



The World Bank Group Partnership with the Philippines, 2009–18

Country Program Evaluation



IEG
INDEPENDENT
EVALUATION GROUP

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October 9, 2019



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Careful observation and analysis of program data and the many issues impacting program efficacy reveals what works as well as what could work better. The knowledge gleaned is valuable to all who strive to ensure that World Bank goals are met and surpassed.

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abbreviations

4Ps	Pantawid Pamilyang Pilipino Program
ARMM	Autonomous Region of Muslim Mindanao
ASA	Advisory Services and Analytics
BARMM	Bangsamoro Autonomous Region in Muslim Mindanao
BDA	Bangsamoro Development Agency
CAS	Country Assistance Strategy
CAT DDO	catastrophe deferred drawdown option
CCT	conditional cash transfer
CDD	community-driven development
CPAR	Country Procurement Assessment Report
CPE	Country Program Evaluation
CPS	Country Partnership Strategy
CSO	civil society organization
DPL	development policy loan
FY	fiscal year
GDP	gross domestic product
GIFMIS	government integrated financial management information system
IBRD	International Bank for Reconstruction and Development
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund
Kalahi-CIDSS	Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services
KC-NCDD	Kalahi-CIDSS national community-driven development
LGU	local government unit
MDG	Millennium Development Goal
MIGA	Multilateral Investment Guarantee Agency
MILF	Moro Islamic Liberation Front
MRDP	Mindanao Rural Development Project
MSME	micro, small, and medium enterprises
MTF	Mindanao Trust Fund

PDP	Philippine Development Plan
PFM	public financial management
PLR	Performance and Learning Review
PPP	public-private partnership
PRDP	Philippine Rural Development Project
SMEs	small and medium enterprises
SOE	state-owned enterprise
SWDRP	Social Welfare and Development Reform Project
UMIC	upper-middle-income country

All dollar amounts are U.S. dollars unless otherwise indicated.

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Overview

- 1** The Philippines experienced sustained high rates of economic growth and improved development outcomes in the past decade and is on track to achieve upper-middle-income country status in the next few years. These achievements are even more impressive in the context of recurring severe natural disasters and conflict in Mindanao.
- 2** Nevertheless, the Philippines still struggles with fundamental structural issues. These include very high inequality, still-high levels of poverty and vulnerability, a weak investment climate and a private sector dominated by a few large conglomerates, underperformance of the agriculture and manufacturing sectors, a large infrastructure gap, inadequate quality of education and health services, and low capacity at the local government level. The capture of the political system by elites is both a cause of many of these problems and a constraint to addressing them.
- 3** Despite the many constraints, during the past decade, the World Bank Group made

a substantial contribution to the improved economic performance of the Philippines in the areas relevant to the country's development priorities and based on its comparative advantages. The impact of the Bank Group's contribution was significant in strengthening macroeconomic management, governance, social protection, and disaster risk management; upgrading rural infrastructure; and contributing to peace and reconciliation in Mindanao. The Bank Group's support was less successful in promoting private sector development and financial inclusion, advancing the climate change mitigation agenda, and enhancing the capacity of subnational governments.

4 The generally positive outcomes of the Bank Group–supported program over a sustained period represent a significant achievement. But there is scope for the World Bank to have a greater impact. Therefore, this evaluation makes the following recommendations: consider further updating the well-established long-running programs; improve the balance and focus of analytical work, thereby responding to the government's requests and including implementation support; consider making Mindanao a focal area for support; and better coordinate and sequence World Bank and International Finance Corporation interventions to more effectively address weaknesses in private sector development.

Overall Assessment Summary

THIS COUNTRY PROGRAM EVALUATION (CPE) assesses the development effectiveness of the World Bank Group program in the Philippines between 2009 and 2018. The CPE provides input to the next Country Partnership Framework for the Philippines and may offer lessons for Bank Group country programs in other lower-middle-income countries facing similar development challenges.

The period under review (2009–18) saw strong economic performance in the Philippines. Growth has been sustained at higher levels than in the previous decade and poverty has been reduced. Strong global demand resulted in growing remittances and income from the booming services sector. The Philippines is well on track to achieve upper-middle-income country (UMIC) status in the near future. These achievements are even more impressive in the context of recurring severe natural disasters and conflict in Mindanao. However, higher growth has not resolved many of the fundamental structural problems that characterize the economy. The Philippines still has one of the world's highest rates of inequality, and productivity in agriculture and manufacturing lags most regional comparators. Although there are some improvements in human development, serious shortcomings remain in results on family planning, nutrition, maternal mortality, and education quality. Infrastructure, particularly in transport and municipal services, is inadequate to meet the needs of the rapidly growing and urbanizing population.

