaster in the Philippines. The Bank could also contribute advisory services, TA, and investment programs to ensure that concrete actions are taken, especially in support of the new laws and the institutional reforms ushered by these laws.

37. **Outcome 2: Greenhouse gas emissions reduced through expansion of mitigation programs in key sectors and LGUs.** The outcome is *on track*. Three additional emission reduction purchase agreements (ERPAs) have been signed by the Bank as envisaged under the CAS in addition to the previous ERPAs with a total emission reduction volume of 2.603 million tons of CO₂. This does not yet include the expansion of the programmatic Methane Reduction Programs with Land Bank of the Philippines on pig waste and landfills projects. In addition, the scheduled delivery of the Second Rural Power Project this fiscal year is also expected to contribute significantly to emission reductions through the implementation of renewable energy subprojects. Three GEF-funded climate change-related projects have also been approved in FY10 (Climate Change Adaptation, Chillers Energy Efficiency, and Phase-out of Persistent Organic Pollutants).

Results Area 4.3 Stability and peace

38. **Outcome 1: Enhanced impact and conflict-sensitivity of development programs implemented in communities in Mindanao affected by armed or violent conflict.** The outcome is *on track*. The new administration has indicated that stability and peace in Mindanao is a priority and does not wish the recently recommenced peace talks with the Moro Islamic Liberation Front to remain as an unfinished legacy. There is continued support from the international community for the Mindanao Trust Fund (MTF) and strong support from the new administration for MTF expansion. Conflict-sensitive programming and implementation has been introduced to both Mindanao Trust Fund-Reconstruction and Development Program (MTF-RDP) and the ARMM Social Fund Project (ASFP) and will be expanded during the remainder of the CAS period through a strengthened emphasis on economic livelihoods and conflict management. Tools are being developed and will be used in the field operations.

39. **Outcome 2: Scaled-up provision of basic services and livelihood support through community-driven development (CDD) in communities affected by armed or violent conflict.** The outcome is *on track*. A rapid needs assessment and social preparation have been undertaken in target IDP (Internally Displaced Person) communities as part of the start-up activities for the Community Driven Reconstruction (CDR) component of the Mindanao Trust Fund-Reconstruction and Development Program (MTF-RDP). At least 1,000 IDP families are expected to benefit from infrastructure, housing and livelihood assistance through the component. The ASFP additional financing involving CDD implementation in about 600 additional conflict-affected communities has begun. The MTF-RDP expansion to around 100 new sites has also already started. In addition to the operations, a comprehensive IDP assessment is being undertaken in partnership with World Food Program under the State and Peace-building Fund. This is likely to inform refinements and additions to operations on the ground to support conflict-affected communities, particularly those displaced by violence. There remain, however, significant challenges in undertaking development work in

conflict-affected areas, including the impact of political aspects of the peace talks and ongoing weak governance and peace and order problems.

Cross-Cutting Theme: Good Governance

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY12	FY13 - new
5.1 Governance and anticorruption in selected national government agencies Outcome 1: Core business systems, processes and capacities in selected agencies improved <i>[On track]</i>	<u>Completed During CAS Period:</u> Financing: AAA/Others: Good Governance & Anti-Corruption in CCT Discussion Note on Governance Discussion Note on Judicial Reform Political Economy Studies <u>Ongoing*:</u> Financing (Committed US\$M): Judicial Reform Support Project (JRSP) (FY04) AAA/Others: Justice Reform (JSDF) Unique ID for Service Delivery to the Poor Agency Institutional Strengthening Prog. AAA on Sector Governance Assessments <u>Indicative (FY10-FY12 CAS and CASPR):</u> Financing (Planned US\$M): Justice Sector Reform (TBD) AAA/Others: (see ongoing above)	A P, A A A			
5.2 Procurement and public financial management reforms at national and local levels Outcome 1: The Procurement Law more strictly enforced <i>[On track]</i> Outcome 2: Improved management and greater transparency in public finances <i>[On track]</i>	<u>Completed During CAS Period:</u> Financing: AAA/Others: Support for Procurement Reforms <u>Ongoing*:</u> Financing (Committed US\$M): AAA/Others: PFM AAA (GIFMIS, DBM, Bureau of the Treasury (BTr), Budget Watch) <u>Indicative (FY10-FY12 CAS and CASPR)</u> Financing (Planned US\$M): GIFMIS (TBD) AAA/Others: (see ongoing above)	P, A	P,A		
5.3 Better local governance through effective decentralization Outcome 1: Deepened and refined decentralization through broad-based reforms <i>[Watch]</i> Outcome 2: Strengthened LGU performance for more effective service delivery <i>[Watch]</i>	<u>Completed During CAS Period:</u> Financing: AAA/Others: Discussion Note on Decentralization <u>Ongoing*:</u> Financing (Committed US\$M): AAA/Others: Programmatic AAA on LG/Decentralization LGU Performance Challenge Fund <u>Indicative (FY10-FY12 CAS and CASPR)</u> Financing (Planned US\$M): LGU Performance Grants Local Government Finance Support (TBD)	P,A [P] [P]			

CAS Results Areas/Outcomes [Status]	WBG Program	FY10	FY11	FY12	FY13 - new
	AAA/Others: (see ongoing above)				

*For ongoing activities approved before FY10, please see Annex B8.

Note: **P**: Proposed FY in CAS; **A**: Actual FY; **[P]**: Proposed FY in CAS but not done; **C**: Changed FY in CASPR; **D**: Dropped

40. The results areas under the CAS cross-cutting theme of Good Governance cover the governance and anticorruption (GAC) agenda in selected agencies, the reform of procurement and Public Financial Management (PFM) systems, and the strengthening of local governance through effective decentralization. Outcomes in these results areas that the CAS aims to influence include improving core business systems and processes, the enforcement of the Procurement Law, better management of public finances with more transparency, reforms for deepening and refining decentralization, and better LGU performance in service delivery.

Results Area 5.1 Governance and anticorruption in selected national government agencies

41. **Outcome 1: Core business systems, processes and capacities in selected agencies improved.** The renewed focus on the GAC agenda and procurement and PFM arenas have translated into satisfactory progress and the outcome is *on track*. The change of government is opening up new opportunities for institutional reforms and advancing the governance agenda in the Philippines. There has been good progress in current engagement with DSWD, i.e., strengthening of internal audit and GAC measures for the CCT program and the conduct of an integrity development review (IDR). The National Household Targeting System (NHTS) is in place and with the completion of IDR and the implementation of the related Action Plan set to start shortly, governance risks under the CCT should be well addressed. A Reconstruction and Monitoring and Evaluation System (RMES) was developed jointly with the Government after typhoons Ondoy & Pepeng to track on and off-budget expenditures and physical progress of reconstruction efforts. The focus on modernizing judiciary-wide information systems and associated human resource capacity is defined in the judiciary's Enterprise Information Systems Plan (EISP) and supporting MISO Re-engineering and Development Plan (MRDP), both approved by the Supreme Court in mid-2009.

42. The Bank's PER, as well as the sector governance and political economy assessments, have assisted the social sectors to undertake agency institutional assessments and will also inform the design of the next NPS programs. The challenges in achieving the goals of the good governance cross-cutting theme are well known, but progress is being made, and emerging issues mostly stem from the implementation of reforms and initiatives. The Presidential Anti-Graft Commission (PAGC) is not operating which delays implementation of the IDF Anti-corruption Grant. With the dissolution of Special National Public Reconstruction Commission (SNPRC), the RMES work has been taken up by the National Disaster Risk Reduction and Management Council in consonance with its mandate under the National DRRM Law. The Bank will amend the IDF Grant on Anticorruption to change the implementing agency for the Executive Branch and coordinate implementation of the RMES with the National DRRM Council to provide institutional stability for the program. The Bank's approach to justice sector reform needs rethinking.

Results Area 5.2 Procurement and public financial management reforms at national and local levels

43. **Outcome 1: The Procurement Law more strictly enforced.** Steady progress being made at the national level in support of RA 9184 (Procurement Law) is strengthening the procurement process, and the outcome is *on track*. The Harmonized Philippine Bidding Documents for Works & Goods was approved for issuance by December 2010. The Commission on Audit (COA) started procurement audit in 2010 using the Procurement Audit Guide. The Construction Sector Initiative published Material Project Information for 10 pilot projects on the PhilGEPS website starting November 2010. A Workshop on Agency Procurement Compliance & Performance Indicators (APCPI) was held in December 2010 with 10 pilot agencies. The credibility of the Procurement Law is yet to be tested in terms of the sanctions aspect and procurement audits are expected to result in stricter compliance starting with the 2010 audits. The rollout of the procurement reform agenda to LGUs remains slow. The professionalization of procurement personnel will be supported with TA through a new IDF.

44. **Outcome 2: Improved management and greater transparency in public finances.** The outcome is *on track*. A Fiscal Responsibility Bill was announced by the new administration, and several related draft bills have been filed by the new Congress. A PFM reform roadmap is being produced by an inter-agency committee (DBM, DOF-BTr, and COA) and demand side aspects are also being addressed by initiatives to engage CSOs in in-depth budget analysis to strengthen their role in policy advocacy and usher sustained budget reform. An indicator-based agency PFM assessment and a political economy assessment for the health sector have been completed. An expenditure review and political economy analysis was completed on the Department of Education (DepED).

45. The Bank continues to work closely with PFM reform champions in the Government and is building new networks with CSOs to support efforts to push for budget transparency and accountability in government. There is now increased openness to institutional reforms in key line agencies (e.g., DepEd, DPWH, BIR), and there is support for improved management and greater transparency in public finances. Even as reform activities are being initiated at the national level, PFM issues also require reform work at the local level. The reluctance to invest heavily in GFMIS is hindering policy discussions. The analytical work on the GFMIS will be supported through an ongoing PFM-AAA so that the planning work can continue without binding the Government to a Bank loan.

Results Area 5.3 Better local governance through effective decentralization

46. **Outcome 1: Deepened and refined decentralization through broad-based reforms.** The outcome is rated as being on *watch*. There is a renewed focus among LGU oversight agencies (particularly DILG) on strengthening local governance. DILG has established a Performance-based Challenge Fund for LGUs in the 2011 budget while Municipal Development Fund Office (MDFO) is considering the development of a performance-based grant program. The next phase of the KALAHI CDD program includes a more devolved model of implementation based on a local governance performance framework. The Government has shifted the decentralization and local governance agenda so that the CAS objectives are even more closely aligned now. There is now a much-needed focus on strengthening local governance through systems of accountability, transparency, and

participation. The potential for enhancing the local governance focus of relevant service delivery programs across key agencies with new leadership has significantly increased.

47. The Bank is closely engaged with the Philippines Development Forum (PDF) Working Group on developing a new and more strategic work-plan focused on local governance reforms. Bank-managed IDF and JSDF grants support stronger accountability for local service delivery (e.g., local procurement, civil society monitoring). Since FY09, the Bank has been supporting the Government's decentralization reforms through AAA products that helped deepen the understanding of the issues (e.g., Local Service Delivery Study, L-GAC paper, PE of decentralization paper, LGU data mining), the development of a Bank strategy to support decentralization reforms (Approach Paper), and the establishment of a dedicated funding source to support the agenda of the PDF-WG on Decentralization and Local Government (DIALOG Trust Fund). The Bank's work program includes programmatic AAA for Local Governance and Decentralization to support engagement with the new DILG administration on decentralization and local governance reforms.

48. **Outcome 2: Strengthened LGU performance for more effective service delivery.** Improving local governance and local-level service delivery through more effective and deepened decentralization are inherently longer term processes, and some of the efforts have been slow to take off, and the outcome is rated on *watch*. While the Bank's proposal for the establishment of the Performance-Based Grants System (PBGs) was eventually dropped, the preliminary design work that was supported by Bank TA was offered to the Government in the development of DILG's LGU Performance Challenge Fund. The challenge in achieving the CAS results on local governance and decentralization is to leverage available resources to provide high-quality, just-in-time technical assistance and advice to support the Government's efforts including DILG's LGU Performance Challenge Fund. The Bank plans to support DILG's initiative through TA funded by Trust Fund (TF) resources (potentially, DIALOG, AusAID, GPF, IDF).

Annex 6

FY10-FY13 Lending Services and AAA – Actual vs. Planned

A. Lending Services

CAS Plan (April 2009)	US\$M	CAS Progress Report (April 2011)	US\$M
FY10			
<i>SO1: Stable Macro Economy</i>			
Development Policy Loan (DPL)	250	Planned for FY11 – new DPL series	
Development Policy Loan (DPL) – (DDO)	[250]	Not pursued by GOP	
<i>SO2: Improved Investment Climate</i>			
Light Rail Transit 1 South Extension PPP	260	Discussions renewed under PPP agenda (FY12)	
GEF Grant: Mindanao RDP Phase 2	6.0	Delivered	6.35
<i>SO3: Better Public Service Delivery</i>			
<i>SO4: Reduced Vulnerability</i>			
Social Welfare Development Reform	405	Delivered	405
GEF Grant Climate Change Adaptation	5.0	Delivered	4.97
GEF Grant Integrated POPS	9.0	Delivered	8.64
GEF Grant Chiller Energy Efficiency	4.0	Delivered	3.60
		<i>Additional Deliveries:</i>	
		Supplemental DPO Food Crisis Response	250
		ARMM Social Fund Additional Financing	30
<i>SO5: Good Governance</i>			
LGU Performance Grants	50	Implemented by government without loan	
FY11			
<i>SO1: Stable Macro Economy</i>			
		Development Policy Loan (DPL) – new series	250
<i>SO2: Improved Investment Climate</i>			
Tollway PPP		Planned for FY12	140
Urban Transport (Urban Manila and other cities)		Renamed Cebu Bus Rapid Transport Plan; planned for FY12 for CTF funding	TBD
Sub-National Water PPP (with IFC)		Renamed Manila Wastewater	275
		<i>Possible Additional Deliveries:</i>	
		Regional Infrastructure for Growth (possible FY11 delivery -advanced from FY12)	100
<i>SO3: Better Public Service Delivery</i>			
		<i>Additional Delivery:</i>	
		KALAHY-CIDSS Additional Financing	59
<i>SO4: Reduced Vulnerability</i>			
Water Quality Management		Moved to FY12	50
Disaster Risk Management Financing (including CAT DDO)		GOP indicated interest to pursue, expected delivery in FY12	TBD
		<i>Additional Delivery</i>	
		LISCOP Additional Financing	10
<i>SO5: Good Governance</i>			
GIFMIS		GOP indicated interest to pursue, timing yet to be confirmed; tentative for FY13 (or beyond)	TBD
FY12			
<i>SO1: Stable Macro Economy</i>			
Development Policy Loan – DDO	250	DPL 2	300
<i>SO2: Improved Investment Climate</i>			

Rural Power APL 2		Renamed Philippine Renewable Energy Development; planned for FY12 (including U.S. \$50 million CTF)	150
Secondary/Local Roads		Moved to FY13	200
Agriculture and Agribusiness Support		FY13 delivery as Agriculture Reform Project	100
	260		
Mindanao Development		Moved to FY13; not an MRDP follow-on; should be linked to SO4 (Peace and Development Project)	
Urban Renewal (Metro Manila Cities)		Moved to FY13; Coordination with IFC.	150
Sub-National Finance (SSLDIP2 or DBP3-Regional Infrastructure)		Renamed Regional Infrastructure for Growth, advanced to FY11	100
		Light Rail Transit 1 South Extension PPP: Renewed discussion under PPP agenda; moved from FY10	260
		CALA Tollway (from FY11)	140
		<i>Possible Additional Delivery:</i> Infrastructure Fund/ Infrastructure Guarantees LAMP 2 Additional Financing	TBD TBD
SO3: Better Public Service Delivery			
NPS for CDD		Moved to FY13, scaled up to nationwide	200
NPS for Health 2	150		300
NPS for Basic Education 2	200		300
SO4: Reduced Vulnerability			
Fund for Peace and Development		Moved to FY13 with possibility of integration with Mindanao Project or NPS for CDD (SO3)	100
SO5: Good Governance			
Judicial Reform 2		Move to FY13 (or beyond)	
		FY13	
		SO1: Stable Macro Economy	
		Development Policy Loan 3 (new)	300
		SO2: Improved Investment Climate	
		Secondary/Local Roads (from FY12)	200
		PPP for Energy, e.g., Liquefied Natural Gas (new)	TBD
		Agriculture Reform Project (from FY12)	100
		Urban Renewal (Metro Manila Cities) (from FY12)	150
		SO3: Better Public Service Delivery	
		Nationwide CDD (includes Mindanao; from FY12)	200
		SO4: Reduced Vulnerability	
		SWDRP Additional Financing (new)	300
		Integrated Water Quality Management (from FY11)	50
		Central Philippines Rural Development Project (new)	TBD
		Fund for Peace and Development/Mindanao Development (from FY12)	100

Note: Other operations under consideration for the extended period of the CAS and beyond include: Support for Financial Cooperatives (SO2), Government Integrated Financial Management Information System (SO5), Justice Sector Reform (SO5), and Local Government Finance Support (SO5). See updated IBRD FY10-FY13 Indicative Financing Program in Annex B3.

B. Analytical and Advisory Activities (AAA) – Funded by Bank Budget

CAS Plan (April 2009)	CAS Progress Report (April 2011)
Deliveries to Date	
<i>SO1: Stable Macro Economy</i>	
Philippines Development Report	Delivered in FY10
Quarterly Economic Update	Delivered on quarterly basis
Programmatic AAA on Public Expenditure Issues	Public Expenditure Review Discussion Note on Public Spending (FY10) Discussion Note on Public Financial Management (FY10)
Development of the Philippines Statistical Development Plan	Discussion Note on Statistics (FY10) Assessment and Design of the Enterprise Survey (FY11) Assessment of Household Surveys (FY11)
	<i>Additional Deliveries:</i>
	Inclusive Growth (FY10; from FY09 program)
	Discussion Note on Growth (FY10)
	Discussion Note on Poverty (FY10)
	Discussion Note on Improving Tax Policy and Administration (FY10)
	Discussion Note on Managing Fiscal Risk (FY10)
<i>SO2: Improved Investment Climate</i>	
Trade Facilitation/Transport/Logistics	Trade Facilitation (FY10)
Energy Sector Reform	Discussion Note on Energy (FY10)
PPP Regulatory Policy Support (IFC and PPIAF)	Discussion Note on Competitiveness (FY10)
Environmental Safeguards (including EA)	Discussion Note on Environment (FY10)
Urban Strategy (including resettlement issues)	Discussion Note on Urbanization (FY10)
Facility for Innovations in Financing (with IFC)	Innovation for Financial Inclusion (IBRD); Risk-sharing Facility for Agribusiness (IFC) (FY10-13)
	<i>Additional Deliveries:</i>
	Discussion Note on Transport (FY10)
	Discussion Note on Information and Communications Technology (ICT) (FY10)
	Discussion Note on Agribusiness Development (FY10)
	Study on Agribusiness and Infrastructure in Mindanao (FY10)
	Study on Agribusiness Clusters (FY11)
	Study on the Role of Professional Organizations in Agriculture and Agribusiness Development (FY11)
	Options Study for Universal ICT Service (FY10)
<i>SO3: Better Public Service Delivery</i>	
Programmatic AAA for Health	Discussion Note on Health (FY10) Health Sector Review (FY11)
Programmatic AAA for Education	Education Public Expenditure Review (FY10) Discussion Note on Basic Education (FY10) Discussion Note on Higher Education (FY10) Study on Education Service Contracting (FY11)
Programmatic AAA for Water & Sanitation	Discussion Note on Water and Sanitation (FY10) Output Based Aid Facility for Water (FY11)
Indigenous Peoples & Vulnerable Groups	Study on Indigenous Peoples (FY11)
	<i>Additional Deliveries:</i>

CAS Plan (April 2009)	CAS Progress Report (April 2011)
	Discussion Note on Community-Driven Development (FY10)
	Programmatic AAA on Community Driven Development (FY11)
SO4: Reduced Vulnerabilities	
Programmatic AAA for Social Protection and Poverty Reduction	Discussion Note on Social Protection (FY10)
Programmatic AAA for DRM	Discussion Note on Disaster Risk Management (FY10)
Encouraging More Resilient Communities for Conflict-Affected Areas	Discussion Note on Peace and Development (FY10)
	<i>Additional Deliveries:</i>
	PDNA Post-Disaster Needs Assessment (FY10)
	Climate Change Strategy (FY10)
	Mindanao Up-scaling (FY10)
	Mindanao Development for Peace and Growth (FY10)
	Innovation Note on Metro Manila Water Quality Management (FY10)
	Discussion Note on Climate Change (FY10)
SO5: Good Governance	
Agency Institutional Strengthening	Ongoing
Programmatic AAA on Sector Governance Assessments	Political Economy Study on Tax Administration (FY10) Political Economy Study of Rural Electric Cooperatives (FY10) Political Economy Study in Education (FY11) Political Economy Study in Health (FY11) Political Economy Study in Agriculture (FY11)
Support for Procurement Reforms	Approved Budget for Contract (ABC) Study (FY11)
Programmatic AAA on Decentralization	Discussion Note on Decentralization (FY10) Innovation Note on LGUs (FY11) LGU Performance Challenge Fund (FY11) Work Program of the PDF Working Group on Decentralization and Local Government (FY10)
	<i>Additional Deliveries:</i>
	Good Governance & Anti-Corruption in CCT (FY10)
	Discussion Note on Governance (FY10)
	Discussion Note on Judicial Reform (FY10)
FY12-13	
SO1: Stable Macro Economy	
Philippines Development Report	
Quarterly Economic Update	
Programmatic AAA on Public Expenditure Issues	
	Proposed Additional Deliverables:
	Migration and Remittances
	Poverty Assessment
SO2: Improved Investment Climate	
PPP Regulatory Policy Support (IFC and PPIAF)	
	Proposed Additional Deliverables:
	Programmatic AAA on Energy

CAS Plan (April 2009)	CAS Progress Report (April 2011)
	Programmatic AAA on Agriculture PPP in Agriculture/Agribusiness Value Chain Approach Policy Note on NFA and Food Policy Reform Rural Development Strategy
SO3: Better Public Service Delivery	
Programmatic AAA for Health	
Programmatic AAA for Education	
Programmatic AAA for Water & Sanitation	
Philippines Population Report	
	Additional Proposed Deliverables:
	Urban Slum Upgrading Strategy
	Programmatic AAA on CDD Synthesis of CDD Impact Evaluation Good Practice Note/Operational Guidelines on Adapting CDD for Post-Conflict Setting and in Indigenous Communities CDD to Urban Settings
	Housing Finance for Low Income Households (in collaboration with IFC)
	Country Gender Assessment (FY12-13)
SO4: Reduced Vulnerabilities	
Programmatic AAA for Social Protection and Poverty Reduction	CCT and Targeting (ongoing) Synergies for Service Delivery (CCT, CDD, NPS) Qualitative Evaluation of CCT Social Protection Public Expenditure Review, focused on Social Safety Nets Technical Note on Labor Market Studies
Programmatic AAA for DRM	
Encouraging More Resilient Communities for Conflict Affected Areas	Conflict Monitoring System (FY11) Comprehensive Assessment of IDP Needs in Conflict Affected Areas (FY11) Framework for Reintegration of Combatants (FY11) Review of Community Based Projects in Conflict Affected Areas (FY12) Review of Land Conflict and Land Tenure Issues in Conflict Affected Areas (FY12)
	Additional Proposed Deliverables:
	Social Impact Monitoring of Typhoons Ondoy and Pepeng (FY11-13) Metro Manila Flood Master Plan (FY11-12) Programmatic AAA for Conflict/Mindanao (FY11-13)
SO5: Good Governance	
	Public Financial Management (PFM)
	Country Financial Accountability Assessment (CFAA) update (FY11-13)
	Financial Control Assessments (FY12-13)