The Bank Group program was able to make a substantial contribution to the country's improved economic performance. In many respects, the Bank Group's contribution to development outcomes in the Philippines was driven by a set of large, well-established, and long-running interventions that can be described as "development platforms." Most of these were put in place before the period under review and remain the core of the World Bank's support. These platforms and the accompanying analytical work reinforced one another and enhanced the World Bank's effectiveness.

The dilemma for the World Bank is that these programs—though in line with the objectives of the previous two administrations—may be less central to the priorities of the current government, which puts emphasis on addressing the huge gap in national infrastructure. The World Bank is as not well placed to support this objective as other development partners who often provide less costly funding and have been traditionally more active in this area in the Philippines. Although the World Bank has global expertise of relevance to the government in areas critical for addressing the country's most pressing developmental needs, it is currently underused in the Philippines. In many of these areas, the Bank Group has a comparative advantage based on its global experience and technical expertise and could do more. This comparative advantage includes disaster risk management and climate change, peace and reconciliation in Mindanao, subnational governments' capacity to provide better services, nutrition and education quality, private sector development (particularly small and medium enterprises; SMEs), and good governance. The World Bank may want to review

its approach to Advisory Services and Analytics (ASA) to balance the broad diagnostic work with implementation support. There would also be a benefit in the form of closer coordination and joint work with the authorities, and increased use of local expertise.

Overall, despite all constraints, there is broad alignment between the areas of the Bank Group's comparative advantage and the strategic goal of the government to achieve UMIC status by 2022. Reaching UMIC status is feasible if the country continues to grow rapidly, but it is necessary to look at more than just the growth numbers. The Philippines still faces major challenges, and the country needs to improve governance and the business climate, improve human development indicators (especially on nutrition, stunting, and quality of education), bridge the infrastructure gap (both for private sector development and disaster risk management at both national and local levels), and address outstanding environmental and climate change-related issues. The alignment of this agenda with the Bank Group's comparative advantage should provide the basis for agreement on the best way the Bank Group can support the government's objectives. The Bank Group's support program in the upcoming Country Partnership Framework can be presented in this context.

Country Context and World Bank Group Strategy

The Philippine economy has been growing over the past decade and moving rapidly toward the lower-middle-income economy graduation threshold (gross national income per capita of \$3,895 as of 2019). During 2008–17, annual gross domestic product growth averaged 5.6 percent, up from 4.1 percent in 1996–2005. Despite recently higher growth, and the aspiration to reach upper-middle-income economy status by 2022, performance on poverty, inequality, and human development has been persistently low. The national poverty rate was 21.6 percent in 2015, the Gini coefficient hovered around 45 percent during the past decade, and the United Nations Human Development Index ranks the Philippines 113th of 189 countries in the world. The Philippines is a natural disaster hot spot challenged by frequent deadly typhoons, tropical storms, and earthquakes that cause serious economic and social losses. It has also been affected by internal unrest, predominantly the protracted conflict and violence on the island of Mindanao in the south of the country. Issues such as the significant infrastructure gaps, persistent governance and business climate problems, and unfinished decentralization also hold the country back.

The Bank Group's engagement in the Philippines reflected the development agenda of the government of the Philippines, as elaborated in two five-year Development Plans. During the Aquino administration (2011–16), the emphasis was on good governance, anticorruption, and sector reforms in health and education. Under President Duterte (since 2016), the focus moved to scaling up public investment for infrastructure, job creation, and economic growth. Both plans also prioritized peace and development in Mindanao, which is emphasized by the current administration. Both Bank Group strategies included support for macroeconomic management, good governance, inclusive growth and poverty reduction, private sector development, and building resilience (including support for peace and reconciliation in Mindanao). The 2009–13 strategy was built around recovery from the global financial crisis. It focused on macroeconomic stability, delivery of public services, improving

the investment climate, and reducing vulnerability. The 2014–19 strategy gave inclusive growth and poverty reduction a more central role. The strategy was revised and simplified substantially in 2017. These changes reflected the new administration’s policy priorities; however, in retrospect it appears that some of the changes in the World Bank’s strategy, such as the significant scaling down of governance work and removal of poverty measurement, were neither warranted nor explicitly requested by the government.

World Bank Group Operations

The Bank Group program included International Bank for Reconstruction and Development lending and International Finance Corporation (IFC) investments of approximately \$8.2 billion, and a robust multisectoral program of ASA. There was no Multilateral Investment Guarantee Agency (MIGA) exposure during this period. The Bank Group’s program was anchored on four large flagship programs: (i) development policy loans focusing on governance, investment climate, and addressing vulnerabilities; (ii) regional and nationwide rural development projects; (iii) support to social welfare through conditional cash transfers (CCTs); and (iv) nationwide community-driven development projects. Lending was supported by a comprehensive program of advisory services. A large proportion of IFC investments covered financial markets and climate change mitigation, while IFC advisory services focused on climate financing, public-private partnerships, access to finance, and policy related to doing business and to competition.

Results of the World Bank Group Program

The Bank Group made a substantial contribution to development outcomes and improved economic performance. Its contribution was relevant because it was focused on sectors critical for addressing the country’s most pressing developmental needs and was within the areas of its comparative advantage. The Bank Group’s impact was significant in strengthening macroeconomic management, governance, social protection, and disaster risk management, and also in contributing to peace and reconciliation in Mindanao, upgrading rural infrastructure, and improving access to services for the poor. Bank Group support was less successful in promoting private sector development (particularly for SMEs) and financial inclusion; supporting climate change mitigation measures; and enhancing the capacity of subnational governments. Overall, the CPE rates achievement of the Bank Group’s program objectives moderately satisfactory.

Bank Group knowledge services have been of high quality and central to its comparative advantage and program effectiveness in the Philippines. They were often based on global best practice, generated evidence relevant for decision-making, and typically had an impact on stakeholder awareness. Currently, however, there appears to be less interest in ASA in some areas because its earlier scale may have exceeded both the appetite and absorptive capacity of counterparts. Many stakeholders interviewed by the Independent Evaluation Group felt that the World Bank might have overemphasized basic diagnostics and analytics and could have provided more support for implementation.

The World Bank played an important convening function in many areas. For example, it made a major contribution to a gradual development of broad interagency consensus on important policies, and its successful multisector operations linked several departments to meet their objectives. The World Bank provided the necessary long-term commitment and oversight to maintain these links and helped successive administrations keep them in place.

The Bank Group program in the Philippines did not take full advantage of potential World Bank–IFC synergies. The declared “One Bank” approach, whereby the International Bank for Reconstruction and Development and IFC would draw on each other’s comparative advantages (while avoiding conflicts of interest), did not materialize at an operational level to an effective extent for much of the review period. MIGA did not have a program in the country, even in the areas where its presence could have added value, such as in Mindanao.

Partnerships were a key component of the Bank Group’s work in the Philippines. The Bank Group engaged with local, national, and international stakeholders on program development, funding, and implementation. The most important partnerships included multilateral organizations (for example, the Asian Development Bank on social protection and community-driven development, the European Union on the peace process in Mindanao and energy, various United Nations agencies on Mindanao and health, the International Monetary Fund on macroeconomic and fiscal reforms), bilateral partners (for example, the Japan International Cooperation Agency on private investment and job creation or the Australian Department of Foreign Affairs and Trade on multisector advisory and analytical work), and many local civil society, academic, and private sector entities on education, governance, private sector development, and other areas.

Results and Achievements by Engagement Area

The CPE reviewed the Bank Group program in four strategic engagement areas, derived from two country strategy documents. The following briefly describes the main achievements in each engagement area.

1. Macroeconomic Management and Governance

Despite an unfinished reform agenda, significant results were achieved in improving macroeconomic management and governance, and the Bank Group played an important supporting role. These results included progress in tax collection, better public procurement, and more efficient public spending. However, many public financial management reforms remain incomplete, and the absence of a modern integrated financial management information system represents a significant constraint to further rationalization of public spending. In addition, more support is needed to strengthen public demand for government accountability. The program was well aligned with the government’s development priorities, although its relevance has somewhat declined since the 2017 Bank Group strategy review. Sustainability of major program achievements appears to be high because they are backed by strong government ownership. The quality of the Bank Group’s knowledge services was consistently high, and much appreciated by the client, yet somewhat fragmented and at times too supply-driven. Lack

of progress on the decentralization agenda has been a critical development constraint. The Bank Group was not able to develop effective partnerships at the subnational level, and its contribution to strengthening local government capacity was insufficient. Overall rating: moderately satisfactory.

2. Private Sector–Led Growth

The private sector is the engine of growth in the Philippines, driven largely by the services sector. The Bank Group program covered several areas related to private sector development, including improving the investment climate and access to financial services, boosting agricultural competitiveness and productivity, and introducing public-private partnerships. Overall, greater progress was made on improving rural incomes and agricultural productivity than on the investment climate, access to finance, and public-private partnerships in infrastructure. The rural development project model that combined support for rural infrastructure with enterprise development proved to be a successful approach for improving rural incomes and promoting regional development, although there is room for improvement. Despite increased lending to SMEs from IFC client banks, limited progress was made in improving access to formal financial services, especially for the poor. The Bank Group’s strategic objectives in this area have been relevant to country needs, but its operational response did not take full advantage of potential World Bank–IFC synergies, and results were uneven across engagement areas. Moreover, the “One Bank” strategic approach did not materialize operationally; World Bank–IFC cooperation was rare (particularly in the early years of the review period) and did not produce tangible results that were visible at the time of the evaluation. MIGA has not had exposure in the Philippines since 2000. Overall rating: moderately unsatisfactory.