CAS Plan (April 2009)	CAS Progress Report (April 2011)
Programmatic AAA on Decentralization	Programmatic AAA on Local Governance and Decentralization (FY12-13) PDF Working Group on Decentralization and Local Government (FY11) Institutionalizing Incentives (FY11) DIALOG TF-supported AAA in support of the PDF Working Group (FY11-13)

Note: Only count products that have been delivered to client

C. Trust Funded FY11 AAA Program

	Source of Funding
Strategic Objective 1: Stable Macro Economy	
Philippines Infrastructure Expenditure Review (P111775)	EW-P111775-ESW-TF093968
Strategic Objective 2: Improved Investment Climate	
Agribusiness Infrastructure and Logistics (P110065)	EW-P110065-ESW-BB EW-P110065-ESW-TF092525
Sustainable Urban Development (P116084)	EW-P11604-ESW-BB EW-P11604-ESW-TF093770
Flood Management Master Plan for Metro Manila (P123332)	TA-P123332-TAS-TF098018
Cebu Bus Rapid Transit Corridor (P116137)	TA-P115111-TAS-TF093732
Public Private Partnership Support (P115111)	TA-P115111-TAS-TF093732
Philippines Nonfarm AAA (P114930)	EW-P114930-ESW-BBFAO EW-P114930-ESW-TF093485 EW-P114930-ESW-TF095464
Strategic Objective 3: Better Public Service Delivery	
Education Public Expenditure Review Study (P115229)	EW-P115229-ESW-BB EW-P115229-ESW-BBEFO
Philippines HIV Support Program (P117435)	TA-P117435-TAS-TF094858
Small Water Providers Work for the Poor (P120469)	EW-P120469-ESW-TF096056
Strategic Objective 4: Reduced Vulnerabilities	
Disaster Risk Management (GFDRR) P110656	TA_P110656-TAS-TF091752
Mindanao Development (P110224)	TA-P110224-TAS-TF091787
Cross-cutting Theme: Good Governance	
2010 Newly Elected Officials Orientation (NEO) Program (P121845)	TA-P121845-TAS-TF097092
Philippines Discussion Notes (2010) P118583	EW-P118583-ESW-TF095632

Annex 7

World Bank Group-Managed Trust Funds in the Philippines

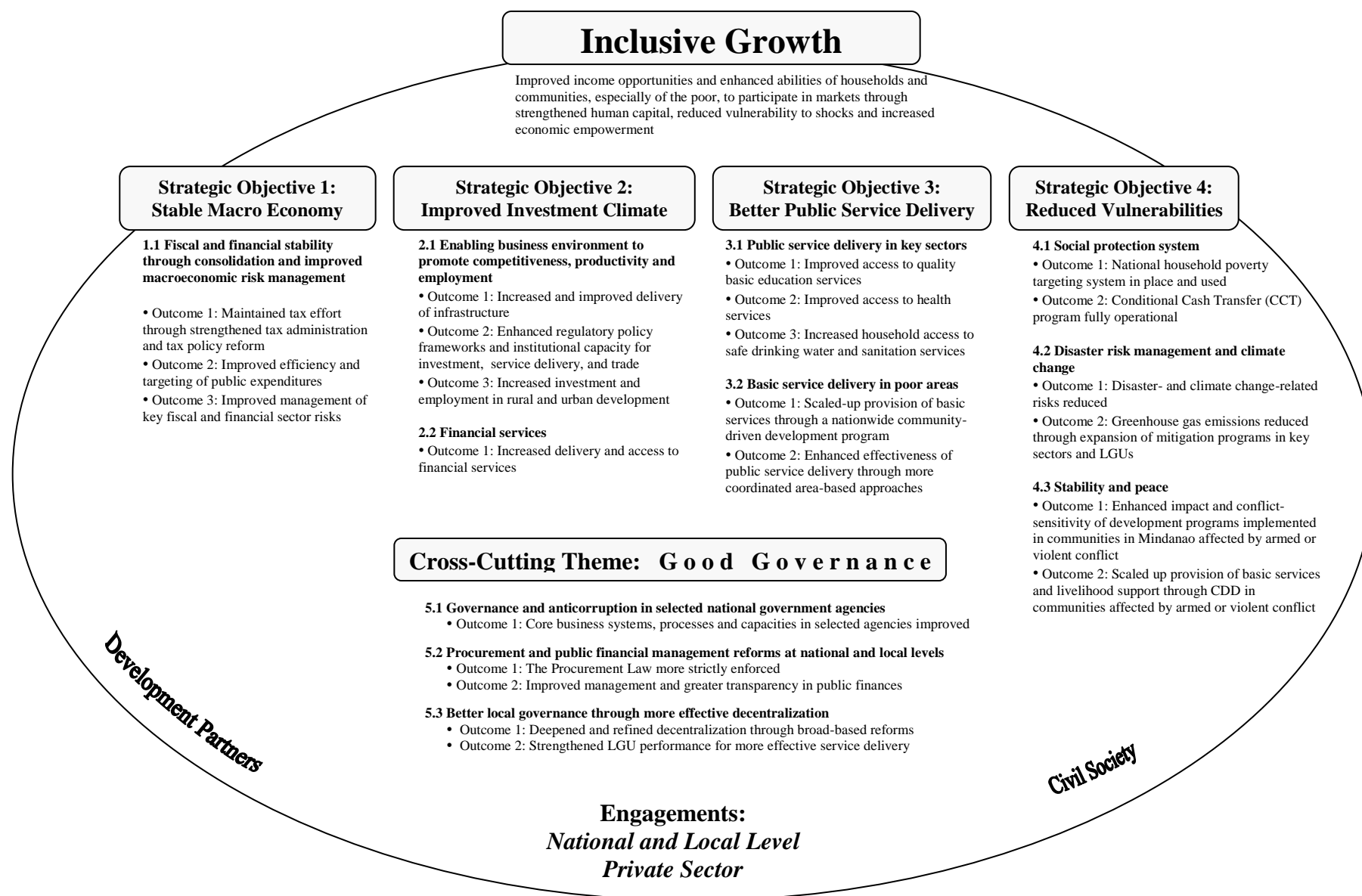
<i>TF Number</i>	<i>Trust Fund</i>	<i>Closing FY</i>	<i>US\$ '000</i>	<i>BE/RE.¹⁸</i>
Strategic Objective 1: Stable Macro Economy				
1.1 Fiscal and financial stability through consolidation and improved macroeconomic risk management				
TF092308	IDF - Policy-Based Budgeting Medium-Term Framework	FY12	300	RE
TF096219	PH-PTF - Agency Public Financial Management Benchmarking Assessment	FY11	170	BE
TF096272	PH-PTF - Public Expenditure Review	FY11	90	BE
TF096234	PH-PTF - Improving Data Coverage and Quality of Surveys in Support of the PSNA	FY12	50	BE
TF093517	Trust Fund for Statistical Capacity Building (TFSCB) - Improving the Quality and Usefulness of the Philippine System of National Accounts	FY12	400	RE
TF097249	Diagnostic Facility for Shared Growth (DFSG) - Generating Inclusive Growth in the Philippines: The Role of the Services Sector	FY11	65	BE
Strategic Objective 2: Improved Investment Climate				
2.1 Enabling business environment to promote competitiveness, productivity, and employment				
TF095464	DFSG – Uncovering the Role of Agriculture in Poverty Reduction in the Philippines	FY11	88	BE
TF092525	EAP Infrastructure for Growth Trust Fund (EAAIG) - Philippines Agribusiness Value Chain, Logistics and Infrastructure Study	FY11	276	BE
TF093968	EAAIG – Philippines: Infrastructure Expenditure Review	FY11	75	BE
TF096110	EAAIG – Power Sector Financial Assessment	FY11	80	BE
TF052188	GEF FSP - Philippines: Rural Power Project	FY12	9,000	RE
TF053361/	GEF FSP - Philippines: Electric Cooperative System Loss Reduction Project	FY12	11,123	RE
TF053360	ESMAP - Renewable Development and Market Reform		877	RE
TF093416	EAAIG - PPP Support to Enhance the Capacity of the Toll Regulatory Board to be an Effective Regulator of Toll Facilities	FY11	591	BE
		FY11	174	BE
TF093732	IDF - Philippines Institutionalizing Results Monitoring in DPWH			
TF096705	PHRD - Philippines - Public Private Participation in Transport Infrastructure	FY14	200	RE
TF057138	PPIAF - Philippines: Lead Transaction Adviser for CALA Toll Road – Supervision Budget	FY11	1,000	RE
TF093318	PPIAF - Philippines: Lead Transaction Adviser for CALA Toll Road	FY11	90	BE
TF092858	EAAIG – Mindanao Rural Development Project 2 Rural Infrastructure Component	FY11	610	RE
		FY11	115	BE
TF094704	GEFIA - Mindanao Rural Development Project 2 Natural Resource Management Project	FY15	6,351	RE
TF092038	IFC/Spain Technical Assistance Trust Fund (TATF) - Philippines Olongapo Power	FY12	12,877	RE
TF055841	IFC/CIDA/AusAID – Private Enterprise Partnership (PEP) - Philippines	FY10	10,000	BE
2.2 Financial Services				
TF095812	Public Private Infrastructure Advisory Facility- Sub-National Technical Assistance – PPIAF SNTA – Philippines: Local Government Units Credit Rating Program – Phase II	FY12	500	BE
Strategic Objective 3: Better Public Service Delivery				
3.1 Public service delivery in key sectors				
TF091695	AusAID TF for Support to Phil Basic Education Reforms (SPHERE)	FY11	36,482	RE
TF091729	SPHERE – Incremental Supervision	FY11	574	BE
TF091730	SPHERE – Demand Driven AAA	FY11	811	BE
TF090182	EC TF for Health Sector Reform	FY11	12,227	RE
TF090180		FY11	295	BE
TF095275	IDF – Results Based M&E towards Equity and Effectiveness for the Health Sector Reform Agenda	FY13	150	RE
TF096169	GPF – Implementing a Hospital Scorecard for the Philippines	FY12	90	BE
TF096056	Water Partnership Program (WPP) – Small Water Providers for the Poor	FY11	90	BE

¹⁸ BE: Bank Group (including IFC) Executed; RE: Recipient Executed

TF Number	Trust Fund	Closing FY	US\$ '000	BE/RE.¹⁸
TF096401	EAAIG – Preparation of Manila Water and Waste Water Improvement Project	FY11	50	BE
TF057488	WSP - Program for Sustainable Sanitation – Philippines Component	FY11	3,346	BE
TF057296	GEF FSP - Manila Third Sewerage Project	FY13	5,000	RE
TF091023	GPOBA - Improved Access to Water Services in Metro Manila Project	FY11	1,050	RE
TF097297	EAAIG - Social and Environmental Considerations for Water & Wastewater Improvement in Metro Manila	FY11	75	BE
3.2 Basic service delivery in poor areas				
TF058161/ TF058154	JSDF - Urban Partnership for Sustainable Upliftment, Renewal, Governance and Empowerment (UPSURGE)	FY12	1,910 90	RE BE
TF095113	GENTF – Pathways for Women’s Economic Empowerment	FY11	35	BE
TF092880	EAAIG – Towards an Integrated Operational Framework for Rural Poverty Reduction	FY11	100	BE
TF093770	EAAIG – Sustainable Urban Development and Urban Poverty Reduction	FY11	130	BE
Strategic Objective 4: Reduced Vulnerabilities				
4.1 Social protection system				
TF095105	KTF – Qualitative Impact Evaluation of the Conditional Cash Transfer and Poverty Targeting System	FY12	300	BE
TF095548	PH-PTF – Technical Assistance Program for the Philippines CCT	FY12	1,250	BE
TF095547	PH-PTF – Monitoring the Human and Social Impacts of the Global Economic Crisis on the Philippines	FY11	200	BE
TF095394	PH-PTF – Review of the Philippines Social Protection System	FY12	140	BE
TF095280	PHRD – Staff Grant Support for Junko Onishi	FY12	332	BE
TF095394	PH-PTF - Improving Poverty and Social Statistics	FY11	120	BE
4.2 Disaster risk management system and climate change				
TF021931	Ozone projects Trust Fund (OTF) - Philippines Ozone Depletion Substance (ODS) Phase Out Investment Project	FY10	30,000	RE
TF056617	Swedish Contribution to the Philippine National CFC Phase Out Plan	FY10	291	RE
TF092836	NTFPSI- Climate Change in Coastal Areas	FY12	330	BE
TF057067	CCC – Communications for Climate Change Adaptation	FY10	30	BE
TF092354	GEF PPG - Philippines: Grant for Preparation of Integrated Persistent Organic Pollutants Management (Dioxins and Furans, PCB and Contaminated Sites) Project	FY10	240	RE
TF094078	POPS – Baseline Study of Dioxin/Furan/ Emissions from Open Burning	FY10	333	BE
TF094497	JSDF Seed – Philippines Waste Picker Social Inclusion	FY10	24	BE
TF095888		FY11	50	BE
TF091752	GFDRR – Supporting Local Government Capacity to Manage Natural Disasters	FY10	1,008	BE
TF054138	IFC Philippines Asian Conservation Company	FY11	1,600	BE
4.3 Stability and peace				
Various TFs	Mindanao Reconstruction and Development Program	FY14 FY14	7,378 1,623	RE BE
TF096569	Encouraging More Resilient Communities in Conflict Affected Communities	FY13	1,800	BE
TF096577	in the Philippines		770	RE
TF096578				
Cross-Cutting Theme: Good Governance				
5.1 Governance and anti-corruption in selected national government agencies				
TF095281	GPF – Philippines Governance Strategy	FY13	1,500	BE
TF090551	IDF - Strengthening the Institutional Effectiveness of the National Commission of Indigenous Peoples	FY10	170	RE
TF094495	IDF – Strengthening Institutions towards the Implementation of Effective Anti Corruption Programs	FY13	250	RE
5.2 Procurement and public financial management reforms at national and local levels				
TF092211	IDF - Strengthening the Capacity of the Procurement Service in Implementing the Philippine Government Electronic Procurement System	FY12	300	RE
TF091036	FIRST - TA to Support Creation of Accounting Oversight Board	FY11	245	BE

<i>TF Number</i>	<i>Trust Fund</i>	<i>Closing FY</i>	<i>US\$ '000</i>	<i>BE/RE.¹⁸</i>
TF092158	IDF - Strengthening the Capacity and Effectiveness of the Commission on Audit	FY12	300	RE
TF093563	JSDF - Improving the Quality and Responsiveness of Public Spending in Poor Communities through Localized Procurement Reform	FY13	962	RE
TF093584		FY13	49	BE
TF096314	IDF - Institutionalizing Civil Society Monitoring and Assessment of Public Service Delivery to the Poor	FY13	250	BE
TF096641	IDF - Strengthening the Capacity of Public Sector Internal Audit	FY13	300	BE
5.3 Better local governance through effective decentralization				
TF092492	IDF - Philippines: Strengthening the Capacity of the Local Government Academy to Coordinate and Oversee Local Government Training and Capacity Building Project	FY12	260	RE
TF056159	JSDF - Philippines: NGO Sector Efficiency and Accountability to Strengthen Service Delivery to the Poor	FY10	361	RE
TF097092	PH-DLG - 2010 Newly Elected Officials Orientation Program	FY11	550	BE
Tfs that Cut Across Several CAS Strategic Objectives				
TF095632	PH-PTF – Support for Strategic Engagement on the Philippines Discussion Notes	FY11	150	BE
TF095684	PH-PTF – AusAID WB TF to Support Philippine Development – Program Administration	FY13	296	BE