3. Better Services for the Poor

After decades of persistently high poverty and lagging human development, the Philippines has achieved much progress in the past decade. An improved fiscal situation has permitted the allocation of resources to social protection and service provision, which has helped achieve key Millennium Development Goals. The World Bank has made a substantial contribution to this area in the Philippines. Main achievements include a contribution to poverty targeting and measurement and the development of a successful CCT program, which has enhanced the education and health outcomes of children from recipient households. The national community-driven and rural development programs have made significant contributions to the quality of life for rural households by making villages more accessible and providing other much-needed infrastructure. Support for health and education was less successful. World Bank programs helped improve access to services, but there are still problems that require greater attention: quality of education, family planning, stunting, nutrition, and maternal mortality. With only limited lending for health and education, the World Bank carried out a large program of analytic work. A particularly important contribution was the work done to illustrate the potential for using revenues from additional “sin taxes” on alcohol and tobacco to finance expanded support for the poor by the national health insurance provider. Sustainability of achievements in these areas requires continued attention, particularly in light of political cycles and associated policy changes. The achievements of the large social protection and community-driven development programs may be limited if there is no effort to update and further institutionalize them. Overall rating: moderately satisfactory.

4. Strengthening Resilience

Disaster risk management. The Philippines is the third most disaster-prone country in the world and is likely to experience even more frequent and intense climate-related disasters in the future, disproportionately affecting the poor. Under pressure of rapid growth and urbanization, infrastructure—particularly in poorer areas—has not been designed to the standards required to withstand natural disasters. The government transformed its approach to disaster risk management from reactive to proactive in response to the series of natural disasters that happened in 2009–13. The World Bank provided timely and effective assistance through financing and a large number of advisory services, making funds available in the immediate aftermath of a disaster through development policy loans with catastrophe deferred drawdown option, and helping to develop disaster risk financing and insurance strategies. At the sector level, the World Bank also helped achieve important breakthroughs, such as development of a comprehensive Metro Manila flood management plan. Although the World Bank’s program achieved increased resilience to natural disasters in most respects and its strategy was broadly aligned with and relevant to the government’s goals, it may need an update. The Philippines now has comprehensive state-of-the-art strategies and plans for disaster-relevant sectors at the national level; the current binding constraint is at the local government level. More needs to be done to address capacity at the local government level. The use of disaster preparedness information and risk understanding is still weak, which continues to expose poor communities and infrastructure to high risk of natural disasters. Overall rating: moderately satisfactory.

Climate change and environment. The Philippines’ vulnerability to natural disasters places it at the forefront of international climate dialogue and explains the priority assigned to climate change by recent administrations. The Philippines remains committed to mitigation action through the Paris Agreement but is de facto pursuing actions that result in increased emissions, mainly because of growing reliance on coal in the power sector and the lack of green action in the transport sector. The Bank Group program in the mitigation area was highly relevant to the country’s developmental priorities but too small and insufficiently catalytic to have a visible impact on negative trends. The Bank Group’s adaptation and environmental improvement program was more effective. The Philippines faces high levels of environmental degradation, and the World Bank sought to change behaviors and increase awareness through small projects employing a bottom-up participatory approach and through large rural development and infrastructure projects. Sustainability is likely because the government prioritizes it at the strategy and investment levels. Participatory projects have earned support from various stakeholders, including those at the local level, and are likely to be replicated by the government. Although Bank Group–supported program outcomes were generally positive overall, the scale of support was not sufficient to fundamentally change conditions. The level of environmental degradation is overwhelming, and even the larger-scale interventions were too small relative to needs. The government’s climate change strategy, policies, and related institutional arrangements still need to be translated into action plans and implemented. Bottlenecks for both mitigation and adaptation programs are inadequate cross-sectoral and vertical coordination, weak budget planning and execution for managing climate programs, and low capacity for climate action at the local level. Overall rating: moderately satisfactory.

Peace and reconciliation in Mindanao. The resolution of the protracted and multilayered violent conflict in Mindanao is at an important turning point. After many years of negotiations, a peace agreement was reached in 2014 between the government of the Philippines and the Moro Islamic Liberation Front (MILF), culminating in a plebiscite in January 2019 that established the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The agreement paved the way for the normalization process through programs tackling security, socioeconomic development, and confidence-building. Continued Bank Group engagement in Mindanao made important contributions to the peace and reconciliation processes and signaled that development was possible even during active conflict and negotiation phases. The World Bank has been an effective manager of consolidated international development assistance through the Mindanao Trust Fund and has kept the fund functional even during times of high tension. The World Bank contributed to recovery in conflict-affected communities, helped build confidence in the normalization process, and developed and strengthened the capacity of the Bangsamoro Development Agency, the development arm of the MILF and a key partner in delivering peace and development. Investments in small-scale infrastructure enabled better access to basic services and developed entrepreneurship skills in conflict-affected communities. The World Bank supported a comprehensive program of high-quality analytic work, but the impact of this work on operations and government strategies remains to be seen. Overall rating: satisfactory.

Recommendations

In the face of many constraints, the positive results of the World Bank–supported program over a sustained period represent a significant achievement. But there is scope for the World Bank to have greater impact. The following recommendations are suggested:

- **Consider revising and updating the large long-running programs: the development policy loan series, the CCT program, rural development, and community-driven development projects.** These well-established and successful programs remain at the core of the World Bank’s support for the Philippines. Although their continued relevance is not in question, some of the innovation and experimentation that characterized their initial phases has been reduced and needs to be revived. There are risks that some of these programs could lose relevance unless there is a reassessment of how they relate to evolving realities and government priorities.
- **Apply successful models of subnational engagement, such as the rural development projects, to expand presence and operations at the provincial and municipal levels and build the capacity of subnational governments.** There are many difficulties in operating at the local level in the Philippines, and the World Bank is one of the few entities that has been able to get traction in this area through social protection, community-driven, and rural development programs. The World Bank should build on these successes and consider using some of the disaster hot spots to pilot a new model of engagement at the subnational level.

- **Improve the overall balance of analytical and advisory engagement to make it more demand-driven and selective, putting greater emphasis on collaborative approaches.** There is a clear appetite for analytical support for implementation, in addition to broad sector diagnostics. In some sectors, the Bank Group could make a more systematic effort to use local expertise (academia, think tanks) as partners in delivery of ASA, thereby enhancing local analytical capacity.
- **Consider making Mindanao a focal geographic area of Bank Group support, and potentially a model for in-depth regional engagement and local capacity building.** Mindanao has the largest concentration of poor in the Philippines (particularly the BARMM) and considerable economic potential. This is an area of comparative advantage for the World Bank given the long history of engagement, including experience with regional rural development projects, capacity building at the Bangsamoro Development Agency, ongoing Marawi reconstruction, and high-quality analytics.
- **Improve coordination and sequencing of World Bank and IFC interventions for private sector development, operationalize the “One Bank” approach, and consider engaging MIGA.** World Bank–IFC cooperation should be complementary (while avoiding conflicts of interest) and extend beyond the exchange of information to a more strategic alliance. MIGA engagement could add value to promoting foreign investment in the country, especially in Mindanao. The Bank Group could consider working with the Philippine authorities to develop an explicit private sector development strategy, including advisory support to help deal with elite capture and the impact of new technologies on growth, as well as mobilizing the country’s large youth population more effectively.

Management Response

World Bank Group (WBG) Management welcomes this opportunity to respond to the report of the Independent Evaluation Group (IEG) on the Country Program Evaluation (CPE) for the Philippines. The CPE evaluates the Bank Group's contributions to the country's development in priority areas of engagement over the past decade and provides input to the next Country Partnership Framework for the Philippines, also offering lessons for Bank Group country programs in other lower-middle-income countries facing similar development challenges.

WBG Management appreciates the substantive nature of IEG's assessment and the general conclusion that WBG engagement in the Philippines over the last decade made a substantial contribution to the country's development priorities. The report recognizes that the WBG contribution was significant in strengthening macroeconomic management, governance, mobilizing private sector climate financing, expanding access to finance, social protection, disaster risk management, upgrading rural infrastructure, and contributing to peace and reconciliation in Mindanao. We further welcome the assessment that there is available scope for the WBG to have greater impact, and the report points to areas where the WBG's support could have leveraged more its expertise and comparative advantage. This includes specific suggestions for promoting private sector development, financial inclusion, advancing the climate change mitigation agenda, and enhancing the capacity of subnational governments. These are valuable insights that can inform future WBG partnership with the Philippines as well as other countries.