Philippines: Updated FY10-13 CAS Results Framework



PHILIPPINES: FY10-13 CASPR Results Monitoring

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p align="center">Overall CAS Theme: Inclusive Growth</p> <p align="center">Improved income opportunities and enhanced abilities of households and communities, especially of the poor, to participate in markets through strengthened human capital, reduced vulnerability to shocks, and increased economic empowerment</p>			
<p align="center">CAS Objective 1: Stable Macro Economy</p>			
<p>2011-2016 PDP Goals: Set the conditions towards a stable macroeconomic environment conducive to sustained higher growth, address the narrow fiscal space through sustainable revenues and spending (including tax administration/policy reforms and increased public expenditure efficiency), commit to low and stable inflation, and reduce external vulnerabilities.</p>			
<p>Issues and Obstacles:</p> <ul style="list-style-type: none"> • Despite recent progress, external and public debt levels are still high. • Recent fiscal improvements need to be placed on a more sustainable basis through increased tax revenues and improved expenditure management. • Vulnerability to external shocks, fiscal, and macro financial risks. • Underdeveloped financial MIS limits ability to track and report data in timely manner as basis for policy. 			
<p>1.1 Fiscal and financial stability through consolidation and improved macroeconomic risk management</p> <p>Outcome 1: Maintained tax effort through strengthened tax administration and tax policy reform</p> <p><i>Indicator 1: Tax/GDP</i> Baseline: 12.8% (12/2009) Target: 13.9% (2012) Progress: 12.8% (12/2010)</p> <p><i>Indicator 2: Nonfinancial public sector debt/GDP</i> Baseline: 60.7% (2008) Target: 57.7% (2012) Progress: 60.7 (12/2009)</p>	<ul style="list-style-type: none"> • Fiscal incentives and tobacco excise tax rationalization laws passed [Off track] • Tax ratio in 2010 is as high as or greater than in 2009 [On track] • Strengthened Large Taxpayer Service [Watch] • Strategy developed for BIR by the new BIR Commissioner [Watch] 	<p>Off track.</p> <p>The tax effort has been weak since 2007, and became even weaker with the onset of the global financial crisis in 2008-09, in part due to policy induced tax reductions. The tax intake in 2009 dropped further on account of the direct and indirect impact of two typhoons. The tax effort, which fell to 12.8% of GDP in 2009 and 2010, is only expected to partly and slowly increase over time barring tax policy changes. This reflects the structural nature of the decrease in the tax effort and the focus of the new government to first improve tax administration and compliance before looking at tax policy changes. The previous Congress was dissolved without having passed the fiscal incentives and tobacco excise tax rationalization laws. A fiscal incentives bill has been submitted to the new</p>	<p>Completed During CAS Period</p> <ul style="list-style-type: none"> • TF Strengthening of Revenue Administration and Collection Efficiency (Institutional Development Fund - IDF) <p>Ongoing Financing:</p> <ul style="list-style-type: none"> • National Program Support (NPS) for Tax Administration Reform (NPSTAR) (FY07) • TF Policy-Based Budgeting Medium-Term Framework (IDF) • TF Generating Inclusive Growth in the Philippines: The Role of the Service Sector (Diagnostic Facility for Shared Growth - DFSG) • TF Agency PFM Benchmarking Assessment (AusAID WB Programmatic TF – Philippines Development TF – PH-PTF) • TF Public Expenditure Review (PH-PTF) • TF Improving the Quality and Usefulness of the Philippine System of National Accounts (TF for Statistical Capacity Building – TFSCB) • TF Improving the Formulation of the Philippine Statistical Development Plan (TFSCB) • TF Improving the Data Coverage and Quality of Surveys in Support of the Philippines System of National Accounts (PH-PTF)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>Outcome 2: Improved efficiency and targeting of public expenditures <i>Indicator:</i> Forward Estimates (FE) and Paper on Budget Strategy (PBS) as input for annual budget formulation Baseline: Not being used Target: Fully used (2012) Progress: Partially used (9/2010)</p> <p>Outcome 3: Improved management of key fiscal and financial sector risks <i>Indicator 1:</i> Regulatory requirements (for capital adequacy ratio, liquidity, non-performing loan provisioning) Baseline: Being met (2008) Target: Continue to be met (2009-2012) Progress: Continue to be met (9/2010) <i>Indicator 2:</i> Commercial banks' distressed asset ratio Baseline: 12.5% (3/2008) Target: Below baseline (2012) Progress: 8.51% (10/2010)</p>	<ul style="list-style-type: none"> Department of Budget Management (DBM) ready to prepare Forward Estimates (FE) and Paper on Budget Strategy (PBS) on their own [Watch] Strengthened expenditure evaluation capacity in DBM/NEDA [On track] Fiscal risk statement established and published (2010) [On track] 	<p>congress.</p> <p>On track The proposed 2011 budget is an improvement over previous years' budgets in terms of expenditure efficiency. Some items, such as agricultural input subsidies have been eliminated and replaced by an expanded CCT program. Moreover, the budget for social services is now better aligned to priority areas such as addressing classroom shortages. Several special purpose funds have either been eliminated or incorporated into the agency's budget, thereby increasing transparency. Congressional initiatives have also been removed, but the balance transferred to PDAF. Expenditure evaluation capacity expected to be strengthened through the zero-based budgeting approach in 2011 budget.</p> <p>On track A Financial Sector Assessment Program (FSAP) update carried out in November 2009 was positive on banking system risks and their management. The new government produced a Fiscal Risk Statement (FRS) and intends to have it published alongside the 2011 budget. This would be the first FRS in the Philippines and would place the country among best practice countries in terms of comprehensive fiscal risk assessment and disclosure. It should also ensure that the country makes significant progress in managing highlighted risks. Standards & Poors upgraded the sovereign credit rating for the Philippines in November 2010 for the first time since the Asian financial crisis.</p>	<ul style="list-style-type: none"> AusAID TF/IDF to Strengthen DOF Capacity to Manage Fiscal Risks <p>Indicative Financing:</p> <ul style="list-style-type: none"> Development Policy Loan 1 (DPL) (FY11) Development Policy Loan 2 (FY12) Development Policy Loan 3 (FY13) <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Philippines Development Reports (FY10) Quarterly Economic Updates (Regular) Development of the Philippines Statistical Development Plan (FY10) Inclusive Growth (FY10) Programmatic AAA on Public Expenditure Issues (FY10-12) <ul style="list-style-type: none"> Public Expenditure Review (FY10) Discussion Note on Public Spending (FY10) Discussion Note on Public Financial Management (FY10) Discussion Note on Growth (FY10) Discussion Note on Statistics (FY10) Discussion Note on Poverty (FY10) Discussion Note on Improving Tax Policy and Administration (FY10) Discussion Note on Managing Fiscal Risk (FY10) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Philippines Development Reports (FY10-13) Quarterly Economic Updates (FY10-13) Programmatic AAA on Public Expenditure Issues (FY10-13) Development of the Philippines Statistical Development Plan <ul style="list-style-type: none"> Assessment and Design of the Enterprise Survey (FY11) Assessment of Households Surveys (FY11) Poverty Assessment (FY12-13) Migration and Remittances (FY12-13)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
CAS Objective 2: Improved Investment Climate			
2011-2016 PDP Goals: Create the necessary conditions conducive to the growth and competitiveness of private business, in particular, a better business environment, improved productivity and efficiency, and greater value for money; fulfill the potential of the agricultural and fisheries sectors; accelerate the provision of efficient and reliable infrastructure with equitable access; and ensure a development-oriented and inclusive financial system meeting evolving diversified needs.			
Issues and Obstacles: <ul style="list-style-type: none"> Spending on quality infrastructure (for both maintenance of existing assets and new capacity) is inadequate to meet current and future requirements and ensure greater access to rural areas. As the new government aims to enhance transparency and stability in regulatory frameworks, institutional capacities in the agencies will pose significant challenges. Rationalization plans for agencies in different sectors have been prepared but not implemented, and may need to be reviewed for consistency with new administration's objectives. 			
2.1 Enabling business environment to promote competitiveness, productivity, and employment Outcome 1: Increased and improved delivery of infrastructure <i>Indicator 1:</i> National Road System (NRS) paved length in fair condition or better Baseline: 55% (2008) Target: 75% (2012) Progress: 56.2% (2009) <i>Indicator 2:</i> New customers in rural areas with access to minigrid or Renewable Energy Technology (RET) under the Rural Power Project Baseline: 4,750 (12/2008) Target: 24,750 (2012) Progress: 13,002 (11/2009) DOE only: 12,313 (9/2010) <i>Indicator 3:</i> Number of projects and total MW privatized (IFC involvement) Baseline: 3 plants privatized totaling 1,135 MW (2009) Target: 3-4 plants privatized, generating 1,135-1,500 MW (2011) Progress: 4 plants privatized (3,040 MW) <i>Indicator 4:</i> Levels of system loss for Mindanao Electrical Cooperatives (ECs) which are target of IFC Rural	<ul style="list-style-type: none"> A sustainable financing and maintenance regime developed for rural and secondary roads [On track] Urban transport management plan developed and ready for implementation in Metro Manila and for one major secondary city in Visayas or Mindanao [Watch] Share of annual road program of Department of Public Works and Highways (DPWH) evaluated by technical and economic criteria increased to 80% [On track] Urban strategy developed that provides a framework for integrated infrastructure investment within the context of overall urban development [On track] Increased power capacity of 20 MW through RETs 	On track The Government announced PPPs as the centerpiece strategy for infrastructure development and launched the PPP program in a major infrastructure conference. The Government aims to address the country's infrastructure backlog by tapping private sector financing and expertise and has identified 10 priority PPP projects in the transport sector that could be bid out by 2011. The Government also provided substantial resources in the 2011 budget for the preparation and implementation of PPP projects. Significant increases in transport funding, transport policy and planning framework being established, National Environmentally Sustainable Transport Strategy and National Transport Plan drafted. Capacity for transport planning remains low. Priorities include: quality and safety in	Completed During CAS Period: <ul style="list-style-type: none"> Metro Manila Urban Transport Integration (MMURTRIP) (FY01) Second Agrarian Reform Communities Development Project (ARCDP2) (FY03) Diversified Farm Income and Market Development Project (DFIMD) ((FY04) TF National Roads Improvement and Management Program (NRIMP2) – Enhanced Supervision (EA Infrastructure Growth TF – EAAIG) Ongoing Financing: <ul style="list-style-type: none"> Rural Power Project (RPP) ((FY04) Land Administration and Management Project 2 (LAMP2) (FY05) Mindanao Rural Development Project – Phase 2 (MRDP2) (FY07) National Roads Improvement and Management Project 2 (NRIMP2) (FY08) Rural Power Project (RPP) Additional Financing (FY09) Participatory Irrigation Development Project (PIDP) (FY09) IFC South Luzon Tollway Corporation (SLTC) (FY07) IFC SN Aboitiz Power (SNAP) ((FY08) IFC Masinloc Power (FY08)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>Electrification Project Baseline: 11.9% (2008) Target: 9.9% (2010) Progress: Too early to tell <i>Indicator 5:</i> Long-run IFC average Development Outcome Tracking System (DOTS) success rate for all mature power projects Baseline: 60% (2008) Target: 65% (2012) Progress: Too early to tell</p> <p>Outcome 2: Enhanced regulatory policy frameworks and institutional capacity for investment, service delivery, and trade <i>Indicator 1:</i> PPP/BOTs (Public Private Partnership/ Build Operate Transfer) in (i) national infrastructure; (ii) local infrastructure Baseline: None (2008) Target: (i) 1-2; (ii) 5-10 (2012) Progress: None (9/2010) <i>Indicator 2:</i> Commercial banks providing</p>	<p>(Renewable Energy Technology) providing services to minigrids [On track] <ul style="list-style-type: none"> Increased power generation of about 775-1,375 MW by 3-4 IFC-supported power plants [On track] Achieved financial viability of 85% of supported Electrical Cooperatives (EC) [Watch] Continued power sector privatizations involving Small Power Utilization Group (SPUG) with a special focus on renewable power generation [On track] Increased private sector investments in electricity generation and distribution, including geo-thermal [On track] Enhanced awareness among Small and Medium Enterprises (SMEs), national and local governments, manufacturers and developers about energy efficiency [On track] Six Electrical Cooperatives (ECs) assisted with capital expansion and structuring power supply aggregation agreements [On track] <ul style="list-style-type: none"> Policy framework (including greater transparency) for structuring, financing, and implementing Public Private Partnership (PPP) projects in infrastructure strengthened, adopted, and introduced [On track] 1-2 Public Private Partnership (PPP) pilot/ </p>	<p>national arterial and secondary roads; improved governance in roads sector; involvement of civil society in roads sector monitoring being expanded; emphasis shifting towards asset preservation and results orientation.</p> <p>Cebu BRT Concept Plan has been completed.</p> <p>MMURTRIP has contributed to improvements in the operational efficiency and safety of the transport system in Metro Manila with the construction/ improvement of major and secondary roads with total length of 86 km. For completed roads projects, travel speed of transport users has increased.</p> <p>Clean energy policy framework is in place, Renewable Energy Law passed, moving closer to retail competition and open access under EPIRA. Clean Technology Fund investment plan in place. No new generation projects with IFC involvement. 400 MW of coal fired power plants being completed in the Visayas.</p> <p>On track Executive Order No. 8 created the PPP center (attached to NEDA) with powers and functions for providing PPP policy recommendations, project development and preparation, monitoring, project facilitation and assistance to implementing agencies. Policy pronouncements on ensuring transparency and competition for PPP projects were made during the PPP conference. The Government also</p>	<ul style="list-style-type: none"> IFC Aboitiz Power Benguet, Ambuklao-Binga Hydro Plant (SNAPB) (FY09) IFC Philippines National Oil Company – Energy Development Corporation (PNOC-EDC, PNOC-EDC2, geothermal) (FY07, 09) TF Rural Power Project (Global Environment Facility – Full Size Project - GEF FSP) TF Electric Cooperative System Loss Reduction Project (Global Environment Facility – Full Size Project - GEF FSP) TF Mindanao Rural Development Phase 2 – Natural Resource Management Project –GEF FSP) TF Mindanao Rural development Project 2 Rural Infrastructure component (EAAIG) TF Lead Transaction Adviser for CALA Toll Road – Supervision Budget (Public Private Infrastructure Advisory Facility – PPIAF) TF Public Private Participation in Transport Infrastructure (Policy and Human Resources Development – PHRD) TF Philippines Electrification: Best Practices in Subtransmission Development (EAP Infrastructure for Growth TF - EAAIG) TF Infrastructure Expenditure Review (EAAIG) TF Power Sector Financial Assessment (EAAIG) TF Philippines Output Based Aid for Energy Access (Global Partnership on Output-Based Aid – GPOBA) TF Renewable Energy and Energy Security (EAAIG) TF Institutionalizing Results Monitoring in DPWH (IDF) TF Role of Non-Farm Income, Wages, and Food Prices (EAAIG) TF Uncovering the Role of Agriculture in Poverty Reduction in the Philippines (DFSG) TF Agribusiness Value Chain, Logistics and Infrastructure study ((EAAIG) TF Renewable Development and Market reform (ESMAP) TF Private Enterprise Partnership (PEP (IFC/CIDA/AusAID)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>loans to Electrical Cooperatives (EC) Baseline: None (2008) Target: 4 (2012) Progress: 1 closed; 4 approved; 5 in progress <i>Indicator 3:</i> Number of clustered subtransmission facilities for supply to Electrical Cooperatives (ECs) Baseline: 0 (2008) Target: 4 (2012) Progress: 0 (12/2009) <i>Indicator 4:</i> Business process is simplified and business regulations are consistently applied: business entry reform at the sub-national level: number of cities Baseline: 0 (6/2008) Target: 16 (6/2013) Progress: 11 (8/2010)</p> <p>Outcome 3: Increased investment and employment in rural and urban</p>	<p>demonstration projects with IFC support launched [On track]</p> <ul style="list-style-type: none"> Regulatory capacity improved in 1-2 regulatory agencies in infrastructure [On track] Multiyear infrastructure investment programming, planning and budgeting strengthened through 1-2 line agencies in cooperation with National Economic and Development Authority (NEDA) and Department of Budget Management (DBM) and at the local level with Department of Interior and Local Government (DILG) and Local Government Unit (LGU) Leagues [On track] Increased capacity and budgets for project development in line agencies, particularly for Build-Own-Transfer (BOT) projects on a solicited basis [On track] Trade and transport facilitation policy developed and adopted [On track] Extractive Industries Transparency Initiative (EITI) adopted [Watch] Standard Business Registration and Permit (SBRP) process adopted and implemented [On track] Increased participation by the private sector in rice international trade [On track] Agri infrastructure logistics bottlenecks for high value 	<p>demonstrated its commitment in addressing critical issues on regulatory risks and borrowing limits for PPP projects.</p> <p>Bank support has been promoted through TA to ERC in relation to RE law ongoing (feed in tariffs), TA to Toll Regulatory Board (international best practices for regulators, institutional arrangements) under procurement, TA to prototype cities to improve processes related to business entry at the local level, thereby reducing the transaction cost of doing business.</p> <p>IFC targeted two PPP pilots, of which one has been signed (Metro Clark water). The second one is LRT1, yet to be decided.</p> <p>The PDP Agriculture chapter considered the key inputs from the Bank TA on Agriculture and Fisheries and Modernization Plan relating to reforms in food policy (NFA) and new approaches in supporting agricultural growth through investment in agribusiness (e.g., PPP). Policies being considered include privatization of rice importation, decoupling of the regulatory and proprietary functions of NFA and transfer of NFA rice subsidy function to DSWD. The paradigm shift from simple production-support approach to supply-chain approach to agri-business development is also being considered. Also, the Government is considering implementing a shift in DA's 2011 budget from commodity-based (rice-corn) budgeting to function-based budgeting (planning, marketing, research, regulatory, laboratory).</p> <p>Watch Implementing Rules and Regulations</p>	<ul style="list-style-type: none"> TF IFC Philippines Olongapo Power (Spain Technical Assistance Trust Fund – TATF) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Manila Wastewater Management Project (FY11) Regional Infrastructure for Growth (FY11) Light Rail Transit 1 South Extension (FY12) CALA Tollway (Cavite-Laguna) (FY12) Renewable Energy Development (FY12) Urban Transport - Cebu Rapid Bus Transit (FY12) Infrastructure Fund/Infrastructure Guarantee (FY12) LAMP2 Additional Financing (FY12) Secondary/Local Roads (FY13) Agriculture Reform Project (FY13) Urban Renewal (FY13) PPP for Liquefied Natural Gas (FY13) IFC Philippines Olongapo Power <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Trade Facilitation/ Transport/ Logistics (FY10) Environmental Safeguards (including Environmental Assessments) (FY10) Options Study for Universal ICT Service (FY10) Study on Agribusiness Logistics in Mindanao (FY10) Study on Agribusiness Clusters (FY10) Discussion Note on Environment (FY10) Discussion Note on Agribusiness Development (FY10) Discussion Note on Competitiveness (FY10) Discussion Note on Urbanization (FY10) Discussion Note on Transport (FY10) Discussion Note on Information and Communications Technology (ICT) (FY10) Discussion Note on Energy (FY10) IFC Rural Electrification TA <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Public Private Partnership (PPP) Support (FY10-12)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>development</p> <p><i>Indicator 1:</i> Total household incomes of target beneficiaries in WBG-assisted projects</p> <p>Baseline: (i) MRDP: To be determined; (ii) ARCDP2: PHP 65,300</p> <p>Target: (i) 20% increase in average household incomes of beneficiary communities over baseline and 10% increase over control group in MRDP; (ii) 20% increase three years after ARC (Agrarian Reforms Community) joins ARCDP2</p> <p>Progress: (i) tbd; (ii) 21% (10/2010)</p> <p><i>Indicator 2:</i> Business assets of target households</p> <p>Baseline: PHP 34,061(ARCDP2)</p> <p>Target: 10% increase in real value three years after household joins ARCDP2 (2012)</p> <p>Progress: PHP 49,397 (10/2010)</p> <p><i>Indicator 3:</i> Agricultural productivity</p> <p>Baseline: ARCDP2: 100% cropping intensity in target irrigated areas; 3.76 metric tons per hectare (MT/ha) for rice; 2.34 MT/ha for corn; 1.92 MT/ha for coconuts</p> <p>Target: 140% increase in cropping intensity and 15% increase in yields three years after joining ARCDP2 (2012)</p> <p>Progress: (i) 199% increase in cropping intensity; 17% increase in yields (10/2009)</p> <p><i>Indicator 4:</i> Number of LGUs and public utility providers (private sector) investing in infrastructure.</p> <p>Baseline: 27 LGUs with completed and awarded infrastructure subprojects (9/2008)</p> <p>Target: 65 LGUs and public utility providers (private sector) with completed and awarded infrastructure subprojects (6/2012).</p> <p>Progress: 58 LGUs and public utility</p>	<p>crops identified in Mindanao [On track]</p> <ul style="list-style-type: none"> Increased participation of private sector in agribusiness investment [Watch] PPP transactions in agribusiness approved [On track] Rural development strategy framework developed adopted [On track] Strategic urban directions outlined and inputs provided to the 20110-2016 Philippine Development Plan (PDP) and National Urban Development and Housing Framework (NUDHF) [On track] 	<p>approved for land-related laws. Findings of AAA on agribusiness development being implemented. Typhoons Ondoy and Pepeng caused heavy damages and losses but funds are insufficient to undertake required rehabilitation and restoration.</p> <p>Bank support will be geared towards institutional reforms in the rural development sector such as the convergence of the three rural agencies (DAR, DA and DENR) for a more efficient intervention in the sector.</p> <p>Results of the Bank's AAA on Agricultural Productivity have provided DA with strategic inputs in considering PPP in agribusiness activities and infrastructure development.</p> <p>Under the umbrella of the government-led Philippines Urban Consortium (PUC), a set of policy notes, "An Agenda for Urban Competitiveness and Inclusivity," has been completed, intended to contribute to the upcoming PDP. PUC has also contributed to the National Urban Development and Housing Framework (NUDHF) for 2010-2016.</p> <p>About 13 LGUs and 7 private sector firms are currently in the Strategic Local Development and Investment Project (SSLDIP) marketing pipeline with a cumulative funding request estimated at US\$142m.</p>	<ul style="list-style-type: none"> Urban: Pro-poor Policies for Cities (FY11) Urban Slum Upgrading/ Transformation Strategy (FY11-12) Energy Sector Reform (FY11-13) Agricultural Productivity Growth (FY11) Programmatic AAA on Agriculture (FY11-13) <ul style="list-style-type: none"> AAA on Value Chain Approach PPP in Agriculture/Agribusiness (FY12) Rural Development Strategy (FY12) Technical Assistance on Food Security Policy (FY12) Transport, Including National and Local/Urban Roads and Institutional Strengthening (FY10-12) IFC Off-grid Generation – SPUG Siquijor – PPP IFC Sub-National Water Public Private Partnership (Metro Clark) IFC Doing Business Plus TA IFC Sustainable Energy Finance – II TA IFC Mindanao Banana TA IFC TA for the Philippine Business Registry IFC Transaction Advisory for Off-grid Generation focused on Renewable Energy Prospects (probable or initial task to formulate regulatory framework for off-grid) IFC Light Rail Transit 1 South Extension Public Private Partnership (LRT-PPP) (FY11) IFC DBP-DPWH PPP Advisory Assistance for the NAIA Expressway IFC and World Bank TA to the DA on PPP policy and project scoping in agri sector IFC AAA on housing finance for low-income population PPP Agenda (strategy, policies, PPP center, PPP fund, projects, etc) TF Public Private Partnership (PPP) Support to Enhance the Capacity of the Toll Regulatory Board to be an Effective Regulator of Toll Facilities (EAAIG) Continue to offer MIGA's guarantee products (including Streamlined Small Investment Program for smaller scale projects)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
providers (private sector) with completed and awarded infrastructure subprojects (10/2010)			
<p>2.2 Financial services</p> <p>Outcome 1: Increased delivery and access to financial services</p> <p><i>Indicator 1:</i> Public and private credit bureau coverage of adult population Baseline: 5.4% (2008) Target: 30% (2012) Progress: No progress</p> <p><i>Indicator 2:</i> Number of new small-holder farmers receiving credit from partner banks due to WBG-supported projects and volume of credit Baseline: 0 Target: To be determined; at least 2 IFC-supported projects/investments envisaged (2012) Progress: No progress (8/2010)</p> <p><i>Indicator 3:</i> Volume of MSME (Micro and Small and Medium Enterprise) loans from WBG supported banks (i.e., Banco De Oro (BDO), Bank of the Philippine Islands (BPI), Center for Agriculture and Rural Development (CARD)) Baseline: US\$451m (2007; BDO), 0 (BPI, CARD) Target: 10% increase per year Progress: US\$1.3 b (12/2009); US\$2.5b (cumulative)</p> <p><i>Indicator 4:</i> Number of MSME (Micro and Small and Medium Enterprise) loans from WBG supported banks (i.e., BDO, BPI, CARD) Baseline: 1,562 (2007, BDO); 0 (BPI, CARD) Target: 10% increase per year Progress: 4,482 (12/2009); 9,149 (cumulative)</p> <p><i>Indicator 5:</i> Volume of new housing finance loans Baseline: US\$1.3b (2005, Filinvest)</p>	<ul style="list-style-type: none"> Enhanced effective single credit information bureau established [Watch] Increased share of funding requirements of Micro and Small and Medium Enterprise (MSME) obtained through formal banking institutions (from a baseline of about 11-21%) [On track] Successful pilot testing of a risk-sharing facility for agriculture/ agribusiness [Watch] Weather-based (index) agricultural insurance system pilot-tested in at least one region [On track] Enhanced access to housing finance products for low-income housing [Watch] Risk-sharing facilities to support sustainable energy investments and Small and Medium Enterprise (SME) finance promoted [On track] Improved access to grants and concessional financing to meet needs of low income Local Government Units (LGUs) and poor communities [On track] Increased reliance on own source revenue through better business tax and real property tax collections [Watch] 	<p>Watch</p> <p>There have been delays in organizing the Credit Information Corp (CIC); capital contribution by the Government, and appointment of directors and key officers remain pending. No further work will be done on the Credit Bureau, as agreed between IFC Philippines Resident Representative and SME Banking regional head until the CIC is properly funded, staffed and organized.</p> <p>IFC promoted risk-sharing facilities to support sustainable energy investments and SME financing. Ongoing investments by local banks under IFC's SEF advisory program.</p> <p>Cooperation Agreements between IFC and CARD and BDO are in place until June 2011 to further strengthen SME Banking capacity and credit risk management.</p> <p>Provision of financial assistance to lower income class LGUs through the SSLDIP is on track with about 11 subproject proposals, coming from 2nd to 6th income class LGUs and with an estimated amount of US\$14.54m in the marketing pipeline.</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> Support for Strategic Local Development and Investment Project (SSLDIP) (FY06) IFC Banco de Oro (FY07, 10) IFC Banco de Oro Risk Share Facility (FY11) IFC Bank of the Philippines Islands Risk Share Facility <ul style="list-style-type: none"> IFC projects with major Philippine universal banks (consolidation, capital raising, liquidity and risk sharing facilities) IFC investments in direct support of top tier Local Government Units (LGU) IFC projects in housing finance, recovery of bad assets, mortgage restructuring, provision of insurance TF Credit Rating for Selected Cities (Public Private Infrastructure Advisory Facility- Sub-National Technical Assistance – PPIAF SNTA) TF LGU Credit Rating Program – Phase II (PPIAF SNTA) TF Small Water Utilities Financing (Public Private Infrastructure Advisory Facility- Sub-National Technical Assistance – PPIAF SNTA) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Regional Infrastructure for Growth (FY11) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Innovation for Financial Inclusion (IBRD); Risk-sharing Facility for Agribusiness (IFC) (FY10-13) IFC Sustainable Energy Finance – II TA IFC SME Banking TA IFC TA for Credit Information Corporation IFC TA for Moveable Collaterals <p>• World Bank Institute partnerships (urban)</p>

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<p>Target: 10% increase per year Progress: US\$273.68m (12/2009); US\$1.96b (cumulative)</p> <p><i>Indicator 6:</i> Number of new housing finance loans Baseline: 877 (2005; Filinvest) Target: 10% increase per year Progress: 6,011 (12/2009); 12,503 (cumulative)</p> <p><i>Indicator 7:</i> Volume of lending by Government Finance Institutions (GFI) to 2nd to 6th 4th-class LGUs Baseline: US\$21.07m (as of 09/2008) Target: 90% increase (by 2012) Progress: US\$38.4m or 82% increase (as of 10/2010)</p> <p><i>Indicator 8:</i> Participation of Private Financial Institutions (PFIs) in financing sub-national projects (number of loans) Baseline: To be determined during project formulation Target: 5 additional (2012) Progress: No progress</p>			
CAS Objective 3: Better Public Service Delivery			
<p>2011-2016 PDP Goals: Improve the quality of life of all Filipinos and pursue the MDGs, reduce poverty and inequality, universalize elementary education, make citizens functionally literate and more productive and competitive, implement universal healthcare with equitable access to quality health services, and achieve gender equality.</p>			
<p>Issues and Obstacles:</p> <ul style="list-style-type: none"> The country is having difficulty in attaining several of the MDGs: prevalence of underweight children; primary enrolment ratio (which has declined); under-five infant and maternal mortality rates. However, there have been gains in combating TB and malaria. There are significant disparities among geographical and population groups: social indicators are particularly worse in ARMM. The new administration has responded to these challenges by significantly scaling up coverage of the Conditional Cash Transfer from 1 million to 2.3 million households. The 2011 budget of the Departments of Education and Health has increased by 19 percent and 14 percent, respectively, over 2010 levels. The Government is also planning to expand coverage of the KALAHY-CIDSS CDD program nationwide. Ongoing work to improve the efficiency of increasing budgetary allocations for social sector programs will be needed to ensure higher budgets translate into better social outcomes. 			
<p>3.1 Public service delivery in key sectors</p> <p>Outcome 1: Improved access to quality basic education services</p>	<ul style="list-style-type: none"> Minimum standards for inputs, outputs, and outcomes 	<p>On track The absolute number of children enrolled</p>	<p>Completed During CAS Period:</p> <ul style="list-style-type: none"> TF Local Government Support for Regional Water Supply Project (Policy and Human Resources Development – PHRD)

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<p><i>Indicator 1:</i> Net primary enrolment rate Baseline: 85% (2008) Target: 90% (2011) Progress: 85% (2009)</p> <p><i>Indicator 2:</i> Primary completion rate Baseline: 73% (2008) Target: 77% (2011) Progress: 72% (2009)</p> <p><i>Indicator 3:</i> Net secondary enrolment rate Baseline: 61% (2008) Target: 70% (2011) Progress: 62% (2009)</p> <p><i>Indicator 4:</i> Secondary completion rate Baseline: 75% (2008) Target: 76% (2011) Progress: 74% (2009)</p>	<p>developed and monitored [On track]</p> <ul style="list-style-type: none"> School Based Management (SBM) rolled out with shift of resources to schools [On track] 	<p>in free public basic education has been increasing rapidly. Latest data on CCT or 4Ps – Set 1 areas show a 12% increase in school attendance of 4Ps beneficiaries. The Quality Assurance and Accountability Framework for basic education has been adopted by DepED, and there have been improvements in SBM implementation with more resources being shifted to schools to allow them to flexibly respond to their needs.</p> <p>The new administration has decided to extend the basic education cycle from 10 to 12 years, which will be pursued through DepED's Enhanced "K to 12" Basic Education Program. DepED plans to start offering universal kindergarten by 2011 and put in place the needed infrastructure and other requirements to be able to provide senior high school by 2016.</p> <p>DepED has engaged the Bank for follow through analytical activities, such as the continuing work on the updating of the agency's spending plan.</p>	<ul style="list-style-type: none"> TF Metro Iloilo Water District Options Study (Public Private Infrastructure Advisory Facility – PPIAF) <p>Ongoing Financing:</p> <ul style="list-style-type: none"> Second Women's Health and Safe Motherhood Project (WHSMP) (FY05) Manila Third Sewerage Project (MTSP3) (FY05) National Program Support (NPS) for Basic Education (FY06) National Program Support (NPS) for Health Sector (FY06) IFC Manila Water Company (MWC) (FY03, 04, 07) IFC Asian Hospital (FY01, 02, 08) TF Manila Third Sewerage Project (Global Environment Facility – Full Size Project - GEF FSP) TF Support to Philippine Basic Education Reforms SPHERE (AusAID) TF Health Sector Reform (European Community – EC) TF Concessional Financing Facility for Water and Sanitation Service Providers (EAP Infrastructure for Growth TF - EAAIG) TF Program for Sustainable Sanitation – Philippines Component (Water and Sanitation Program – WSP) TF National Sewerage and Septage Management Program (Water & Sanitation Program - WSP) TF Expanded Small Water Utilities Improvement and Financing Project (WSP) TF IFC Private Sector Participation in the Water Sector in the Philippines (France, USA, IFC Technical Assistance Trust Funds – TATF) TF Improved Access to Water Services in East Zone Metro Manila (Global Partnership on Output-Based Aid – GPOBA) TF Small Water Providers Work for the Poor (Water Partnership Program – WPP) TF Preparation of Manila Water and Waste Water Improvement Project (EAAIG) TF Social and Environmental Considerations for Water and Waste Water Improvement in Metro
<p>Outcome 2: Improved access to health services</p> <p><i>Indicator 1:</i> Children (age 1) immunized with DPT3 (Diphtheria- Pertussis- Tetanus Third Dose) (i) nationally; (ii) poorest quintile Baseline: (i) 87% (2007 – based on Expanded Program of Immunization (EPI) program reports); (ii) 71% (2008-based on 2008 NDHS) Target: (i) 90% (2012); (ii) 90% (2013) Progress: (i) 87% (2009); (ii) next progress data in 2013</p> <p><i>Indicator 2:</i> Share of facility deliveries (i) nationally; (ii) poorest quintile of women Baseline: (i) 39% (2007 - based on Field Health Service Information System</p>	<ul style="list-style-type: none"> Performance-based financing and monitoring system developed and piloted (i) in at least 16 provinces, with particular focus on improving maternal, child, and reproductive health [completed]; (ii) for at least 12 public hospitals [On track] 	<p>On track</p> <p>Universal Health Care (UHC) program adopted by the Government is accelerating reforms. The numbers of PhilHealth enrolment as determined from the 2008 NDHS survey showed that the enrolment numbers may not be as high as reported by PhilHealth. The Government is addressing this. The other indicators are either showing sustained or improving performance. There are increased percentages of facility deliveries and the vaccination coverage is being sustained at the high 80s (with support from NSSHRP).</p> <p>Bank work has substantially contributed</p>	

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>(FHSIS)) (ii) 13% (2008 – based on 2008 NDHS) Target: (i) 80% (2012); (ii) 80% (2013) Progress: (i) 45% (2008; no available data for this indicator in the first release of data in the 2009 FHSIS); (ii) next progress data in 2013 <i>Indicator 3:</i> Enrolment coverage of the National Health Insurance Program (i) total population; (ii) indigent population Baseline: (i) 76% (2008 – based on Philhealth reports); (ii) 55% (2008 – based on Philhealth reports) Target: (i) 85% (2012); (ii) 100% (2012) Progress: (i) 86% (6/2009; no more reports after this date); (ii) 64% (6/2009; no more reports after this date)</p> <p>Outcome 3: Increased household access to safe drinking water and sanitation services <i>Indicator 1:</i> Share of poor households in project areas with access to safe drinking water services (MDG)/ connected to network services Baseline: 91% (6/2008) Target: 92% (2012) Progress: 91% (6/2010) <i>Indicator 2:</i> Share of poor households in project areas with access to improved sanitation (MDG) Baseline: 76% (6/2008) Target: 77% (2012) Progress: 76% (6/2010) <i>Indicator 3:</i> Number of LGUs closing open dumpsites and opening sanitary landfills (Solid Waste Management Act) Baseline: <1% of LGUs Target: 20 LGUs (2012) Progress: 4 LGUs (6/2010)</p>	<ul style="list-style-type: none"> Establishment of a common financing approach for the water sector agreed with other multilateral and bilateral financing institutions [On track] National capacity to develop and support local government implementation of sustainable sanitation, septage and sewerage programs strengthened [On track] 	<p>in the design and the fleshing out of the UHC agenda. There is ongoing work to clarify and explain the varying numbers for the indicators with the aim of having more robust numbers.</p> <p>DOH and Philhealth have now adopted the NHTS as the targeting tool in enrolling the poor, and DOH and Philhealth are prioritizing the enrolment of all CCT households into the Sponsored Program of Philhealth.</p> <p>On track Continued increase in access to safe drinking water. Bank contributions to increase HH access to safe drinking water and sanitation were mainly from the completed sub-projects under the GPOBA, UPSURGE, SSLDIP, MTSP, LISCOP and WSP from January to June 2010. It is expected that access will further increase with the approval of the additional US\$1.8m GPOBA grant to connect poor households, LISCOP additional financing, and the completion of the ongoing MTSP sub-projects for Metro Manila; the completion of WSS sub-projects under UPSURGE, SSLDIP, and WSP are supporting project preparation for small wastewater infrastructure in six LGUs outside Metro Manila. Selection of 20 small water utilities for regulation and performance improvement is also underway under the Expanded Small Water Utilities Improvement and Financing (E-SWIF) project.</p>	<p>Manila (EAAIG) <ul style="list-style-type: none"> TF Results Based M&E for the Health Sector Reform Agenda (IDF) TF Implementing a Hospital Scorecard for the Philippines (Governance Partnership Facility – GPF) TF Monitoring the Social Impacts of Tropical Storms Ondoy and Pepeng (PH-PTF) <p>Indicative Financing: <ul style="list-style-type: none"> Manila Wastewater Management Project (FY11) National Program Support (NPS) Basic Education 2 (FY12) National Program Support (NPS) for Health 2 (FY12) IFC investments in water supply Grant: OBA Facility (health, water, urban) <p>Completed AAA/Others During CAS Period: <ul style="list-style-type: none"> Education Public Expenditure Review (FY10) Discussion Note on Basic Education (FY10) Discussion Note on Higher Education (FY10) Discussion Note on Health (FY10) Discussion Note on Water and Sanitation (FY10) Technical Assistance on Output Based Aid Facility for Water (FY11) Study on Education Service Contracting (FY11) Health Sector Review (FY11) <p>Ongoing/Indicative AAA/Others: <ul style="list-style-type: none"> Programmatic AAA for Education (FY10-13) Programmatic AAA for Health (FY10-13) Programmatic AAA for Water Supply and Sanitation Support (including Best Management Practices in Water Pollution Control) (FY10-13) IFC Advisory Services </p> </p></p></p>

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<p>3.2 Basic service delivery in poor areas</p> <p>Outcome 1: Scaled-up provision of basic services through a nationwide community driven development program <i>Indicator:</i> Number of poor municipalities supported by national Community Driven Development (CDD) program Baseline: 184 Target: 381(2012) Progress: 200 (11/2010)</p> <p>Outcome 2: Enhanced effectiveness of public service delivery through more coordinated area-based approaches <i>Indicator:</i> Number of poorer provinces with enhanced mechanism to coordinate inter-agency anti-poverty programs Baseline: 0 Target: 1 (2012) Progress: 0 (11/2009)</p>	<ul style="list-style-type: none"> Increased number of municipalities supported by national CDD programs [Off track] 200 municipalities (by 2010) 308 municipalities (by 2011) 381 municipalities (by 2012) Increased proportion of budgets in targeted Local Government Units (LGUs) allocated to poorer areas [Off track] Agreements reached to improve inter-agency and inter-governmental coordination and specifying the nature of coordination [Off track] Provincial compact executed to improve inter-agency coordination [Off track] 	<p>On track The KALAH-CIDSS Additional Financing (US\$59m) was approved (FY11). Millennium Challenge Corporation has also approved their Compact (US\$120m in grant financing for next five years) to be implemented under a common operational framework. Impact Evaluation (IE) of first phase of the KALAH-CIDSS is being completed. MCC project includes funding for additional IE work.</p> <p>Off track The Bank team will be working in Region 8, given its high level of poverty and the presence of a number of active Bank operations. Scoping and data collection will be undertaken in Feb-March 2011, with initial discussions with the selected province(s) to begin in April.</p>	<p>Completed During CAS period:</p> <ul style="list-style-type: none"> TF Implementation – Philippines KALAH-CIDSS (Policy and Human Resources Development – PHRD) TF Urban Partnership for Sustainable Upliftment, Renewal, Governance, and Empowerment – UPSURGE (Japan Social Development Fund – JSDF) <p>Ongoing Financing:</p> <ul style="list-style-type: none"> Kapit Bisig Laban sa Kahirapan - Comprehensive and Integrated Delivery of Social Services (KALAH-CIDSS) (FY03) KALAH-CIDSS Additional Financing (FY11) TF Improving Livelihood Opportunities for Vulnerable Urban Communities (Japan Social Development Fund – JSDF) TF Pathways for Women’s Economic Empowerment (Gender TF) TF Towards an Integrated Operational Framework for Rural Poverty Reduction (EAAIG) TF Urban Partnership for Sustainable Upliftment, Renewal, Governance and Empowerment – UPSURGE (JSDF) TF Sustainable Urban Development and Urban Poverty Reduction (EAAIG) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Nationwide CDD (Community Driven Development) (FY13) <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Discussion Note on Community Driven Development (FY10) Indigenous Peoples and Vulnerable Groups (FY10) – Study on Indigenous Peoples (FY11) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Synergies for Service Delivery (CCT, CDD, NPS) (FY11) Programmatic AAA on CDD (FY11-13) <ul style="list-style-type: none"> Synthesis of CDD Impact Evaluations (FY11) Good Practice Note/Operational Guidelines on

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
			<p>Adapting CDD for Post-Conflict Setting and in Indigenous Communities (FY12)</p> <ul style="list-style-type: none"> - Assessment of Lessons Learned in Adapting CDD to Urban Settings (FY13) • Philippines Population Report (FY12-13) • Urban Slum Upgrading Strategy (FY12) • Country Gender Assessment (FY12) • Housing Finance for Low Income Households (in collaboration with IFC) (FY12) • TF Institutionalizing Civil Society Monitoring and Assessment of Public Service Delivery to the Poor (IDF)
CAS Objective 4: Reduced Vulnerabilities			
<p>2011-2016 PDP Goals: Empower and protect the poor and vulnerable through social protection systems; pursue an integrated and community-based ecosystems approach to environment and natural resource management anchored on principles of shared responsibilities, good governance, participation, social and environmental justice, and gender and intergenerational equity for a healthy, ecologically balanced, and sustainably productive environment; enhance resilience of natural systems and improve adaptive capacities to cope with environmental hazards including climate-related risks; support the vision for ensuring national security and winning the peace.</p>			
<p>Issues and Obstacles:</p> <ul style="list-style-type: none"> • Low response of poverty reduction to growth; poverty is estimated to be increasing and inequality remains relatively high. • Effectiveness of social protection and poverty reduction efforts is compromised by lack of an efficient system to target the poor and by weak coordination and capacity. • 45 percent of the population are vulnerable to falling into poverty due to shocks. • Most poor households live in natural hazard-prone areas and are susceptible to climate change and disaster shocks. 			
<p>4.1 Social protection system</p> <p>Outcome 1: National household poverty targeting system in place and used <i>Indicator 1:</i> Share of poor households registered in the database receiving benefits of social programs Baseline: 9% (2008) Target: 20% (2012) Progress: 17% (10/2010) <i>Indicator 2:</i> Number of national programs that are using the targeting system for selecting their beneficiaries Baseline: 1 (2008) Target: 2 (2012)</p>	<ul style="list-style-type: none"> • Management Information System (MIS) designed and in operation including integrated data entry application, Proxy Means Testing (PMT) processing and data management, and sharing capabilities properly functioning [On track] 	<p>On track Enumeration for 9.1 million households has been completed, and 4.2 million households identified as poor by Proxy Means Test (PMT) Executive Order No. 867 was issued on March 9, 2010, providing for adoption of the NHTS-PR as mechanisms for selecting beneficiaries of social protection programs nationwide.</p> <p>787,807 beneficiaries out of 4.7 million poor households in the Philippines (according to 2006 figures from NSCB)</p>	<p>Completed During CAS Period:</p> <ul style="list-style-type: none"> • DPO Supplementary Food Crisis Response (FY10) <p>Ongoing Financing:</p> <ul style="list-style-type: none"> • Social Welfare and Development Reform (SWDRP) (FY10) • TF Qualitative Impact Evaluation of the Conditional Cash Transfer Program and Poverty Targeting System (Korea TF) • TF Monitoring the Human and Social Impacts of the Global Economic Crisis on the Philippines (PH-PTF) • TF Review of the Philippines Social Protection System (PH-PTF)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>Progress: 2 (10/2010)</p> <p>Outcome 2: Conditional Cash Transfer (CCT) program fully operational <i>Indicator 1:</i> Share of 4Ps (Pantawid Pamilyang Pilipino Program – CCT program) beneficiaries belonging to the two poorest quintiles Baseline: 0 (2008) Target: 70% (2012) Progress: Data from new FIES expected in 2012 <i>Indicator 2:</i> Share of the 4Ps (Pantawid Pamilyang Pilipino Program – CCT program) grants transferred to the beneficiaries that are based on conditionalities met for health (0-14 years old and/or pregnant women) and education (6-14 years old) Baseline: Health 60%; Education 60%</p>	<ul style="list-style-type: none"> Management Information System (MIS) developed and functioning to support payments, verification, updates, and grievance system [On track] Spot checks for 4Ps (Pantawid Pamilyang Pilipino Program – CCT program) of schools, clinics, municipal links, and beneficiary households carried out annually [On track] 	<p>receive benefits of social programs as of October 2010.</p> <p>CCT and PhilHealth use National Household Targeting System for Poverty Reduction(NHTS-PR) database to select beneficiaries. NHTS-PR database was shared with PhilHealth and utilized for Mass Enrollment Day on 10/2/2010 (PhilHealth Sabado).</p> <p>The Government has approved the budget for 2011 to expand the coverage of the CCT program from 1 million beneficiary households by end of 2010 to 2.3 million beneficiary households in 2011. The targeted 2.3 million households is equivalent to about half of the total estimated number of poor households in the Philippines. This extensive expansion of the CCT program poses large risks to ensuring project quality, considering the rapidness and scale of the expansion and current level of resources and capacity of the program.</p> <p>On track CCT fully operational with large expansion (Set 4) planned in 2011. The total number of 4Ps beneficiaries is 787,807 households, which consist of 340,922 households in Set 1, 288,278 households in Set 2, and 158,607 households in Set 3 (10/2010). The government targets to support 2.3 million beneficiary households by 12/2011. Quality implementation is a concern, given the current level of capacity and staffing, and the expected fundamental changes in the project design (e.g. verification cycle, payment frequency, and health conditionalities).</p> <p>Responding to the request from DOF, the</p>	<ul style="list-style-type: none"> TF Improving Poverty and Social Statistics (PH-PTF) TF TA Program for the Philippines CCT (PH-PTF) <p>Indicative Financing:</p> <ul style="list-style-type: none"> SWDRP Additional Financing (FY13) <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Discussion Note on Social Protection (FY10) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Programmatic AAA for Social Protection and Poverty Reduction (FY10-13) <ul style="list-style-type: none"> Qualitative Evaluation of CCT Social Protection Public Expenditure Review focused on Social Safety Nets Policy Notes and Technical Note on Labor Market Studies Technical Assistance for CCT and Targeting

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>(2008) Target: Health 65%; Education. 80% (2012) Progress: Health 65%; Education. 82% (10/2010)</p>		<p>current SWDRP has started covering Set 2 under the current loan while preparing additional financing to cover 75% of Set 2. Fieldwork of spot checks started in 11/2010.</p>	
<p>4.2 Disaster risk management and climate change</p> <p>Outcome 1: Disaster- and climate change-related risks reduced</p> <p><i>Indicator 1:</i> Share of vulnerable Local Government Units (LGUs) that integrate Disaster Risk Reduction (DRR) and/or Climate Change Adaptation (CCA) into their local plans and budgets Baseline: 9% (6/2009) Target: 51% increase (2012) Progress: Seven provinces and 21 municipal and city LGUs committed (9/2010)</p> <p><i>Indicator 2:</i> Volume of investments in Disaster Risk Reduction and/or Climate Change Adaptation measures in participating Local Government Units (LGUs) Baseline: US\$6.8m Target: US\$20m (2012) Progress: DRM US\$20m; CCA US\$61.6m (11/2009)</p> <p><i>Indicator 3:</i> Number of WBG projects that incorporate Disaster Risk Reduction, Climate Change Adaptation, and/or contingent components Baseline: 5 projects (2008) Target: 8 (2012) Progress: DRM 1; CCA 4 (9/2010)</p>	<ul style="list-style-type: none"> Government has adopted a new risk financing strategy and mechanism [Watch] Enhanced access to risk financing instruments [Watch] High risk Local Government Units (LGUs) have functioning disaster coordinating councils [On track] 2011-2016 Philippine Development Plan (PDP) and high risk Local Government Units (LGUs) incorporate Disaster Risk Reduction (DRR) issues into programs and investment projects [On track] Climate Change Adaptation framework, strategy, plan, and program for agriculture and natural resources developed and adopted [On track] Climate proofing strategies and measures identified and piloted in the following WBG-assisted projects: Mindanao Rural Development Project 2, Participatory Irrigation Development Project, National Program Support (NPS) for Environment and Natural Resource Management Project [On track] Critical sectors and Local Government Units (LGUs) in the most vulnerable areas 	<p>Watch</p> <p>The enabling laws on Climate Change and DRRM have already been passed with the IRR and the strategy framework of the former already being put in place. However, capacities of the new agencies created under these laws have yet to be built up and thus implementation would pose a real challenge. In addition, coordination of the agencies needs to be significantly improved and delineation of functions and responsibilities clarified.</p> <p>The Philippine Climate Change Adaptation Project that focuses on agriculture and NRM sectors was approved by the Board. Some irrigation systems to be rehabilitated under the Participatory Irrigation Development Project are also redesigned and/or retrofitted to make them more climate resilient following the typhoons and the great flooding that affected the country in 2009.</p> <p>The formulation of a comprehensive flood management master plan for Metro Manila is underway. The results will pave the way for a broader plan to improve the urban resilience of the capital in light of the massive flooding in 2009. The master plan will commence in January and will be implemented in a period of around 13 months.</p>	<p>Completed During CAS Period</p> <ul style="list-style-type: none"> TF Laguna De Bay Institutional Strengthening and Community Participation Project (Dutch cofinancing) TF Grant for Preparation of Integrated Persistent Organic Pollutants Management (Dioxin and Furans, PCB and Contaminated Sites) Project (Global Environment Facility – GEF) TF Preparation of Climate Change Adaptation Phase I project (GEF) <p>Ongoing Financing:</p> <ul style="list-style-type: none"> Laguna De Bay Institutional Strengthening and Community Participation (LISCOP) (FY04) National Program Support (NPS) for Environment and Natural Resource Management Project (ENRMP) (FY07) IFC Philippines National Oil Company -Energy Development Corporation (PNOC -EDC) (geothermal) (FY07, 09) TF NPS ENRMP (Global Environment Facility – GEF) TF Climate Change Adaptation (GEF) TF Ozone Depletion Substance (ODS) Phase Out Investment Project (Ozone Trust Fund - OTF) TF Country Environmental Analysis TF Clean Development Mechanism TA for Philippines TF Supporting Local Government Capacity to Manage Natural Disasters (Global Facility for Disaster Reduction and Recovery - GFDRR) TF Climate Change in Coastal Areas (Norwegian Trust Fund for Private Sector and Infrastructure – NTFPSI) TF National CFC (chlorofluorocarbon) Phase Out Plan (Sweden) TF IFC Philippines Asian Conservation Company TF Ethanol Wastewater Treatment Biogas Project