The CPE proposes that "the dilemma for the World Bank is that these programs—though in line with the objectives of the previous two administrations, are less central to the priorities of the current government..." specifying the current administration's flagship priority agenda, large infrastructure, where WBG does not play as large a financing role as other development partners. It is management's view, also reflected in the Philippine government's response to the report, that this observation by IEG is based on an incorrectly narrow portrayal of the Duterte administration's objectives. In its response letter, the National Economic Development Authority (NEDA) clarifies that social protection is a priority of the administration and it deems long-running WBG-supported programs like the CDD and the 4Ps (conditional cash transfer) program as "central to the objectives of the current administration." While the infrastructure program has garnered significant attention, important and long-awaited reforms have also been achieved by this administration relating to human capital, climate resilience, and competition/ competitiveness. For example, laws on Universal Health Care, Social Protection, Disaster Resilience, and Doing Business have been passed, to name a few.

In pursuit of its development plan, the government has been coordinating financing and support from all development partners, ensuring complementarity and avoiding overlaps to maximize the impacts of development partner support. The Philippines has support from development partners with considerable strength in infrastructure, and the World Bank's comparative advantage has been on macroeconomic management, social protection, health and education, rural development, fragility and conflict, and poverty reduction. The long-running WB programs have exhibited significant progress on a nationwide scale; the 4Ps has been institutionalized into law after spanning three administrations, and the Philippines Rural Development Program (PRDP) across two administrations with a secure footing for a longer period. These programs enable the country's continued attention

on the goals of poverty alleviation and shared prosperity. This is of particular importance for middle-income countries like the Philippines, which is working hard to maintain a high level of economic growth but continues to struggle with inequality. As a long-term development partner, the continuation of World Bank programs aligned with the long-term aspiration of client countries should be the cornerstone of our engagement, continually expanding the program's footprint and innovating to improve efficiency while leveraging on global knowledge to accommodate emerging areas of interest.

We agree with IEG's identification of disaster risk management and climate change; peace and reconciliation in Mindanao; and subnational government capacity to provide better services as emerging areas in which the WBG comparative advantage calls for more intense engagement. These areas are currently included in the Country Partnership Framework (CPF) for the period 2020-2023 that is being finalized. The work on disaster risk management as well as peace and reconciliation in Mindanao has already been scaled up in FY19 and FY20 and will expand further. The IEG recommendation to expand subnational engagement and build capacities of municipal and provincial level governments presents a significant challenge, primarily caused by institutional constraints and the absence of a clear legal mechanism on the government side for national government to extend guarantees or on-lend WBG loans to subnational units. The provision of lending and guarantee support to sub-national governments, mechanisms for the national government to on-lend or on-grant at scale, would need to be championed within national agencies. The WBG has engaged on this issue with government during the CPF period and for many years, though impact has indeed been limited. The WBG continues to strongly advocate for this agenda. A recent Supreme Court ruling that compels the national government to expand the national budget portion allocated to local governments presents a new context in which to offer support toward designing a mechanism for meaningful WBG engagement at the subnational level. The WB is actively pursuing this, and government has welcomed the offer of advice on successful models of subnational engagement.

With regards to the role of Advisory Services and Analytics (ASA), and the need for more demand-driven and selective ASA work in our programs in Middle-Income-Countries (MIC), it is management's view that while the majority of our ASA has been demand-driven, selected Bank-identified diagnostics can add significant value (even in the absence a specific request from a government agency) if they identify key issues for poverty reduction and shared prosperity that inform the partnership and help to stimulate engagement around relevant innovations, global knowledge, implementation know-how and lessons learnt. This complementarity has been a success factor in all country programs, including for RAS-only client countries, and are also relevant as traditional programs in MICs evolve into a hybrid programs in which RASs may play an increasing role. The expanding RAS portfolio in the Philippines (in PFM, Procurement and Road Safety) is a good illustration.

The CPE points to areas in which coordination among the Bank, IFC, and MIGA would have promoted better results in the Philippines. World Bank-IFC cooperation can indeed be more systematic, particularly in key strategic sectors such as agribusiness, climate resilience, and sustainable tourism. In recent years, the WB and IFC country teams have become increasingly integrated through several initiatives, including joint IFC-World Bank teams under FCI GP in climate resilience and sustainable tourism, the CPSD/SCD and CPF drafting process, and close collaboration in formulating IFC's country strategy. The joint IBRD and IFC assessment of the competition environment raised the dialogue on competition policies at the national level and has been integral

to the preparation of the new DPL series, with both IFC and IBRD teams closely collaborating to support the reform agenda. Similar close collaboration for many years on trade and transport facilitation issues has benefited the Customs Modernization project under joint preparation. It is management's view that these substantial joint efforts show a clear and strategic deployment of the "One Bank" approach in the country and warrant reconsideration of the report's evaluation of the IBRD and IFC collaboration.

IEG reviewed both IFC's investment and advisory projects, among which a significant portion of clients are Philippine government agencies. According to Appendix H Tables H.5 and H.7, IEG rated all of IFC's investment projects as moderately satisfactory or above, while 55% of advisory projects were rated as moderately satisfactory or above. We note that these results are higher than the current success rating in the recent IEG RAP 2018 report. We welcome the positive comments on many aspects of the advisory work, especially the project level outcomes in Access to Finance, climate finance and agribusiness. The report states that some advisory outcomes were not realized, especially in the investment climate and PPP space, because of either a political administration change or weak implementation capacity on the part of government. However, we would like to emphasize the IEG comment on the catalytic role of the IFC on PPPs and draw attention to the considerable learning that has been achieved through delivering projects whose outcomes are still uncertain, or which in some cases led to transactions that did not close. We also note that a number of projects that had not successfully closed at the time of evaluation have now been completed successfully.

Finally, with regards to the subnational conflict in Mindanao, Management would like to reiterate that a successful engagement calls for close collaboration with multilateral and bilateral partners involved, as well as mobilizing the WBG knowledge and know-how resources from its engagement in FCVs across regions and income groups. Our continued engagements over time have fostered good relations and trust between the WBG and partners in the region, positioning the WBG for strong engagement in the new BARMM. This is even more important as the Bangsamoro Normalization Trust Fund (BNTF) and the post-conflict reconstruction of Marawi City are being rolled out. Moreover, this sound track record in the Bangsamoro motivated the significant shift to BARMM support at the PLR stage of the current CPS. The CPF under preparation is also prioritizing WBG engagement in BARMM, with additional initiatives to bring in foreign investors from Malaysia to potentially support Islamic finance and private sector development at large, including through the possible support from MIGA. Strong collaboration with leading multinational and bilateral partners will remain a WBG priority.

Report to the Board from the Committee on Development Effectiveness Subcommittee Report

The subcommittee of the Committee on Development Effectiveness met to discuss the Independent Evaluation Group's Country Program Evaluation entitled *The World Bank Group Partnership with the Philippines, 2009–18*, and the draft World Bank Group management response.

The subcommittee welcomed the opportunity to discuss the report. Members appreciated the Country Program Evaluation's recognition of the Bank Group's substantial contribution to the Philippines's improved economic performance, progress toward upper-middle-income country status, as well as the Bank Group's positive impact on the alleviation of poverty and promotion of shared prosperity in the country. They also highlighted that the Bank Group's continued engagement in the conflict-affected areas of Mindanao had been a key contribution to the peace and reconciliation processes. Members encouraged the Bank Group to continue developing innovative approaches to support the macroeconomic management and governance reform agenda, human capital development, social protection, community-driven and rural development programs, resilience building for disasters, reducing inequality, and decentralization.

Management's clarifications on the government's current program being consistent with the Bank Group's development objectives and priority investment areas were well received by the committee. Members acknowledged the Independent Evaluation Group's commitment to revising the report's wording on the current administration's alignment of key priorities with the long-running interventions where the Bank Group had proved to be successful and have a comparative advantage.

1

Background and Context

THIS COUNTRY PROGRAM EVALUATION (CPE)

assesses the effectiveness of the World Bank Group program in the Philippines between 2009 and 2018 (fiscal year [FY]10–18). It evaluates the Bank Group’s contributions to the country’s development in priority areas of engagement as defined in the 2009–13 Country Assistance Strategy (CAS) and the 2014–19 Country Partnership Strategy (CPS). At the same time, it looks into the extent to which the Bank Group took advantage of potential synergies among the financial, knowledge, and convening services that the Bank Group institutions offered, as well as the factors that have limited or constrained the scale and extent of the Bank Group’s engagement in the country.

The CPE provides input to the next Country Partnership Framework for the Philippines and offers lessons for Bank Group country programs in other lower-middle-income countries facing similar development challenges.¹ The last CPE (previously called a Country Assistance Evaluation) for the Philippines was completed in 1999. The selection of the Philippines for this CPE was motivated in part by the country’s regional and global economic importance as one of the larger, dynamic economies in the East Asia and Pacific Region facing persistent developmental challenges while striving to graduate from the lower-middle-income economy status.