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<p>Outcome 2: Greenhouse gas emissions reduced through expansion of mitigation programs in key sectors and LGUs <i>Indicator:</i> Volume of Bank-assisted Emission Reductions Purchase Agreements (ERPAs) Baseline: 2 Mt Carbon Dioxide Emission (CO₂e) committed in WBG-assisted ERPAs (2/2009) Target: 4 Mt CO₂ (2012) Progress: 2.6 Mt CO₂ (9/2010)</p>	<p>accorded priority [On track]</p> <ul style="list-style-type: none"> Weather-based (index) agricultural insurance system pilot-tested in at least one region [On track] Carbon finance program on waste management in Mindanao developed and approved [On track] Emission Reductions Purchase Agreements (ERPAs) signed for new carbon finance operations [On track] 	<p>On track Three additional emission reduction purchase agreements (ERPAs) have been signed by the Bank in addition to the baseline/pre-CAS ERPAs with a total emission reduction volume of 2.603 million tons CO₂. This does not yet include the expansion of the programmatic Methane Reduction Programs with Land Bank of the Philippines on pig waste and landfill projects, respectively. In addition, the scheduled deliveries of the Second Rural Power Project in FY11 and the Cebu Bus Rapid Transit in FY12 are also expected to significantly contribute to emission reductions through the implementation of renewable energy subprojects and sustainable transport projects.</p>	<p>(Carbon Fund –CF)</p> <ul style="list-style-type: none"> TF Laguna de Bay Community Carbon Finance Project (CF) TF Northwind Power Project (CF) TF Nasulo Geothermal Project (CF) TF Northern Negros Geothermal Project (CF) TF EDSA Bus Reduction Project (CF) TF Climate Change Mitigation Program through Waste Management and Renewable Energy (Global Environment Facility – GEF, CF) TF Chillers Efficiency (Global Environment Facility – GEF, Carbon Fund – CF) TF Metro Manila Flood Control Master Plan TF Reducing Vulnerability to Flooding in Metro Manila (Global Facility for Disaster Reduction and Recovery – GFDRR) TF Manila Water Security and Pilot PSP to Increase Coverage (EAAIG) TF Setting Out the Institutional Operational and Financing Framework for the Clean Up of Manila Bay and Tributaries (Korean TF) <p>Indicative Financing:</p> <ul style="list-style-type: none"> LISCOP Additional Financing (FY11) Disaster Risk Management (DRM) Financing (including Catastrophe Deferred Drawdown Option (CAT DDO)) (FY12) Urban Transport - Cebu Rapid Bus Transit (FY12) Renewable Energy Development (FY13) Integrated Water Quality Management (FY13) IFC projects in renewable energy (e.g., geothermal, hydro, solar), power (including in Mindanao) TF Climate Change Scale-up in Coastal Areas (Global Environment Facility - GEF) <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Discussion Note on Disaster Risk Management (FY10) Discussion Note on Climate Change (FY10) Post-Disaster Needs Assessment (PDNA)

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			<p>(FY10)</p> <ul style="list-style-type: none"> Scale-up Climate Change Strategy (FY10) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Programmatic AAA for Disaster Risk Management (DRM), including Climate Change Issues (FY10-13) Social Impact Monitoring of Typhoons Ondoy and Pepeng (FY11-12) Metro Manila Flood Master Plan (FY11-12) IFC Advisory Services (ongoing) World Bank Institute (WBI) partnerships
<p>4.3 Stability and peace</p> <p>Outcome 1: Enhanced impact and conflict-sensitivity of development programs implemented in communities in Mindanao affected by armed or violent conflict</p> <p><i>Indicator 1:</i> Number of IDP (Internally Displaced Persons) families from recent conflict with homes rebuilt</p> <p>Baseline: 15,392 recent IDP (Internally Displaced Person) families (reported in National Disaster Coordinating Council, 12/2008) with estimated 3,000 families with homes destroyed</p> <p>Target: At least 20% of families of the latter group with assistance provided for reconstruction of structures and rehabilitation of basic services (2012)</p> <p>Progress: Implementation of CDR started (11/2010)</p> <p><i>Indicator 2:</i> Development and use of simple and user friendly conflict sensitivity tool for assessment of more programs in Mindanao</p> <p>Baseline: 1 PCIA (Peace and Conflict Impact Assessment) tool for community sub-projects</p> <p>Target: 1 Conflict sensitivity tool developed for Local Government Unit (LGU) programs in areas of armed and violent conflict in Mindanao (2012)</p>	<ul style="list-style-type: none"> Community programs using Community Driven Development (CDD) approach implemented in more conflict-affected municipalities [On track] Project preparation (whether through grants and/or loans) are based on close coordination and planning with government and development partners [On track] 	<p>On track</p> <p>Implementation of the Community-Driven Reconstruction (CDR) sub-component of the Mindanao Trust Fund-Reconstruction & Development Program started 11/2010. At least 1,000 IDP families are expected to benefit from infrastructure, housing and livelihood assistance.</p> <p>A comprehensive IDP assessment is being undertaken in partnership with World Food Program under the State and Peace-building Fund. This will inform new activities on the ground through the MTF-RDP.</p> <p>Conflict-sensitive programming and implementation has been introduced to both Mindanao Trust Fund-Reconstruction & Development Program and ARMM Social Fund Project. Tools are being developed and will be used in the field operations. Conflict mitigation impacts will be strengthened through the remainder of the CAS period by strengthening the focus on livelihoods and conflict management.</p>	<p>Completed During CAS Period:</p> <ul style="list-style-type: none"> Autonomous Region in Muslim Mindanao (ARMM) Social Fund Project (FY03) TF Mindanao Regional Development in Conflict-Affected Areas TF Preparation of Mindanao Rural Development Project Phase II – Coastal and Marine Ecosystem Conservation Component (GEF) TF Rural Infrastructure Component of the Mindanao Rural Development Program Phase II (EAP Infrastructure for Growth TF - EAAIG) <p>Ongoing Financing:</p> <ul style="list-style-type: none"> Mindanao Rural Development Project – Phase 2 (MRDP2) (FY07) MRDP-2 (GEF) TF Mindanao Reconstruction and Development (various) ARMM Social Fund Additional Financing (FY10) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Fund for Peace and Development/Mindanao Development (FY13) Central Philippines Rural Development Project (FY13) IFC projects in power generation in Mindanao including support to Electrical Cooperatives (ECs) for capital expansion <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Mindanao Up-scaling (FY10)

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<p>Progress: PCIA and conflict analysis have been embedded into Mindanao Trust Fund – Reconstruction & Development and ARMM Social Fund Project operations manual (11/2010)</p> <p>Outcome 2: Scaled-up provision of basic services and livelihood support through community driven development (CDD) in communities affected by armed or violent conflict</p> <p><i>Indicator:</i> Number of conflict- affected communities having one or more CDD sub-projects Baseline: 732 Target: 1,169 (2012) Progress: 825 (11/2010)</p>	<ul style="list-style-type: none"> Improved transparency in budgeting, allocation, and management of public resources and accountability [Watch] Scaled-up provision of community infrastructure including power generation capacity and increased efficiency in distribution [On track] 	<p>On track ASFP additional financing which will involve CDD implementation in about 600 conflict-affected communities became effective in 11/2010. MTF-RDP expansion to around 100 sites has started [10/2010].</p> <p>Block grants will be provided to 24 municipalities under the ASFP and at least four local government units under the MTF-RDP to strengthen transparency in budgeting, allocation, and management of public resources and accountability.</p>	<ul style="list-style-type: none"> Mindanao Development for Peace and Growth (FY10) Conflict Monitoring System (FY11) Comprehensive Assessment of IDP Needs in Conflict Affected Areas (FY11) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Programmatic AAA for Conflict/Mindanao (FY11-13) Encouraging More Resilient Communities in Conflict- affected Areas (State and Peace-building Fund - SPF) (FY10-12): <ul style="list-style-type: none"> Framework for Reintegration of Ex-Combatants (FY11) Review of Community Based Projects in Conflict Affected Areas (FY12) Review of Land Conflict and Land Tenure Issues in Conflict Affected Areas (FY12) IFC Advisory Services (e.g., rural electrification, power supply aggregation agreements, banana value chain) TF Multi-Donor TF Mindanao Reconstruction and Development Program
Cross-Cutting Theme: Good Governance			
<p>2011-2016 PDP Goals: Promote and practice effective and honest governance to create an enabling environment for citizens and the private sector to have equal access to opportunities; ensure effective, efficient, transparent, and accountable delivery of public services; curb corruption; strengthen the rule of law; and enhance access to information and participation.</p>			
<p>Issues and Obstacles:</p> <ul style="list-style-type: none"> Good governance is the centerpiece of the new administration of President Aquino but the Government has yet to translate this into a concrete plan to produce discernible changes in the performance of the public sector, improved service delivery and accountability in public financial management. While CSOs are active in demanding transparency and better governance, their advocacies lack strategic focus and are not always backed up by in-depth analysis. Investment climate is constrained by lack of trust that institutions have functional self-regulatory mechanisms, and that transparency and disclosure principles are respected and governance mechanisms are effective. There are recently initiated efforts to strengthen local governance through incentive programs for LGU fiscal management and operations and through the national expansion of the CDD program. The challenge is to monitor and support its implementation (short-term) and effectively integrate demand-and supply-side approaches over the medium term. 			
5.1 Governance and anticorruption in selected national government agencies			<p>Completed During CAS Period</p> <ul style="list-style-type: none"> TF Strengthening of Monitoring and Evaluation

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
<p>Outcome 1: Core business systems, processes, and capacities in selected agencies improved</p> <p><i>Indicator:</i> Number of national government agencies with an internal audit unit out of 22 national agencies Baseline: 12 or 56% (2008) Target: 18 or 82% (2012) Progress: 18 (12/2010)</p>	<ul style="list-style-type: none"> Agency-specific indicators developed to monitor one or more of the following governance areas: Public Financial Management (PFM), internal and external audit functions; operational efficiency [On track] 	<p>On track Support for GAC at the agency level is proceeding in the following agencies:</p> <ul style="list-style-type: none"> DSWD: GAC in the CCT completed, including agency-wide Integrity Development Review DepEd: Political economy assessment completed DOH: Political economy assessment in support of NPS Health 2 proposal Post-Ordoy and Pepeng Reconstruction: Developed a system to track on and off-budget expenditures and physical progress of reconstruction efforts Supreme Court: Enterprise Information Systems Plan refocuses on modernizing judiciary-wide information systems and associated human resource capacity and supports MIS Office re-engineering and development plan. BIR 	<p>Capacities in Agriculture (Institutional Development Fund - IDF)</p> <ul style="list-style-type: none"> TF Strengthening the Institutional Capacity of the National Commission on Indigenous People (IDF) AusAID EFO on GAC in CCT <p>Ongoing Financing:</p> <ul style="list-style-type: none"> Judicial Reform Support Project (JRSP) (FY04) NPS for Tax Administration Reform (FY07) TF Strengthening Institutions Towards the Implementation of Effective Anti-Corruption Programs (IDF) TF Philippines Governance Strategy (GPF) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Justice Sector Reform 2 (FY13) <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Political Economy Study on Tax Administration (FY10) Political Economy Study of Rural Electric Cooperatives (FY10) Good Governance and Anti-Corruption in CCT (FY10) Discussion Note on Governance (FY10) Discussion Note on Judicial Reform (FY10) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Agency Institutional Strengthening (FY10-13) Programmatic AAA on Sector Governance Assessments (for various sectors/ SOs - Strategic Objectives) (FY10-11) <ul style="list-style-type: none"> Education (FY11) Health (FY11) Agriculture (FY11) Justice Sector Reforms Financial Control Assessments (FY12-13) TF Strengthening the Capacity of Public Internal Audit (IDF) IFC Advisory Services (e.g., ‘Doing Business’, sub-national ‘Doing Business’, Business Enabling

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
			Environment - BEE, regulatory simplification, Corporate Social Responsibility) • World Bank Institute partnerships
<p>5.2 Procurement and public financial management reforms at national and local levels</p> <p>Outcome 1: The Procurement Law more strictly enforced <i>Indicator:</i> Procurement operations and public procurement market (Country Procurement Assessment Report - CPAR scores) Baseline: 16/30 points or 53% (2007) Target: 24/30 points or 80% (2012) Progress: 77% (8/2010)</p> <p>Outcome 2: Improved management and greater transparency in public finances <i>Indicator:</i> Public Expenditures and Financial Accountability (PEFA) scores (i) Predictability and Control in Budget Execution; (ii) Accounting, Recording and Reporting Baseline: (i) 4 out of 9 indicators rated as D+ (ii) all 4 indicators rated as D/D+ Target: (i) 3 out of 9 rated as D+ (ii) 3 out of 4 rated as D/D+ (2012) Progress: Baseline PEFA for 2007 was approved by the Government and released in 2010 identifying critical system gaps and weaknesses in the PFM system. A PFM Reform Roadmap was also prepared by the Government to address these and improve the PEFA ratings</p>	<ul style="list-style-type: none"> Government procurement system assessed as part of country systems pilot [On track] New omnibus Public Financial Management (PFM) law in place, or, a coherent PFM reform strategy adopted [Watch] Coherent Public Expenditure Management (PEM) reform agenda developed with functioning Financial Management Information System (FMIS) (2011) [Watch] Comprehensive Public Expenditure Management (PEM) reform strategy with draft organic budget law and Government Finance Management Information System (GFMIS) action plan in place [Watch] Improved PEFA (Public Expenditure and Financial Accountability) scores related 	<p>On track The Harmonized Philippine Bidding Documents for Works & Goods were issued in December 2011 and posted on website www.gppb.gov.ph. COA issued the Procurement Audit Guide in January 2010. Construction Sector Initiative published Material Project Information for 10 pilot projects in the Philippine Government Electronic Procurement Systems (PhilGEPS). Monitoring of procurement performance and collection of statistics developed and started in three agencies.</p> <p>On track Fiscal Responsibility Bill was announced by the new President as a priority measure and several related draft bills have been filed by the new Congress. The Government is preparing a consolidated executive version of the Bill.</p> <p>PFM reform roadmap is set for government approval and provides important milestones for (i) efficient and transparent budget planning, execution and reporting, (ii) establishment of the GIFMIS by 2015, and (iii) single treasury account by 2014. Meantime, DBM introduced changes in budget policy through the General Appropriations Act of 2011 to address gaps and issues in existing systems and practices. In support of in-depth analysis of the budget by CSOs, the Bank helped to organize the Forum on the 2011 National Expenditure</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> TF Professionalization of Public Procurement Practitioners and Functions Project (IDF) TF Strengthening the Capacity of the Procurement Service in Implementing the Philippine Government Electronic Procurement System (Institutional Development Fund - IDF) TF Improving the Quality and Responsiveness of Public Spending in Poor Communities through Localized Procurement Reform (Japan Social Development Fund) TF Strengthening the Capacity and Effectiveness of the Commission on Audit (IDF) TF Strengthening the Capacity of Public Sector Internal Audit (IDF) TF TA to Support the Creation of the Accounting Oversight Board (FIRST) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Government Integrated Financial Management Information System (GIFMIS) (FY13) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Support for Procurement Reforms (FY10 -12) <ul style="list-style-type: none"> Update of Country Procurement Assessment Report (CPAR) Study of Approved Budget for Contract (ABC) effectiveness) Public Finance Management AAA (FY11-13) Country Financial Accountability Assessment (CFAA) Update (FY12-13)

END-FY12 CAS RESULTS AREAS AND OUTCOMES	INDICATIVE MILESTONES	PROGRESS TO DATE	WORLD BANK GROUP PROGRAM
	to budget formulation and execution [On track]	Program (NEP).	
<p>5.3 Better local governance through more effective decentralization</p> <p>Outcome 1: Deepened and refined decentralization through broad-based reforms</p> <p><i>Indicator:</i> Consensus built around comprehensive policy reforms affecting decentralization Baseline: No comprehensive review of decentralization laws and policy issues Target: Philippines Development Forum (PDF) adopts a comprehensive policy reform agenda on decentralization (2012) Progress: Limited progress (12/2010)</p> <p>Outcome 2: Strengthened LGU performance for more effective service delivery</p> <p><i>Indicator:</i> Number of Local Government Units (LGUs) participating in performance-based programs Baseline: To be determined during project formulation Target: Participating LGUs meeting at least 50% of performance targets (2012) Progress: Limited progress (12/2010)</p>	<ul style="list-style-type: none"> Developed a simplified local governance indicator set to better monitor Bank-supported interventions designed to improve TAP (Transparency, Accountability, and Participation) [Watch] Citizen's scorecards used to monitor public satisfaction on Local Government Unit (LGU) service delivery [Watch] Performance-based financing and monitoring system developed and piloted in Local Government Units (LGUs) [Watch] 	<p>Watch</p> <p>Progress to date has been limited but a new work-plan for 2011-12 is being finalized for the PDF Working Group on Decentralization and LG (PDF-WG), including a comprehensive policy reform agenda to address fundamental issues in the decentralization framework.</p> <p>De La Salle University (DLSU) IDF activity will assess the application of LGU scorecards as part of knowledge partnerships for local service delivery.</p> <p>Watch</p> <p>Progress to date has been limited but there are promising developments. DILG is planning to implement the LGU "Performance-based Challenge Fund" in 2011 while MDFO is considering the development of a performance-based grant program. Furthermore, the next phase of the KALAH I CDD program includes a more devolved model of implementation based on a local governance performance framework.</p>	<p>Ongoing Financing:</p> <ul style="list-style-type: none"> TF Strengthening the Capacity of the Local Government Academy to Coordinate and Oversee Local Government Training and Capacity Building Project (Institutional Development Fund - IDF) TF Non-Governmental Organization (NGO) Sector Efficiency and Accountability to Strengthen Service Delivery to the Poor (Japan Social Development Fund - JSDF) TF 2010 Newly Elected Officials Orientation Program (DIALOG TF) TF Institutionalizing Civil Society Monitoring and Assessment of Public Service Delivery to the Poor (IDF) <p>Indicative Financing:</p> <ul style="list-style-type: none"> Local Government Finance Support (FY13) <p>Completed AAA/Others During CAS Period:</p> <ul style="list-style-type: none"> Discussion Note on Decentralization (FY10) Approach Paper on Decentralization (FY10) <p>Ongoing/Indicative AAA/Others:</p> <ul style="list-style-type: none"> Programmatic AAA on Local Governance and Decentralization, inc. LGU financing framework and institutionalizing incentives (FY10-13) <ul style="list-style-type: none"> PDF Working Group on Decentralization and Local Government (FY11) AAA on Institutionalizing Incentives (FY11) DIALOG TF-supported AAA in support of the PDF Working Group (FY11-13) IFC Advisory Services (e.g., 'Doing Business', sub-national 'Doing Business')

Annex 9

Explanation of Changes in FY10-FY13 CAS Results Framework

Results	SO1	SO2	SO3	SO4	SO5	Total
Indicators						
Changed	3	8	6	7	1	25
Dropped	0	1	0	0	0	1
Added	0	4	0	0	0	4
Milestones						
Changed	0	7	1	0	1	9
Dropped	0	5	0	1	0	6
Added	2	2	1	0	0	5

STRATEGIC OBJECTIVE 1: STABLE MACROECONOMY

2004-2010 MTPDP Goals: Maintain economic stability through further fiscal consolidation (improved revenue generation as well as strengthened expenditure management), rationalized national government spending for devolved services, and reduced debt.

[new] 2011-2016 PDP Goals: Set the conditions towards a stable macroeconomic environment conducive to sustained higher growth, address the narrow fiscal space through sustainable revenues and spending (including tax administration/policy reforms and increased public expenditure efficiency), commit to low and stable inflation, and reduce external vulnerabilities.

Results Area 1.1 Fiscal and financial stability through consolidation and improved macroeconomic risk management

Outcome 1: Maintained tax effort through strengthened tax administration and tax policy reform

Indicator 1: Tax/GDP ratio - changed in baseline from 13.3% to 12.8%

Remarks: The original CAS baseline for 2009 was a forecast. The actual tax/GDP ratio for 2009 was 12.8%.

Indicator 2: Non-financial public sector debt/GDP – changed in baseline from 62.4% to 60.7%

Remarks: The original CAS baseline for 2008 was a preliminary estimate. The actual non-financial public sector debt ratio for 2008 was 60.7%.

New milestone:

Strategy developed for BIR by the new BIR Commissioner

Remarks: In light of government priorities to raise revenues from administrative measures, the new BIR commissioner, with support from DOF, is embarking on a comprehensive reform for tax administration with assistance from donor agencies. A key first step is the development of a strategic plan for reform. The BIR held a high-level strategic planning workshop in February 2011 to develop this agenda. This

plan would include agency-level key performance indicators to improve transparency and accountability in the BIR.

Outcome 2: Improved efficiency and targeting of public expenditures

New milestone:

Strengthened expenditure evaluation capacity in DBM/NEDA

Remarks: The new milestone is added to consider the Zero Based Budgeting (ZBB) approach undertaken for the 2011 budget.

Outcome 3: Improved management of key fiscal and financial sector risks

Indicator 2: Commercial banks' distressed asset ratio - date for baseline was changed from 9/2008 to 3/2008

STRATEGIC OBJECTIVE 2: IMPROVED INVESTMENT CLIMATE

2004-2010 MTPDP Goals: Encourage the private sector to strengthen trade and investment and attain national investment rates of about 25-28 percent of GDP; continue with the integration of the transport system, and develop and diversify the energy mix; ensure smooth financing for entrepreneurs, including microfinance for underserved areas.

[new] 2011-2016 PDP Goals: Create the necessary conditions conducive to the growth and competitiveness of private business, in particular, a better business environment, improved productivity and efficiency, and greater value for money; fulfill the potential of the agricultural and fisheries sectors; accelerate the provision of efficient and reliable infrastructure with equitable access; and ensure a development-oriented and inclusive financial system meeting evolving diversified needs.

Changes in Issues and Obstacles:

(a) Investment climate constrained by nontransparent and unstable regulatory framework – changed to: As the new government aims to enhance transparency and stability in regulatory frameworks, institutional capacities in the agencies will pose significant challenges.

Remarks: Changed to reflect recent developments and issues vis-à-vis initiatives of new administration.

(b) Lack of coherent, socially acceptable and environmentally sustainable policy frameworks and strategies consistent with international best practices constrain investment climate for growth areas – changed to: Rationalization plans for agencies in different sectors have been prepared but not implemented, and may need to be reviewed for consistency with new administration's objectives.

Remarks: Changed to reflect recent developments and issues vis-à-vis initiatives of new administration.

Results Area 2.1 Enabling business environment to promote competitiveness, productivity, and employment

Outcome 1: Increased business and improved delivery of infrastructure

Indicator 1: National Roads System (NRS) paved length in fair condition or better – change in baseline from “to be determined during project formulation” to 55% (2008)

Remarks: Since NRIMP2 became effective in 2009, 2008 data is the appropriate baseline.

Indicator 2: New customers in rural areas with access to minigrid or Renewable Energy Technology (RET) under the Rural Power Project – change in the target from 20,000 additional (2012) to 24,750 (2012)

Remarks: The change reflects the total target number of new customers by the end of 2012 by adding the baseline of 4,750 and the additional 20,000.

Change in milestone:

Extractive Industries Transparency Initiative (EITI) adopted – shifted to Outcome 2

Remarks: Shifted from Outcome 1 to Outcome 2 since this milestone is more related to regulation.

Outcome 2: Enhanced regulatory policy frameworks and institutional capacity for investment, service delivery, and trade

Indicator 3: Private investment in Electrical Cooperatives (ECs) and Renewable Energy Technology (RET) –dropped

Remarks: This indicator was dropped since this may no longer be achievable within the CAS period.

New indicator:

Indicator: Business process is simplified and business regulations are consistently applied: business entry reform at the sub-national level: number of cities

Baseline: 0 (6/2008)

Target: 16 (6/2011)

Progress: 11 (8/2010)

Remarks: This indicator is added as this should have been included from the start.

Change in milestones:

- Extractive Industries Transparency Initiative (EITI) adopted - shifted from Outcome 1

Remarks: Shifted from Outcome 1 to Outcome 2 since this milestone is more related to regulation.

- Increased participation by the private sector in rice international trade – replaced the milestone “Adopted strategic policy reform road map for the liberalization of rice import regime (NFA reform) to increase private sector participation” which is shifted from Outcome 3

Remarks: The change reflects the expected outcome from the existing Bank input/assistance in this sector as the Bank is providing just-in-time inputs/notes to DOF and DBM and has met with NFA. The milestone is shifted from Outcome 3 to Outcome 2 as this is more related to regulation and trade.

New milestone:

Standard Business Registration and Permit (SBRP) process adopted and implemented

Remarks: This indicator is added as this should have been included from the start.

Outcome 3: Increased investment and employment in rural and urban development

Indicator 1: Total household incomes of target beneficiaries in WBG-assisted projects –change in baseline as follows: (1) MRDP: To be determined ~~during project formulation~~ (2) ARCDP2: PHP67,086 to PHP65,300

Remarks: PHP67,086 is the value for ARCs that participated in the project during Year 1 (2003). This is changed to PHP65,300 to reflect the average real household income of all ARCs that joined the project in 2003, 2004 and 2005.

Indicator 2: Business assets of target households – change in (i) baseline from PHP33,640 (ARCDP2) to 34,061 (ARCDP2) and (ii) target from 10% increase in real value three years after household joins ARCDP2 to PHP37,004 (2012)

Remarks: PHP33,640 is the value for ARCs that participated in the project during Year 1 (2003). This is changed to PHP34,061 to reflect the average business assets for all ARCs that joined the project in 2003, 2004 and 2005.

New Indicator:

Indicator: Number of LGUs and public utility providers (private sector) investing in infrastructure

Baseline: 27 LGUs with completed and awarded infrastructure subprojects (9/2008)

Target: 65 LGUs and public utility providers (private sector) with completed and awarded infrastructure subprojects (6/2012)

Progress: 58 LGUs and public utility providers (private sector) with completed and awarded infrastructure subprojects (10/2010)

Remarks: The indicator captures Bank support to LGUs and public utility providers through the existing project (SSLDIP).

Change in milestone:

Adopted strategic policy reform roadmap for the liberalization of rice import regime (NFA reform) to increase private sector participation – shifted to Outcome 2

Remarks: This is changed to “Increased participation by the private sector in rice international trade” and shifted to Outcome 2 since this is more related to regulation and trade

Milestones dropped and replaced with a new milestone:

- Logistics/supply chain management improvement program developed and adopted

Remarks: This is dropped given that no further developments occurred in the logistics chain initiative. Instead, it is replaced with: “Increased participation of private sector in agribusiness investment” as this will be monitored through the Bank’s support to DA’s PPP program, via TA.

- Introduced regulatory reforms to increase competition and efficiency in agri logistics (e.g., inter-island shipping, ports services)

Remarks: This is dropped since no further developments occurred in the logistics chain initiative.

New milestone to replace the dropped milestones:

- PPP transactions in agribusiness approved

Remarks: This captures Bank support to DA’s PPP program and will be monitored through the technical assistance activities.

- Increased participation in private sector in agribusiness investments

Remarks: This replaced logistics chain initiative given that there were developments in this area of intervention. The new milestone captures Bank support to DA’s PPP program, via TA.

Results Area 2.2 Financial services

Outcome 1: Increased delivery and access to financial services

Indicator 2: Number of new small-holder farmers receiving credit from partner banks due to WBG-supported projects and volume of credit – changed baseline from “to be determined based on actual projects” to 0

Remarks: The change reflects the actual baseline data for this indicator.

Indicator 3: Number/Volume of MSME (Micro and Small and Medium Enterprise) loans from WBG supported banks –changed to “Volume of MSME (Micro and Small and Medium Enterprise) loans from WBG supported banks (i.e., BDO, BPI, CARD)”

Remarks: The change divides the present indicator into two indicators to avoid confusion.

For Indicator 3 above: Baseline is changed from 0 to \$451m (2007; BDO), 0 (BPI, CARD)

Remarks: The change reflects baseline data related to BDO and BPI, CARD to be consistent with the change in the indicator.

New indicator: Number of MSME (Micro and Small and Medium Enterprise) loans from WBG supported banks (i.e., BDO, BPI, CARD)

Baseline: 1,562 (2007, BDO); 0 (BPI, CARD)

Target: 10% increase per year

Progress: 4,482 (12/2009); 9,149 (cumulative)

Remarks: Number and volume of MSME loans used to be lumped under one indicator but it is now separated to avoid confusion. Hence, Indicator 3 pertains to volume of MSME loans while the new indicator pertains to the number of MSME loans.

Indicator 4: Volume of new housing finance loans – change in (i) baseline from US\$6.4 m (2005) to US\$1.3 billion (2005, Filinvest); and (ii) target from US\$12.5 m (2012) to 10% increase per year

Remarks: The change reflects the correct amount disbursed.

New indicator: Number of new housing finance loans

Baseline: 877 (2005, Filinvest)

Target: 10% increase per year

Progress: 6,011 (12/2009); 12,503 (cumulative)

Remarks: The new indicator separates volume and number of new housing finance loans to avoid confusion.

Indicator 5: Volume of lending by Government Finance Institutions (GFI) to 2nd to 4th class LGUs – changed to “Volume of lending by Government Finance Institutions (GFIs) to 2nd to 6th class LGUs.”

Remarks: The change reflects the fact that actual LBP lending to LGUs through the SSLDIP covers 5th to 6th class.

For indicator above: change in: (i) baseline from “to be determined during project formulation” to US\$21.07 m (as of 09/2008); and (ii) target from 30% to 90% increase (by 2012)

Remarks: The change in the baseline and target ensures consistency with the change in the indicator.

Dropped milestones:

- Developed and adopted guidelines and transparency mechanisms for government farm credit guarantee facility

Remarks: This milestone is dropped since neither IFC nor Bank has existing programs on this.

- Mortgage toolkit for financial institutions introduced

Remarks: This milestone is dropped as no further developments occurred in the mortgage initiatives.

- Enhanced access to risk mitigation and insurance services, especially for housing finance

Remarks: This milestone is dropped as this is the same as the last milestone which reflects IFC investments in direct support of top tier LGUs.

Revised milestone:

- Successful pilot testing of a First Loss Guarantee Risk-sharing facility for agriculture/agribusiness – revised to “Successful pilot testing of a risk-sharing facility for agriculture/agribusiness”

- Enhanced access to housing finance products – revised to “Enhanced access to housing finance products for low-income housing”

Remarks: The milestones are reworded to make it more in line with IFC’s Risk Sharing Facility concept.

STRATEGIC OBJECTIVE 3: BETTER PUBLIC SERVICE DELIVERY

2004-2010 MTPDP Goals: Improve governance of service delivery to support reforms of social welfare and development; continue to pursue implementation of the health and basic education sector reform agenda to increase access to quality basic education, health services, and water and sanitation by the poor.

[new] 2011-2016 PDP Goals: Improve the quality of life of all Filipinos and pursue the MDGs, reduce poverty and inequality, universalize elementary education, make citizens functionally literate and more productive and competitive, implement universal healthcare with equitable access to quality health services, and achieve gender equality.

Changes in Issues and Obstacles:

- (a) Improved efficiency is needed in the use of increasing budgetary allocations for social sector programs –changed to: Ongoing work to improve the efficiency of increasing budgetary allocations for social sector programs will be needed to ensure higher budgets translate into better social outcomes.

Remarks: The change tightens the language of the original statement but the meaning is the same.

- (b) [new] The new administration has responded to these challenges by significantly scaling up coverage of the Conditional Cash Transfer from 1 million to 2.3 million households. The 2011 budget of the Departments of Education and Health has increased by 19 percent and 14 percent, respectively, over 2010 levels. The Government is also planning to expand coverage of the KALAHÍ-CIDSS program nationwide.

Remarks: This is a major positive development that has emerged under the new administration

Results Area 3.1 Public service delivery in key sectors

Outcome 2: Improved access to health services

Indicator 1: Children (age 1) immunized with DPT3 (Diphtheria- Pertussis- Tetanus Third Dose) (i) nationally; (ii) poorest quintile – change in baseline (i) from 77% (2007) to 87% (2007 – based on EPI program reports); (ii) from “to be determined by findings of 2008 National Demographic Health Survey” to 71% (2008- based on 2008 NDHS)

Remarks: Baseline numbers for indicators 1 and 2 were sourced from the Field Health Service Information System (FHSIS) while the total and indigent population health insurance enrolment coverage numbers came from the national health insurer (Philhealth reports). Lowest income quintile data for indicators 1 and 2 were to be determined pending the release of the results of the 2008 National Demographic Health Survey (NDHS). There was a substantial difference in the national numbers on DPT2 coverage with FHSIS reporting a much lower number (79%) than the NDHS (86%). But the Expanded Program of Immunization (EPI) accomplishment reports of DOH reported a different number (87%) which is closer to the NDHS result. Follow-up discussions with the DOH program staff resulted in an agreement to adopt the EPI program number and the NDHS for the lowest quintile data for indicator 1.

Outcome 3: Increased household access to safe drinking water and sanitation services

Indicator 1: Share of poor households in project areas with access to safe drinking water services (MDG)/connected to network services – change in: (i) baseline from “to be determined as part of project formulation” to 91% (6/2008); and (ii) target from 80% to 92% (2012)

Remarks: The change made the baseline and target consistent with the UNICEF/WHO Joint Monitoring Program.

Indicator 2: Share of poor households in project areas with access to communal or public sanitation facilities (MDG) – reworded as “Share of poor households in project areas with access to improved sanitation (MDG)”

Remarks: The change made the indicator consistent with the official definition of the UNICEF/WHO Joint Monitoring Program.

For Indicator 2 as stated above – change in (i) baseline from “to be determined as part of project formulation” to 76% (6/2008); and (ii) target from 80% to 77% (2012)

Remarks: The changes in baselines made them consistent with data from UNICEF/WHO Joint Monitoring Program.

Indicator 3: Number of LGUs closing open dumpsites and opening sanitary landfills (MDG) – replaces MDG with Solid Waste Management Act

Remarks: The MDG is not monitoring this indicator. The NSWMC is monitoring the targets in accordance with the Solid Waste Management Act; hence, the change.

New milestone:

National capacity to develop and support local government implementation of sustainable sanitation, septage and sewerage programs strengthened.

Remarks: The addition is in line with Bank assistance in the preparation of the National Septage and Sewerage Master Plan which is being done in accordance with the Clean Water Act.

Results Area 3.2 Basic service delivery in poor areas

Outcome 1: Scaled up provision of basic services through a nationwide community driven development program

Indicator 1: Number of poor municipalities supported by national Community Driven Development (CDD) program – changed target from 500 (2012) to 381 (2012)

Remarks: The original target has been revised downwards as the intended \$100 million in Additional Financing for KALAHI-CIDSS from the World Bank was reduced to \$59 million due to limited fiscal space. The Millennium Challenge Corporation (MCC) funding will only fully come on stream by 2013. Thus, the previous target of 500 is only expected to be reached by 2013.

Change in milestone:

Increased proportion of poor households with access to basic social services – changed to “Increase in number of municipalities supported by national CDD program: 200 (by 2010); 208 (by 2011); and 381 (by 2012)”

Remarks: The change clarified the language of the original milestone and provides clear numerical targets.

Outcome 2: Enhanced effectiveness of public service delivery through more coordinated area-based approaches

Indicator: Number of poorer provinces with enhanced mechanism to coordinate inter-agency anti poverty programs – changed target from 3 to 1

Remarks: The team will still aim for 3 but would like to lower expectations to 1.

STRATEGIC OBJECTIVE 4: REDUCED VULNERABILITIES

2004-2010 MTPDP Goals: Reduce poverty and increase welfare, particularly in rural areas; sustainably manage the environment and natural resources; reduce disaster risk and improve recovery management.

[new] 2011-2016 PDP Goals: Empower and protect the poor and vulnerable through social protection systems; pursue an integrated and community-based ecosystems approach to environment and natural resource management anchored on principles of shared responsibilities, good governance, participation, social and environmental justice, and gender and intergenerational equity for a healthy, ecologically balanced, and sustainably productive environment; enhance resilience of natural systems and improve adaptive capacities to cope with environmental hazards including climate-related risks; support the vision for ensuring national security and winning the peace.

Results Area 4.1 Social Protection system

Outcome 1: National household poverty targeting system in place and used

Indicator 1: Share of poor households registered in the targeting system – changed to “Share of poor households registered in the database receiving benefits of social programs”

Remarks: Updated indicator is consistent with the intermediate outcome of the results framework of the SWDR.

For Indicator 1 above: change in target from 33% (2012) to 20% (2012)

Remarks: Change in target is consistent with the target in the results framework for SWDRP.

Outcome 2: Conditional Cash Transfer (CCT) program fully operational

Indicator 2: Share of the 4Ps (Pantawid Pamilyang Pilipino Program – CCT program) grants transferred to the beneficiaries that are based on conditionalities met for health (0-14 years old and/or pregnant women) and education (6-14 years old) - changed target from 80% to (i) Health - 65%; Education – 80% (2012)

Remarks: Target values for health (65%) and education (80%) were separated given that the initial target value of 80% only pertains to the higher compliance rate from education.

Results Area 4.2 Disaster risk management and climate change

Outcome 1: Disaster- and climate change-related risks reduced

Indicator 1: Share of vulnerable LGUs that integrate Disaster Risk Reduction (DRR) and/or Climate Change Adaptation (CCA) into their local plans and budgets – change in (i) baseline from “to be determined by on-going Global Facility for Disaster Reduction and Recovery (GFDRR) work” to 9% (6/2009); and (ii) target from 60% increase (2012) to 51% increase (2012)

Remarks: The baseline of 9% represents 2/3 vulnerable LGUs having DRRM in their plans/strategies. In past interim reports, the target has been increased to 60% to represent additional LGUs having DRRM/CCA in their plans. The target for this indicator is changed to “51% increase” to reflect the correct target value at the end of the project of 60% from 9%.

Indicator 2: Volume of investments in Disaster Risk Reduction and/or Climate Change Adaptation measures in participating Local Government Units – changed (i) baseline from “to be determined by on-going Global Facility for Disaster Reduction and Recovery (GFDRR) work” to US\$6.8 m; and (ii) target from 40% increase to US\$20 million

Remarks: The baseline was supposed to be 5% representing US\$6.8 million in LGU expenditures for calamity fund spending estimated in previous study. The increase to 40% is equivalent to US\$20 million from DBP's relending project (of which 20% is dedicated to DRM expenditures of LGUs) which represents new spending for LGUs. The additional US\$61.6 million for CCA (PIDP, etc) reported under progress to date also represents new spending for LGUs that are not charged against the calamity fund.

Indicator 3: Number of WBG projects that incorporate Disaster Risk Reduction, Climate Change Adaption, and/or contingent components – changed target from 50% increase to 8 (2012)

Remarks: The change in the number actually translates to a 60% increase which is close to the original target of 50%

Outcome 2: Greenhouse gas emissions reduced through expansion of mitigation programs in key sectors and LGUs

Indicator: Volume of Bank-assisted Emission Reductions Purchase Agreements (ERPAs) – changed target from “at least double the volume of the new ERPAs (2012)” to 4Mt CO2 (2012)

Remarks: The change was only to translate the qualitative target into quantitative target.

Results Area 4.3 Stability and peace

Outcome 2: Scaled-up provision of basic services and livelihood support through community-driven development (CDD) in communities affected by armed or violent conflict

Indicator: Number of conflict-affected communities having one or more CDD subprojects – changed baseline from 53 to 732 and target from 100 to 1169

Remarks: Baseline and target are revised upwards due to ARMM Social Fund Additional Financing and Mindanao Trust Fund expansion. The new baseline and target also reflect the change in the unit of measure from municipalities to barangays, as the indicator refers to communities and not municipalities.

STRATEGIC OBEJECTIVE 5: GOOD GOVERNANCE

2004-2010 MTPDP Goals: Effective and honest governance is practiced to create an enabling environment for the citizens and the private sector wherein there is equal access to opportunities to achieve their full potential.

[new] 2011-2016 PDP Goals: Promote and practice effective and honest governance to create an enabling environment for citizens and the private sector to have equal access to opportunities; ensure effective, efficient, transparent, and accountable delivery of public services; curb corruption; strengthen the rule of law; and enhance access to information and participation.

Issues and Obstacles:

Deleted the following:

- (a) Public perceptions of government sincerity to reduce corruption remain negative.
- (b) Weak government institutions and lack of real progress in efforts to improve their performance and accountability.
- (c) Weak political impetus for reforms.

Remarks: Issues (a), (b), and (c) were dropped since these are reflective of decade-old issues which are no longer as pervasive and are replaced by item (a) below.

Replaced by:

(a) Good governance is the centerpiece of the new administration of President Aquino but government has yet to translate this into a concrete plan to produce discernible changes in the performance of the public sector, improved service delivery and accountability in public financial management.

Remarks: This replaces issues (a), (b) and (c) above since these are reflective of decade-old issues which are no longer as pervasive.

(b) There are recently initiated efforts to strengthen local governance through incentive programs for LGU fiscal management and operations through the national expansion of the CDD program. The challenge is to monitor and support its implementation (short-term) and effectively integrate demand- and supply-side approaches over the medium term.

Remarks: This addition reflects the issues related to local governance which were not previously considered.

Results Area 5.1 Governance and Anti-corruption in selected national government agencies

Outcome 1: Core business systems, processes, and capacities in selected agencies improved

Indicator: Number of national government agencies with a functioning internal audit unit out of 22 national agencies – changed to “Number of national government agencies with an internal audit unit out of 22 national agencies”

Remarks: The word “functioning” was removed since this makes the indicator hard to measure.

Change in milestone:

Agency-specific indicators developed to monitor one or more of the following governance areas: Public Expenditures and Financial Accountability (PEFA), internal and external audit functions; operational efficiency – reworded to “Agency-specific indicators developed to monitor one or more of the following governance areas: Public Financial Management (PFM), internal and external audit functions; operational efficiency”

Remarks: The change reflects the correct title of the report.

Results Area 5.3 Better local governance through more effective decentralization

Outcome 1: Deepened and refined decentralization through broad-based reforms

Indicator: Consensus built around revisions to key legislation affecting decentralization – changed to “Consensus built around comprehensive policy reforms affecting decentralization.”

Remarks: Clarification of indicator based on new PDF Working Group work plan.

Annex 10

IBRD Program Status and Management

Investment Portfolio

1. **Lending commitments have risen above the average level attained in the last CAS period.** Total lending for FY10 reached US\$685 million and was supplemented by four GEF grants and two Carbon Finance transactions totaling US\$39.59 million. KALAH-CIDSS Additional Financing was approved in the first quarter of FY11, bringing total deliveries of loans and large grants for the first one and a half years of the CAS to US\$783.7 million. With these new deliveries, net loan commitments increased to US\$2.2 billion by the end of FY10 compared to the average range in FY07 to FY09 of US\$1.3 billion to US\$1.4 billion. The current portfolio consists of 17 active project loans, three full-sized GEF supplements (not counted separately in the system), and nine recipient-executed Trust Funds in excess of US\$5 million (see Annex B8).

2. **FY11 saw some slowdown, however, as the incoming administration was preparing its strategic priorities and plans.** There has been a slight decline in the total net commitments as of end-December 2010 to US\$1.8 billion with the closure of two operations but this level is still higher compared to the previous CAS period. As anticipated, the new administration delayed decisions on processing some new projects until the reform priorities and strategies are clearly laid out in the new MTPDP. While processing of the rest of FY11 projects was somewhat delayed in this transition period, three more operations amounting to US\$410 million are expected to be delivered within FY11 – Manila Wastewater, Regional Infrastructure for Growth, and LISCOP Additional Financing. A summary of the actual versus planned lending deliveries is presented in Annex 6A.

3. **Actual deliveries so far for FY10 and FY11 have been responsive to the Government's demand ranging from national program support operations to development policy and additional financing operations.** Included in the Bank's newly approved lending operations during the first one and a half years of the CAS are the US\$405 million Social Welfare and Development Reform Project—the largest-ever Bank loan to the Philippines—aimed at countering the effects of the global economic crisis through the conditional cash transfers (CCT) program; the supplemental Food Crisis Response Development Policy Operation (DPO) which was the Bank response to the damages and challenges caused by two large typhoons in 2009 by strengthening social protection and safety nets to protect poor and vulnerable households, and two additional financing operations supporting community driven development through the KALAH-CIDSS and conflict-affected communities through the ARMM Social Fund.

Knowledge Agenda, Analytical and Advisory Activities

4. **The non-lending program was intensified in the run up to the elections and in preparation for the incoming government.** It comprises analytical and advisory activities (AAA), in the form of technical assistance (TA) and economic and sector work (ESW), and a range of non-traditional deliverables financed under Trust Funds. The core of the ongoing non-lending program is in the form of programmatic AAA under various themes - public expenditure management, health, education, water and sanitation, social protection, agribusiness productivity growth, community-driven development, and decentralization as outlined in the CAS. The programmatic AAA provides flexibility to respond to specific requests from the new administration, as was the case of the

significant effort to support public-private partnerships (PPPs), the support for the preparation of an agricultural sector roadmap, and the government health and education agendas. Two specific non-traditional types of AAA which cut across the various CAS objectives were implemented in FY10: Discussion Notes for the incoming administration, and Innovation Notes to encourage creative ideas and approaches to support the strategic objectives of the CAS. The 26 Discussion Notes became an important multisectoral effort in the AAA program with significant outreach and impact. A critically important product of the AAA program that was not planned in the CAS was the Post-Disaster Needs Assessment (PDNA), which the Bank supported to assess the needs in the aftermath of two large typhoons that hit the country in the Fall of 2009. A summary of the actual versus planned AAA deliveries, comprising technical assistance (TA) and economic and sector work (ESW), is presented in Annex 6/B. Annex 6/C illustrates the part of the AAA program that is supported by Trust Funds. AusAID partnership was particularly helpful for the AAA program. See more on the non-traditional deliverables in the Partnership section below.

Partnerships (including Trust Funds)

5. **Collaboration among international and national development partners continued to strengthen through strategic partnerships and Bank-administered trust fund programs.** The program continues to benefit from cooperation with bilateral partners, such as Australia, Canada, EC, Japan, and others, as well as from institutional (IDF, IFC, TFSCB, JSDF) and global programs (GEF, Ozone TF, PPIAF, EAIIG, WSP, GPF and SPF) through various trust funds. As of end June 2010, the Philippines trust fund portfolio commitments amounted to US\$149.8 million, of which 50 percent have been disbursed. These include the 11 large grants with commitments in excess of US\$5 million which are also being monitored under the investment portfolio. In addition to Annex 6C, which presents the ongoing trust-funded AAA program, Annex 7 presents the full list of WBG-managed Trust Funds in the Philippines.

6. **Trust fund commitments and disbursements have improved steadily in the last two years.** The Philippines country team has succeeded in mobilizing country-specific trust funds to support critical investments and analytical and advisory activities in health, education, Mindanao and the peace process, governance and decentralization. These country specific trust funds now account for half of the portfolio and represent a marked increase from FY05 when free standing TFs accounted for only 15 percent of the Philippines TF portfolio. In addition, there is a strong country-level partnership with AusAID through a programmatic trust fund, which provides support across the five strategic objectives of the CAS. These large trust funds have enabled the World Bank to support the Government in delivering major benefits across a number of sectors and serve as effective vehicles for promoting operational collaboration and harmonization among international and national development partners.

7. **Collaboration with multilateral development partners continues to be strong.** The Bank continues to collaborate closely with the IMF. During the CAS period, the Bank and the IMF country teams initiated an annual consultation process on the Philippines. Consultation meetings took place in August 2009 and September 2010. Bank staff participate in Article IV consultations with the authorities and other key IMF-led meetings. IMF staff participate in implementation support missions on tax administration and in policy dialogue on the new DPL series. Cooperation with ADB also plays an important role in the WBG work.

8. **In collaboration with local partners, the Bank has extended its knowledge agenda further through the Knowledge for Development Centers (KDC).** A new KDC established in the House of Representatives has facilitated stronger engagement with legislators and their technical staff on the legislative development agenda. The KDCs, which are partnerships between the Bank and nine academic institutions and the Philippines Congress, have served as a critical platform for learning, discussion, and debate on key development challenges. Finally, the Bank has strengthened partnerships in the policy debates through an informal CSO Advisory Group, established as planned under the CAS. The Advisory Group is composed of eminent leaders from civil society, and the private sector, and meets quarterly with the Bank to discuss development issues and the Bank's assistance to the country.

Managing the Program

9. **Loan Portfolio Management.** The Philippine portfolio performed well in FY10 and FY11 with most of the indicators showing improved levels from the previous year except for disbursement performance and realism index in FY11, which are lower than anticipated. Given the good portfolio performance in FY10, the challenge now is to sustain the momentum and maintain these levels during the CAS period and beyond. To maintain portfolio performance, the Bank will continue to work closely with project teams in identifying and addressing specific as well as systemic issues such as streamlined disbursement schemes that impact disbursement and project implementation, and pursue pro-active measures planned to bring problem projects back on track. The Bank has started to work jointly with the Government and two major development partners (ADB and JICA) on a Joint Portfolio Review and Analytical Work initiative, which aims to analyze selected portfolio and implementation issues and draw up actions plans to address these issues. The Bank, together with ADB and JICA, will monitor closely the status of the Government's implementation of the agreed action plan and will provide necessary assistance in ensuring that these plans are properly executed.

10. **Loan Pipeline Management.** Project processing lead times and costs of Bank projects were effectively reduced. Average preparation time of projects from PCN to Board approval since July 2009 is computed at 17.1 months, which is a little over the CAS target of 15 months but considerably lower than the historical average of 22.9 months. This was achieved in part through an increased reliance on additional financing operations and the adoption of governance filters. Several actions were undertaken to improve the pipeline management, such as: a dialogue to address weak technical capacity of implementing agencies and adopting measures to improve quality at entry and project implementation; adopting strong performance criteria for project preparation and portfolio operations; screening of new project ideas early in the process and allocating preparation resources incrementally based on project complexity, demonstrated progress and traction with counterparts; application of a set of early "readiness filters", agreed with the Government, to screen projects during the regular programming discussions; and creation of a Philippine Governance Advisory Team (PGAT) and use of "governance filters" to help task teams to identify governance risks of projects and strengthen mitigation plans. This helped get a better understanding of the risk profile and potential mitigation measures so that projects can be prepared and presented to the Board within a reasonable period. With the recent Bankwide adoption of the Operational Risk Assessment Framework (ORAF), the "governance filters" have been further streamlined so that they can serve as inputs to the preparation stage ORAFs.

11. **Procurement.** The Philippines was nominated as a candidate pilot country for Use of Country System (UCS) Piloting Program which was approved by the Bank Board in 2008. While the UCS Piloting program will not be extended beyond June 2011, the Philippines UCS Paper for Procurement will continue to be submitted to the Bank's Operational Procurement Committee for approval. This will recognize the successful reforms that the Philippines started since 2003, with the passing and promulgation of the Government Procurement Reform Act, an anti-corruption law intended to modernize the public procurement system of the country. The system has streamlined and improved the process by integrating all rules and procedures into one omnibus law that covered all procuring entities, including local government units, institutionalized transparency through the electronic procurement system called PhilGEPS and the presence of civil society observers to watch the bidding process, mandated the use of standard procurement documents, manuals and forms to ensure consistency, and provided for the professionalization of procurement professionals to attain quality outputs, mandatory disclosures by bidders of their relations to the heads of entities and employees or staff involved in procurement to avoid conflict of interest. It has granted powers to the Government Procurement Policy Board on all procurement matters affecting national interest, including the promulgation of implementing rules and regulations. Some challenges remain such as improvement in the rules on Approved Budget for the Contract (ABC), the Protest and Complaint Appeals mechanism, and establishment of an evaluation system for procurement staff performance.

12. **Financial Management.** All IBRD Lending Commitments and Recipient-Executed Trust Funds (RETF) implemented through government agencies use the Philippines Supreme Audit Institution, Commission on Audit, to fulfill the Bank's audit requirements. In addition, the national budget execution procedures are used for all lending where funds are incorporated into the same budget processes as the Government's funds. While program funds are recorded into the electronic New Government Accounting System (eNGAS), when it is operating in the agency, the current reporting capabilities of the system limit its use for generating reports required by the Bank for its programs. Discussions continue with the Philippine Government over the development of Government Integrated Financial Management Information System (GIFMIS) which would enable program reporting directly from the GIFMIS. Institutional capacity strengthening of Internal Audit Services will remain a focus throughout this CAS, and where possible, new programs will be included in the implementing agency's internal audit service audit work program to enable regular internal audit reviews of the program to provide greater assurance over the existing control systems.

13. **Governance and Anti-Corruption.** Improved governance through sound public financial management ensures the accountability and efficiency of public funds. Hence, financial management has a major role in improving governance through supporting the strengthening of country public financial management (PFM) systems, in particular the internal audit services, which have limited capacity in most agencies. This is done through IDF grants targeting specific agencies and including requirements with programs for development of internal audit services. Moving towards international financial reporting standards and practices will improve financial reporting and lead to greater transparency. The Bank will continue to work with the Government in an attempt to more closely harmonize the Philippines Government's Internal Audit Manual with International Professional Practices Framework developed by the Institute of Internal Auditors, which is current best practice in internal audit. Work has commenced with CoA who are developing a roadmap for the implementation of International Public Sector Accounting Standards. This would enable greater consistency in reporting between agencies and the opportunity for a consolidated set of National Accounts.

Philippines at a glance

2/21/11

POVERTY and SOCIAL

2009

	Philippines	East Asia & Pacific	Lower-middle-income
Population, mid-year (millions)	92.0	1944	3,811
GNI per capita (Atlas method, US\$) a/	1790	3,143	2,298
GNI (Atlas method, US\$ billions)	164.7	6,110	8,758

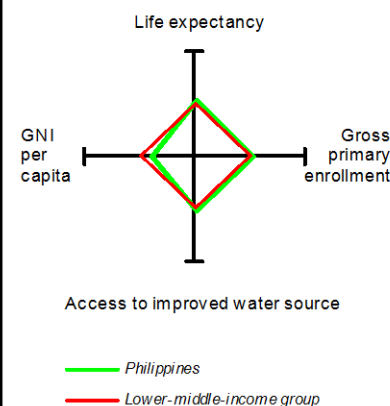
Average annual growth, 2003-09

Population (%)	18	0.8	12
Labor force (%) b/	2.2	10	15

Most recent estimate (latest year available, 2003-09)

Poverty (% of population below national poverty line) c/	27	..	..
Urban population (% of total population)	66	45	41
Life expectancy at birth (years)	72	72	68
Infant mortality (per 1,000 live births)	26	21	43
Child malnutrition (% of children under 5)	26	12	25
Access to an improved water source (% of population)	91	88	87
Literacy (% of population age 15+)	94	93	80
Gross primary enrollment (% of school-age population)	110	111	107
Male	111	111	109
Female	109	112	105

Development diamond*



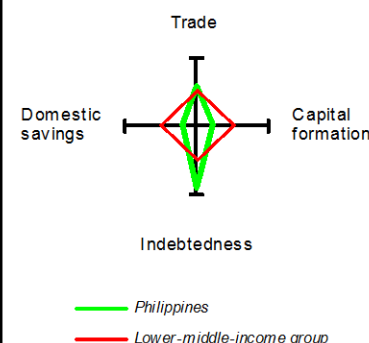
KEY ECONOMIC RATIOS and LONG-TERM TRENDS

	1989	1999	2008	2009
GDP (US\$ billions)	42.6	76.2	166.6	161.2
Gross capital formation/GDP	21.6	18.8	15.3	14.6
Exports of goods and services/GDP	28.1	51.5	36.9	31.7
Gross domestic savings/GDP	19.4	18.9	13.9	15.5
Gross national savings/GDP	17.9	25.1	23.1	25.5
Current account balance/GDP	-3.4	-3.8	2.2	5.5
Interest payments/GDP	5.1	3.2	2.4	2.2
Total debt/GDP	67.3	76.6	38.9	39.0
Total debt service/exports	25.4	14.1	15.5	14.4
Present value of debt/GDP	..	..	..	34.0
Present value of debt/exports	..	..	..	79.8

(average annual growth)

	1989-99	1999-09	2008	2009	2009-13
GDP	3.0	4.9	3.7	1.1	4.2
GDP per capita	0.8	2.9	1.9	-0.7	2.7
Exports of goods and services	7.9	5.5	-1.9	-13.4	8.9

Economic ratios*



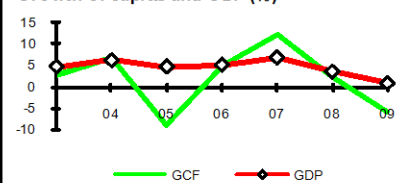
STRUCTURE of the ECONOMY

	1989	1999	2008	2009
(% of GDP)				
Agriculture	22.7	17.1	14.9	14.8
Industry	34.9	30.6	31.7	30.2
Manufacturing	24.9	21.6	22.3	20.4
Services	42.4	52.2	53.4	55.0
Household final consumption expenditure	71.0	68.0	76.7	73.9
General govt final consumption expenditure	9.5	13.1	9.4	10.5
Imports of goods and services	30.3	51.3	38.4	30.8

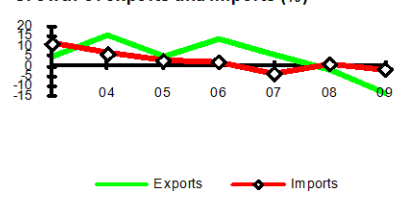
(average annual growth)

	1989-99	1999-09	2008	2009
Agriculture	1.5	3.7	3.1	0.0
Industry	3.0	4.0	4.9	-0.9
Manufacturing	2.7	3.9	4.2	-4.4
Services	3.8	6.0	3.2	2.8
Household final consumption expenditure	3.8	4.5	6.4	9.3
General govt final consumption expenditure	3.5	2.7	0.4	10.9
Gross capital formation	3.7	1.8	2.3	-5.7
Imports of goods and services	8.8	3.3	0.8	-1.9

Growth of capital and GDP (%)



Growth of exports and imports (%)



Note: 2009 data are preliminary estimates.

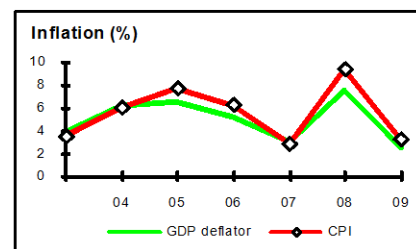
This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

Philippines

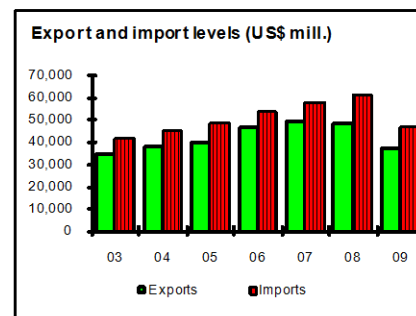
PRICES and GOVERNMENT FINANCE

	1989	1999	2008	2009
Domestic prices (% change)				
Consumer prices	12.2	5.9	9.3	3.2
Implicit GDP deflator	9.0	8.0	7.4	2.6
Government finance d/ (% of GDP, includes current grants)				
Current revenue	16.0	15.9	15.8	14.6
Current budget balance	0.6	0.1	1.9	-0.3
Overall surplus/deficit	-2.1	-3.8	-0.9	-3.9



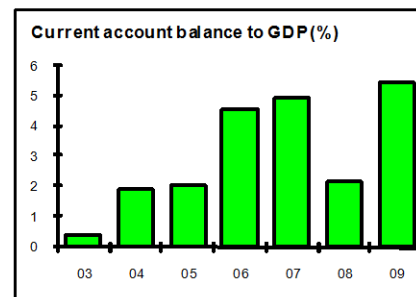
TRADE

	1989	1999	2008	2009
(US\$ millions)				
Total exports (fob)	7,821	34,243	48,253	37,610
Electronics/Telecom	1,751	25,965	29,927	23,590
Garments	1,575	2,267	1,952	1,536
Manufactures	5,192	31,741	40,999	33,525
Total imports (cif)	10,419	40,220	61,138	46,473
Food	492	1,435	4,062	2,936
Fuel and energy	1,397	2,432	12,394	7,334
Capital goods	2,424	6,805	9,310	7,637
Export price index (2000=100)	..	..	..	..
Import price index (2000=100)	..	..	..	..
Terms of trade (2000=100)	..	..	..	..



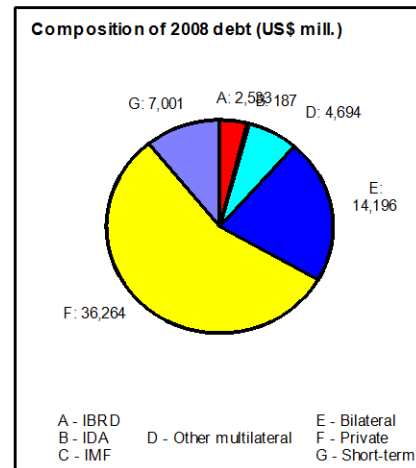
BALANCE of PAYMENTS

	1989	1999	2008	2009
(US\$ millions)				
Exports of goods and services	11,046	37,711	57,970	47,858
Imports of goods and services	11,845	45,308	69,695	55,171
Resource balance	-799	-7,597	-11,725	-7,313
Net income	-1,487	-1,062	105	28
Net current transfers	830	5,784	15,247	16,073
Current account balance	-1,456	-2,875	3,627	8,788
Financing items (net)	1,907	6,466	-3,538	-2,367
Changes in net reserves	-451	-3,591	-89	-6,421
Memo:				
Reserves including gold (US\$ millions)	2,324	15,147	37,551	44,243
Conversion rate (DEC, local/US\$)	21.7	39.1	44.5	47.6



EXTERNAL DEBT and RESOURCE FLOWS

	1989	1999	2008	2009
(US\$ millions)				
Total debt outstanding and disbursed	28,653	58,321	64,875	62,911
IBRD	3,492	4,040	2,533	2,488
IDA	102	206	187	181
Total debt service	3,244	6,439	12,199	9,881
IBRD	536	641	614	505
IDA	2	4	9	8
Composition of net resource flows				
Official grants	380	176	271	..
Official creditors	874	-87	-868	625
Private creditors	-275	4,372	-2,177	2,744
Foreign direct investment (net inflows)	563	1,247	1,544	1,948
Portfolio equity (net inflows)	0	489	-1,289	-1,096
World Bank program				
Commitments	..	208	445	120
Disbursements	465	163	192	361
Principal repayments	269	387	478	401
Net flows	196	-224	-287	-40
Interest payments	269	258	144	113
Net transfers	-73	-482	-431	-153



CAS Annex B2 - Philippines
Selected Indicators* of Bank Portfolio Performance and Management
 As of April 5, 2011

Indicator	2008	2009	2010	2011
<i>Portfolio Assessment</i>				
Number of Projects Under Implementation ^a	27	24	26	26
Average Implementation Period (years) ^b	4.3	4.9	4.8	5.8
Percent of Problem Projects by Number ^{a, c}	14.8	20.8	15.4	19.2
Percent of Problem Projects by Amount ^{a, c}	7.5	14.3	7.9	22.9
Percent of Projects at Risk by Number ^{a, d}	14.8	25.0	15.4	19.2
Percent of Projects at Risk by Amount ^{a, d}	7.5	14.3	7.9	22.9
Disbursement Ratio (%) ^e	20.1	16.5	21.9	11.3
<i>Portfolio Management</i>				
CPPR during the year (yes/no)	yes	yes	yes	yes
Supervision Resources (total US\$ millions) ^f	2.052	2.265	2.438	2.410
Average Supervision (US\$ 000/project)	66	71	70	69

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	146	10
Proj Eval by OED by Amt (US\$ millions)	9,275.2	773.6
% of OED Projects Rated U or HU by Number	29.7	40.0
% of OED Projects Rated U or HU by Amt	31.7	42.4

- a. As shown in the Annual Report on Portfolio Performance (except for current FY). The number of projects includes stand-alone Trust Funds above US\$5 million including GEF. The related percentages in the rows below are calculated accordingly.
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- f. Supervision resources only include Bank budget, actual for FY08-10 and annualized for FY11. Data for Bank budget and Bank-executed Trust Fund supervision resources are as follows (in millions): FY08 - \$2.7, FY09 - \$3.1, FY10 - \$3.3.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Philippines
IFC Investment Operations Program

	2008	2009	2010	2011*
<u>Original Commitments (US\$m)</u>				
IFC and Participants	564.32	183.50	118.80	75.38
IFC's Own Accounts only	564.32	183.50	118.80	75.38
<u>Original Commitments by Sector (%) - IFC Accounts only</u>				
ELECTRIC POWER	67.34	100.00		
FINANCE & INSURANCE	27.17		36.87	94.84
HEALTH CARE	5.49			
INDUSTRIAL & CONSUMER PRODUCTS			63.13	
OIL, GAS AND MINING				5.16
Total	100.00	100.00	100.00	100.00
<u>Original Commitments by Investment Instrument (%) - IFC Accounts only</u>				
Equity	3.92		18.94	69.91
Guarantee			17.93	30.09
Loan	66.63	91.83	63.13	
Quasi loan	29.45	8.17		
Total	100.00	100.00	100.00	100.00

* Data as of March 31, 2011

Philippines
IBRD Indicative Financing Program, FY10 -FY013 *

	Strategic Objective	Project Title	Indicative Amount	Strategic Rewards (H/M/L)**	Implementation risks (H/M/L)**
FY10 Projects					
1	SO4	Social Welfare Development Reform	405		
2	SO4	Supplemental DPO Food Crisis Response	250		
3	SO4	ARMM Social Fund Additional Financing	30		
TOTAL (US\$m)			685		
FY11 Projects					
1	SO1	DPL 1	250	H	L
2	SO2	Manila Wastewater Project (<i>stand-by</i>)	275	H	M
3	SO2	Regional Infrastructure for Growth (<i>stand-by</i>)	100	M	M
4	SO3	KALAHI-CIDSS Additional Financing	59	H	L
5	SO4	<i>LISCOP Additional Financing</i>	10	M	L
TOTAL (US\$m)			694		
FY12 Projects					
1	SO1	DPL 2	300	H	M
2	SO2	CALA Tollway	140	M	H
3	SO2	<i>Infrastructure Fund/Infrastructure Guarantee</i>	TBD	H	M
4	SO2	Light Rail Transit 1 South Extension	260	H	H
5	SO2	Renewable Energy Development (including \$50 million CTF)	150	M	M
6	SO2	Urban Transport (Cebu Bus Rapid Transit)	TBD	M	H
7	SO2	<i>LAMP2 Additional Financing</i>	TBD	M	M
8	SO3	NPS Basic Education 2	300	H	L
9	SO3	NPS Health 2	300	H	M
10	SO4	CAT-DDO	TBD	H	L
TOTAL (US\$m)			1,450++		
FY13 Projects					
1	SO1	DPL 3	300	H	M
2	SO2	Secondary/Local Roads	200	M	H
3	SO2	<i>PPP for Liquefied Natural Gas</i>	TBD	H	H
4	SO2	Agriculture Reform Project	100	M	M
5	SO2	Urban Renewal	150	H	H
6	SO3	Nationwide CDD (includes Mindanao)	200	H	M
7	SO4	<i>SWDRP Additional Financing</i>	300	H	M
8	SO4	Integrated Water Quality Management	50	M	M
9	SO4	<i>Central Philippines Rural Development Project</i>	TBD	M	M
10	SO4	Fund for Peace and Development/Mindanao Development	100	H	M
TOTAL (US\$m)			1,400++		

* Notes:

- (1) Lending volumes, beyond an indicative US\$900 million a year, will depend on the country's performance, IBRD lending capacity, demand from other borrowers, and global economic developments.
- (2) For FY12-13, this program indicates the Government's request. The indicative lending program is subject to further discussions at the semi-annual programming discussions with Government.
- (3) Projects in **bold** have been delivered; FY10 deliveries include 4 GEF grants for: MRDP2 (\$6.35m), Climate Change Adaptation (\$4.97m), Integrated POPs (\$8.64m), and Chiller Energy Efficiency (\$3.6m).
- (4) Projects in *italics* are additional to the original CAS indicative lending program.
- (5) Other operations under consideration for the extended period of the CAS and beyond include: Support for Financial Cooperatives (SO2), Government Integrated Financial Management Information System (SO5), Justice Sector Reform (SO5), and Local Government Finance Support (SO5).
- (6) A national Output-Based Aid (OBA) facility will finance access to basic services (health, water, and urban).

** H - high, M – moderate, L - low

Philippines
Indicative Analytical and Advisory Activities Program, FY10-13

Product Title	Fiscal Year			
	2010	2011	2012	2013
Strategic Objective 1: Stable Macro Economy				
Results Area 1.1: Fiscal and financial stability through consolidation and improved macroeconomic risk management				
Philippines Development Report, <i>including Poverty Assessment*</i>	x	x	x	x
Quarterly Economic Update	x	x	x	x
Programmatic AAA on Public Expenditure Issues	x	x	x	
Development of the Philippine Statistical Development Plan	x	x	x	
<i>Migration and Remittances</i>			x	x
Strategic Objective 2: Improved Investment Climate				
Results Area 2.1: Enabling business environment to promote competitiveness, productivity and employment				
Trade Facilitation/Transport/Logistics	x			
Energy Sector Reform	x	x	x	x
<i>Transport (National and Local/Urban Roads)</i>	x	x	x	x
<i>PPP Support (IFC, PPIAF, IDf and other sources)</i>	x	x	x	x
Environmental Safeguards (incl. Environmental Assessments)	x	x		
<i>Programmatic AAA on Agriculture</i>		x	x	x
Urban Slum Upgrading Strategy (including resettlement issues)	x	x	x	
Results Area 2.2: Financial services				
Innovation for Financial Inclusion (IBRD); Risk-sharing Facility for Agribusiness (IFC)	x	x		
Strategic Objective 3: Better Public Service Delivery				
Results Area 3.1: Public service delivery in key sectors				
Programmatic AAA for Health	x	x	x	x
Programmatic AAA for Education	x	x	x	x
Programmatic AAA for Water Supply and Sanitation Support (incl. Water Pollution Control)	x	x	x	x
Results Area 3.2: Basic service delivery in poor areas				
Indigenous Peoples and Vulnerable Groups	x	x		
Philippines Population Report			x	x
<i>Programmatic AAA on CDD</i>		x	x	x
Synergies for Service Delivery (CCT, CDD, NPS)		x		
<i>Country Gender Assessment (with ADB, CIDA)</i>			x	x
Strategic Objective 4: Reduced Vulnerabilities				
Results Area 4.1: Social protection system				
Programmatic AAA for Social Protection and Poverty Reduction	x	x	x	x
Results Area 4.2: Disaster risk management and climate change				
Programmatic AAA for Disaster Risk Management (DRM), incl. Climate Change Issues	x	x	x	x
Social Impact Monitoring of Typhoons Ondoy and Pepeng		x	x	
Metro Manila Flood Master Plan		x	x	
Results Area 4.3: Stability and peace				
Encouraging More Resilient Communities in Conflict-Affected Areas (SPF)	x	x	x	
Programmatic AAA for Conflict/Mindanao		x	x	x
Strategic Objective 5: Good Governance				
Results Area 5.1: Governance and anticorruption in selected agencies				
Agency Institutional Strengthening	x	x	x	x
Programmatic AAA on Sector Governance Assessments (for various sectors/SOs)	x	x		
<i>Financial Control Assessments</i>			x	x
<i>Justice Sector Reform</i>			x	x
Results Area 5.2: Procurement and public financial management reforms at national and local levels				
Support for Procurement Reforms (CPAR update and ABC Study)	x	x		
PFM AAA (GIFMIS, DBM, BTr, Budget Watch)		x	x	x
<i>Country Financial Accountability Assessment (CFAA) Update</i>		x	x	
Results Area 5.3: Better local governance through more effective decentralization				
Programmatic AAA on Local Governance and Decentralization	x	x	x	x
Cross-Cutting AAA:				
Innovation Notes	x	x	x	x
<i>Knowledge Exchange</i>			x	x

* Entries in *italics* are those additional to the original CAS indicative AAA program

Philippines Social Indicators					
	Latest single year			Same region/income group	
	1980-85	1990-95	2003-09	East Asia & Pacific	Lower-middle-income
POPULATION					
Total population, mid-year (<i>millions</i>)	55.0	70.0	92.0	1,943.8	3,810.8
Growth rate (<i>% annual average for period</i>)	2.7	2.3	1.8	0.8	1.2
Urban population (<i>% of population</i>)	43.0	54.0	65.7	45.0	40.9
Total fertility rate (<i>births per woman</i>)	4.7	3.9	3.1	1.9	2.5
POVERTY					
<i>(% of population)</i>					
National headcount index	..	33.1	26.5	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita (<i>US\$</i>)	510	1,020	1,790	3,143	2,298
Consumer price index (<i>2005=100</i>)	30	73	160	126	130
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	41.0	42.9	44.0	..	..
Low est quintile (<i>% of income or consumption</i>)	6.4	6.0	5.6	..	..
Highest quintile (<i>% of income or consumption</i>)	48.1	49.5	50.4	..	..
SOCIAL INDICATORS					
Public expenditure					
Health (<i>% of GDP</i>)	..	..	1.3	1.9	1.8
Education (<i>% of GNI</i>)	..	..	..	3.5	4.0
Net primary school enrollment rate					
<i>(% of age group)</i>					
Total	93	93	92	..	87
Male	..	96	91	..	88
Female	..	95	93	..	86
Access to an improved water source					
<i>(% of population)</i>					
Total	..	87	91	88	87
Urban	..	93	93	96	95
Rural	..	79	87	81	81
Immunization rate					
<i>(% of children ages 12-23 months)</i>					
Measles	49	72	88	91	80
DPT	59	70	87	92	79
Child malnutrition (<i>% under 5 years</i>)	..	..	26	12	25
Life expectancy at birth					
<i>(years)</i>					
Total	63	68	72	72	68
Male	61	66	70	70	66
Female	65	70	74	74	70
Mortality					
Infant (<i>per 1,000 live births</i>)	52	34	26	21	43
Under 5 (<i>per 1,000</i>)	78	45	33	26	58
Adult (15-59)					
Male (<i>per 1,000 population</i>)	323	273	156	161	204
Female (<i>per 1,000 population</i>)	259	208	102	101	138
Maternal (<i>per 100,000 live births</i>)	..	140	94	89	230
Births attended by skilled health staff (%)	..	53	62	89	65

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey. Poverty incidence is calculated based on the new methodology.

Philippines – Key Economic Indicators

Indicator	Actual			Estimate		Projected			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product ^a	100	100	100	100	100	100	100	100	100
Agriculture	14	14	14	15	15	14	14	13	13
Industry	32	32	32	32	30	31	31	31	31
Services	54	54	54	53	55	55	55	56	56
Total Consumption	90	86	84	86	84	82	88	87	87
Gross domestic fixed investment	14	14	15	15	15	16	16	17	18
Government investment	2	2	3	3	4	4	4	4	3
Private investment	12	12	12	12	11	12	13	14	15
Exports (GNFS) ^b	48	47	43	37	32	36	30	29	28
Imports (GNFS)	52	48	42	38	31	34	34	33	33
Gross domestic savings	10	14	16	14	16	18	12	13	13
Gross national savings ^c	30	33	34	35	40	42	21	21	20
<i>Memorandum items</i>									
Gross domestic product	98,824	117,534	144,070	166,598	161,196	188,719	223,128	251,636	284,491
(US\$ million at current prices)									
GNI per capita (US\$, Atlas method)	1,160	1,250	1,460	1,700	1,790	1,980	2,160	2,450	2,770
Real annual growth rates									
(%, calculated from 85 prices)									
GDP at market prices	5.0	5.3	7.0	3.7	1.1	7.3	5.0	5.4	5.5
Gross Domestic Income	3.0	3.5	3.3	3.1	9.7	8.4	4.6	4.9	5.5
Real annual per capita growth rates									
(%, calculated from 85 prices)									
GDP at market prices	3.0	3.4	5.1	1.9	-0.7	6.6	3.3	3.7	3.9
Total consumption	4.7	-2.7	-1.8	4.0	7.5	2.9	5.7	4.3	5.9
Private consumption	5.0	-3.6	-2.3	4.5	7.4	3.0	5.8	4.3	5.7
Balance of Payments (US\$ millions)									
Exports (GNFS) ^b	44,788	52,970	59,278	57,970	47,858	62,735	67,197	72,236	78,492
Merchandise Free On Board (FOB)	40,263	46,526	49,512	48,253	37,610	50,113	53,820	58,003	63,247
Imports (GNFS) ^b	53,901	59,565	65,420	69,695	55,171	69,969	76,505	83,864	95,295
Merchandise FOB	48,036	53,258	57,903	61,138	46,473	59,485	65,167	71,553	78,565
Resource balance	-9,113	-6,595	-6,142	-11,725	-7,313	-7,233	-9,307	-11,628	-16,803
Net current transfers	11,391	13,197	14,153	15,247	16,073	17,245	18,711	20,395	22,230
Current account balance	1,980	5,341	7,112	3,627	8,788	9,865	9,433	8,041	4,799
Net private foreign direct investment	1,665	2,818	-620	1,285	1,589	900	2,000	3,000	4,000

Note: Data used in the main text and annexes may differ as they also draw on latest government and Bank staff estimates.

Indicator	Actual			Estimate		Projected			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Long-term loans (net)	-488	-2,621	2,704	-1,378	-333	..	..	..	..
Official	-643	-17	-12	-868	625	..	..	..	..
Private	155	-2,604	2,716	-510	-958	..	..	..	..
Other capital (net, incl. errors & omissions)	-747	-1,769	-639	-3,445	-3,623	..	..	..	..
Change in reserves ^d	-2,410	-3,769	-8,557	-89	-6,421	-18,186	-9,629	-10,993	-6,648
<i>Memorandum items</i>									
Resource balance (% of GDP)	-9.2	-5.6	-4.3	-7.0	-4.5	-3.8	-4.2	-4.6	-5.9
Real annual growth rates (YR85 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..
Public finance									
(as % of GDP at market prices)^e									
Current revenues	14.9	16.1	15.7	15.8	14.6	14.4	14.6	15.3	16.0
Current expenditures	15.3	15.0	14.2	13.9	14.9	14.5	14.4	14.5	14.5
Current account surplus (+) or deficit (-)	-0.3	1.2	1.5	1.9	-0.3	-0.2	0.2	0.8	1.5
Capital expenditure	2.4	2.3	3.0	3.2	3.6	3.5	3.6	3.6	3.6
Foreign financing	1.7	2.0	0.8	-0.1	2.0	3.6	1.8	1.3	0.5
Monetary indicators									
M2/GDP	53.9	59.6	60.4	63.2	66.5	66.4	..	..	..
Growth of M2 (%)	9.7	22.6	11.7	16.6	9.0	10.7	..	..	..
Private sector credit growth / total credit growth (%)	32.1	67.0	55.8	110.6	74.3	68.1	..	..	..
Price indices (YR85 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US\$/LCU) ^f	100.0	111.1	121.7	128.6	125.2	..	..	..	..
Real interest rates									
Consumer price index (% change)	7.6	6.2	2.8	9.3	3.2	3.8	4.8	4.5	4.5
GDP deflator (% change)	6.5	5.2	3.0	7.4	2.6	3.3	4.8	4.5	4.5

- a. GDP at market prices.
b. "GNFS" denotes "goods and nonfactor services".
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government; Government definition
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Note: Data used in the main text and annexes may differ as they also draw on latest government and Bank staff estimates.

Philippines – Key Exposure Indicators

Indicator	Actual			Estimated		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012
Total debt outstanding and disbursed (TDO) (US\$m) ^a	61,658	60,282	65,910	64,875	62,911	71,958	77,218	86,968
Net disbursements (US\$m) ^a	..	..	..	..	..	9,362	4,946	9,750
Total debt service (TDS) (US\$m) ^a	9,962	13,699	10,136	9,504	8,360	11,907	12,192	12,636
Debt and debt service indicators (%)								
TDO/XGS ^b	103.8	86.3	84.6	82.7	91.6	82.6	82.8	87.1
TDO/GDP	62.4	51.3	45.7	38.9	39.0	38.1	34.6	34.6
TDS/XGS	16.8	19.6	13.0	12.1	12.2	13.7	13.1	12.6
Concessional/TDO	20.4	20.7	20.0	23.1	22.9	19.7	18.4	15.8
IBRD exposure indicators (%)								
IBRD Debt Service (DS)/public DS	8.2	5.9	11.1	..	..	6.0	4.8	5.1
Preferred creditor DS/public DS (%) ^c	20.3	16.7	18.9	..	..	12.5	12.0	14.6
IBRD DS/XGS	0.8	0.8	0.7	0.8	0.7	0.5	0.4	0.3
IBRD TDO (US\$m) ^d	2,970	2,778	2,821	2,633	2,488	2,568	2,816	3,508
Share of IBRD portfolio (%)	2.9	2.8	2.8	2.6	2.1	1.9	1.9	2.1
IDA) TDO (US\$m) ^d	197	196	195	187	181	174	167	158
IFC (US\$m)								
Loans	363	308	271	579	718	791	951	1,114
Equity and quasi-equity /c	97	99	140	319	243	228	283	338
MIGA								
MIGA guarantees (US\$m)	91.9	67.9	5.1	0	0	0		

- Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
- "XGS" denotes exports of goods and services, including workers' remittances.
- Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
- Includes present value of guarantees.
- Includes equity and quasi-equity types of both loan and equity instruments.

Note: Data used in the main text and annexes may differ as they also draw on latest government and Bank staff estimates.

Philippines
Operations Portfolio (IBRD and Grants)
As of April 1, 2011

Project ID	Project Name	Last PSR		Fiscal Year	Original Amount in US\$ Millions				Difference between Expected and Actual Disbursements ^{a/}		
		Supervision Rating			IBRD	IDA	Grant	Cancel.	Undisb.	Orig.	Frm Rev'd
		Development Objectives	Implementation Progress								
Active Projects											
Strategic Objective 1: Stable Macro Economy											
P101964	National Program Support (NPS) for Tax Administration Reform	MU	MU	2007	11.00				9.04	8.65	
Strategic Objective 2: Improved Investment Climate											
P066397	Rural Power Project (RPP)	S	S	2004	50.00				33.03	(7.68)	21.07
P072096	GEF-Rural Power Project (RPP)	S	S	2004			9.00		2.82	2.82	
P066532	GEF-Electric Cooperative System Loss Reduction Project	MS	S	2004			12.00		1.22	1.19	
P079935	National Roads Improvement Management Project 2 (NRIMP2)	MS	MU	2008	232.00				224.47	117.47	88.47
P073206	Land Administration and Management Project II (LAMP2)	MS	S	2005	19.00			3.63	1.11	4.74	
P084967	Mindanao Rural Development Project - Phase 2 (MRDP2)	MS	MU	2007	83.75				67.74	33.49	
P096836	GEF Mindanao Rural Development Project Phase 2 (MRDP2)	S	MU	2010			6.35		5.55		
P064925	Support for Strategic Local Development and Investment Project (SSLDIP)	MS	MS	2006	100.00				72.30	(0.97)	
P088926	Participatory Irrigation Development Project	S	MS	2009	70.36				60.89	7.78	
Strategic Objective 3: Better Public Service Delivery											
P079628	Second Women’s Health and Safe Motherhood Project (WHMSP)	MS	MS	2005	16.00				11.68	7.20	
P094063	National Program Support (NPS) for Basic Education	MS	MS	2006	200.00				42.50	40.00	
P075464	National Program Support (NPS) for Health Sector	S	MS	2006	110.00				49.68	41.17	
P079661	Manila Third Sewerage Project 3 (MTSP3)	MS	S	2005	64.00				30.62	29.43	(2.17)
P089082	GEF- Supplemental Project to the MTSP3	S	MS	2007			5.00		3.01	2.16	
P077012	Kapit Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (KALAH-CIDSS) Project	S	S	2003	159.12				59.13	0.01	(3.25)
TF091729	SPHERE-Incremental Supervision	MS	MS	2008			37.70		21.4		
TF090180	EC TF for Health Sector Reform	S	MS	2007			8.60		5.90		
Strategic Objective 4: Reduced Vulnerability											
P004406	Ozone Depleting Substances (ODS) Investment Project	S	MS	1995			30.00		8.41	8.41	0.19
P101076	GEF Climate Change Adaptation	#	#	2010			4.97		4.97		
P106885	GEF Integrated POPS	S	S	2010			9.17				
P114119	GEF Chiller Energy Efficiency	#	#	2010			3.60		3.60	0.68	
P073488	Autonomous Region in Muslim Mindanao (ARMM) Social Fund	S	S	2003	63.60			1.95	26.93	(1.13)	
P070899	Laguna De Bay Institutional Strengthening & Community Participation (LISCOP)	S	S	2004	5.00				0.91	0.91	0.91
P096174	NPS for Environment & Natural Resources Management Project (ENRMP)	MS	MU	2007	50.00				29.74	29.24	
P091147	GEF- NPS for ENRMP	MS	MU	2007			7.00		5.13	3.88	
P082144	Social Welfare and Development Reform	S	MS	2010	405.00				324.15	80.05	
Various TFs	Mindanao Reconstruction and Development Program	S	S	2006			9.30	0.40	3.50		
Cross-cutting Theme: Good Governance											
P066076	Judicial Reform Support Project (JRSP)	U	U	2004	21.90				8.95	8.95	5.19
Overall Result					1,660.73		142.69	5.98	1,118.38	418.45	110.41
Overall Result (including TFs monitored in the loan portfolio)					1,797.44				1,118.38	418.45	110.41

Closed Projects**168**

IBRD/IDA *

Total Disbursed (Active)	617.67
of which has been repaid	5.44
Total Disbursed (Closed)	1,485.37
of which has been repaid	3,401.74
Total Disbursed (Active + Closed)	2,103.04
of which has been repaid	3,407.18
Total Undisbursed (Active)	1,118.38
Total Undisbursed (Closed)	2.47
Total Undisbursed (Active + Closed)	1,120.85







Philippines
IFC: Committed and Disbursed Outstanding Investment Portfolio

<u>FY</u> <u>Approval</u>	<u>Company</u>	<u>Committed</u>					<u>Disbursed Outstanding</u>				
		<u>Loan</u>	<u>Equity</u>	<u>**Quasi</u> <u>Equity</u>	<u>*GT/</u> <u>RM</u>	<u>Partici</u> <u>pant</u>	<u>Loan</u>	<u>Equity</u>	<u>**Quasi</u> <u>Equity</u>	<u>*GT/</u> <u>RM</u>	<u>Partici</u> <u>pant</u>
1989	Hambrecht and Quist Philippine Ventures (H&Q PV) I	0	0.08	0	0	0	0	0.08	0	0	0
1993	H&Q PV II	0	0.05	0	0	0	0	0.05	0	0	0
1994	Walden Management	0	0.02	0	0	0	0	0.02	0	0	0
1994	Walden Ventures	0	0.01	0	0	0	0	0.01	0	0	0
1998	Pryce Gases	7.37	0	3.28	0	2.14	7.37	0	3.28	0	2.14
2000	Mariwasa	7.55	0	0	0	0	7.55	0	0	0	0
2000	Plantersbank	0	0.05	0	0	0	0	0.05	0	0	0
2000/08	Asian Hospital	27.29	0	1.00	0	0	27.29	0	1.00	0	0
2002	Avalon Professional Web (APW) Trade	0	0	0.28	0	0	0	0	0.28	0	0
2002	Eastwood	2.46	0	0	0	0	2.46	0	0	0	0
2002/8/10/11	Banco de Oro (BDO)	0	29.55	92.17	23.04	0	0	29.55	92.17	0	0
2003/04	Manila Water Company Inc. (MWC)	48.00	10.41	0	0	0	48.00	10.41	0	0	0
2005	Balikatan Housing Finance (HF)	0	0	28.79	0	0	0	0	28.79	0	0
2005	Cagayan de Oro Power and Light Company (CEPALCO)	18.73	0	0	0	0	0	0	0	0	0
2005	Filinvest Land	46.66	0	0	0	0	46.66	0	0	0	0
2005	Paramount Life and General Holding Corporation (PLGHC)	0	1.50	0	0	0	0	1.50	0	0	0
2006	Bahay Financial	0	0.16	0	0	0	0	0.16	0	0	0
2007	South Luzon Tollway Corp.(SLTC)	57.60	0	0	0	0	0	0	0	0	0
2007/09	Philippine National Oil Company-Energy Development Corporation (PNOC-EDC)	94.47	14.88	0	0	0	94.47	14.88	0	0	0
2008	Masinloc Power	198.07	22.13	3.96	0	0	198.07	22.13	3.96	0	0
2008	SN Aboitiz Power, Inc (SNAP)	84.00	0	0	0	0	84.00	0	0	0	0
2009	SN Aboitiz Power, Inc. B (SNAPB)	82.34	0	15.00	0	0	82.34	0	15.00	0	0
2010	SPML	75.00	0	0	0	0	50.00	0	0	0	0
2010	BPI SEF	0	0	0	23.01	0	0	0	0	5.57	0
2011	Mindoro Resource	0	3.95	0	0	0	0	3.95	0	0	0
2011	RCBC	0	48.30	0	0	0	0	48.81	0	0	0
Total Portfolio:		749.55	131.10	144.47	46.05	2.14	648.22	131.61	144.47	5.57	2.14

* Denotes Guarantee and Risk Management Products.

** Quasi Equity includes both loan and equity types.

Legend: LN – Loan; ET – Equity; QL + QE – Quasi Loan (Loan & Equity Type); GT – Guarantee; RM –Risk Management; Cmtd – Committed; Out –Disbursed and Outstanding; Part – Participants
As of January 31, 2011

- SELECTED CITIES
- PROVINCE CAPITALS
- ⊙ REGION CAPITALS
- ⊕ NATIONAL CAPITAL
-  RIVERS
-  MAIN ROADS
-  RAILROADS
-  PROVINCE BOUNDARIES
-  REGION BOUNDARIES
-  INTERNATIONAL BOUNDARIES



Philippine
Sea

10°N

125°E

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MAY 2009

I Ilocos
1 Ilocos Norte
2 Ilocos Sur
3 La Union
4 Pangasinan

CAR Cordillera Admin. Reg.

- 5 Abra
- 6 Apayao
- 7 Benguet
- 8 Ifugao
- 9 Kalinga
- 10 Mountain Province

II Cagayan Valley

11 Batanes
12 Cagayan
13 Isabela
14 Nueva Vizcaya
15 Quirino

III Central Luzon

- 16 Aurora
- 17 Bataan
- 18 Bulacan
- 19 Nueva Ecija
- 20 Pampanga
- 21 Tarlac
- 22 Zambales

NCR National Capital Reg.

IV-A CALABARZON

23 Batangas
24 Cavite
25 Laguna
26 Quezon
27 Rizal

IV-B MIMAROPA

28 Marinduque
29 Mindoro Occidental
30 Mindoro Oriental
31 Palawan*
32 Romblon

V Bicol

33 Albay
34 Camarines Norte
35 Camarines Sur
36 Catanduanes
37 Masbate
38 Sorsogon

VI Western Visavas

39 Aklan
40 Antique
41 Capiz
42 Guimaras
43 Iloilo
44 Negros Occidental

VII Central Visayas

- 45 Bohol
- 46 Cebu
- 47 Negros Oriental
- 48 Siquijor

VIII Eastern Visayas

49 Biliran
50 Eastern Samar
51 Leyte
52 Northern Samar
53 Samar
54 Southern Leyte

IX Zamboanga Peninsula

55 Zamboanga del Norte
56 Zamboanga del Sur
57 Zamboanga Sibugay
--- Zamboanga City

* Executive Order 429, May 23, 2005, provides for the transfer of Palawan province (#31) from Region IV to Region VI; Administrative Order 129 holds EO429 in abeyance until an implementation plan is approved by the President

X Northern Mindanao

58 Bukidnon
59 Camiguin
60 Lanao del Norte
61 Misamis Occidental
62 Misamis Oriental

XI Davao Reg.

63 Compostela Valley
64 Davao del Norte
65 Davao del Sur
66 Davao Oriental

XII SOCCSKSARGEN

67 North Cotabato
68 Sarangani
69 South Cotabato
70 Sultan Kudarat

XIII Caraga

71 Agusan del Norte
72 Agusan del Sur
73 Dinagat Islands
74 Surigao del Norte
75 Surigao del Sur

**ARMM Autonomous Reg. in
Muslim Mindanao**

76 Basilan
77 Lanao del Sur
78 Maguindanao** So
79 Sulu
80 Tawi-Tawi

****** Shariff Aguak (Maganoy) and Sultan Kudarat serve as co-capital of the province.

MALAYSIA

0 50 100 150 Kilometers

5°N 0 50 100 Miles