Country Context

The Philippines is located on a large archipelago in Southeast Asia, approximately 800 kilometers away from the Asian mainland, and has more than 7,100 islands, with a total area of 300,000 square kilometers. The largest islands are Luzon (105,000 square kilometers) and Mindanao (95,000 square kilometers). It has a population of 104.9 million and a per capita gross national income of \$3,660 (2017).² Despite recently higher economic growth, and the aspiration to reach

upper-middle-income economy status by 2022, the country’s performance on poverty, inequality, and human development has been persistently low. The national poverty rate was 21.6 percent in 2015, the Gini coefficient hovered around 45 percent over the past decade, and the United Nations Human Development Index ranks the Philippines 113th of 189 countries in the world (World Bank 2018b; UNDP 2018). A natural disaster hot spot challenged by frequent deadly typhoons, tropical storms, and earthquakes that cause serious economic and social losses, the Philippines has also been affected by internal unrest, predominantly the protracted conflict in the Mindanao region in the south of the country. Efforts in recent years by the government of the Philippines, with the support of the international community, have accelerated prospects for peace and sustainable development in the region.

The Philippine economy was among the few in the region to avoid contracting after the 2008 global financial crisis. This was because of the country’s limited exposure to international capital markets, its low dependence on exports and resilient domestic consumption, remittances from millions of Filipinos working abroad, and a rapidly growing service industry. During 2008–17, annual gross domestic product (GDP) growth averaged 5.6 percent, up from 4.1 percent in 1996–2005. Macroeconomic and financial sector stability has improved since 2010 because the government managed to control inflation and keep budget deficits largely within target ranges (IMF 2017, 2018).³ Unlike many high-performing East Asian countries, the Philippines has not developed a large manufacturing base, with growth concentrated in service sectors. Agriculture, which employs most poor people, has experienced minimal growth over the past decade, partly owing to climate change and extreme weather conditions.

Despite generally good economic performance, poverty and inequality remain high, and the pace of poverty reduction has been slow compared with other East Asian countries (table 1.1).⁴ The national poverty rate fell to 21.6 percent in 2015 compared with 26.6 percent in 2006 (World Bank 2018c). High concentration of wealth contributed to strong vested interests, hindering acceptance of

TABLE 1.1 | Poverty Rate in Selected East Asian Countries

Country	International Poverty Line (\$1.90 per day)			Lower-Middle-Income-Class Poverty Line (\$3.20 per day)		
	2006	2015	Decline per year	2006	2015	Decline per year
Philippines	14.5	6.6	0.9	38.4	27.0	1.3
Thailand	0.7	0.0	0.1	6.2	1.1	0.7
China	18.8	1.9	2.4	43.5	20.2	3.3
Vietnam	19.5	2.8	2.1	51.3	11.6	5.0
Indonesia	27.5	7.5	2.2	65.6	34.0	3.5

Source: World Bank 2018c. Data for Thailand are for 2006 and 2013, for China 2005 and 2012, for Vietnam 2006 and 2014.

Note: The Philippines uses income as the welfare measure; other countries use consumption.

reforms needed for more inclusive growth and faster poverty reduction. It is estimated that the top 1 percent of households own more than half the nation's wealth, the fourth highest after the Russian Federation; Turkey; and Hong Kong SAR, China (Credit Suisse Research Institute 2018). Differences in the quality of human capital drive a large measure of the inequality in the Philippines. In addition, repeated and increasingly frequent natural disasters undermine growth and poverty reduction.⁵

Persistent governance and business climate problems (including significant infrastructure gaps) also hold the country back.⁶ Investment in infrastructure could not keep up with rapid urbanization and population growth. According to the Global Competitiveness Index (2017–18), of 140 countries, the Philippines ranks 92nd in overall infrastructure and 101st in transport infrastructure. Reforms in the past decade brought some noticeable progress in strengthening governance, but this has stalled recently. Other governance problems are related to an unfinished decentralization agenda, reflected in a highly unequal distribution of public revenues, expenditures, and some key development outcomes across regions. A poor business environment is another factor that limits firm growth and competitiveness and exacerbates inequality; the Philippines is ranked 124th among 190 economies on the ease of doing business, according to the World Bank's latest *Doing Business* report (2019b).

The Philippines fares well globally on gender equality and has recorded gains in the political participation of women, but challenges remain in attainment of key Millennium Development Goals (MDGs) affecting women and their participation in the labor market (box 1.1). The Philippines is perceived as a relatively successful model of gender equality and is strong on gender equity in education. The 2018 World Economic Forum *Global Gender Gap Report* ranked the Philippines 8th of 149 countries and tied for first on educational attainment. The country ranks well on economic opportunity and political empowerment, but lower on health, with relatively high maternal mortality. Although employment and unemployment rates for men and women are roughly the same, only about half of women participate in the labor force compared with almost 80 percent of men (WEF 2018).



BOX 1.1 | Gender in World Bank Group Programs

Since 2009, the World Bank has conducted an annual assessment of gender mainstreaming in the Philippines portfolio. In 2013, the World Bank prepared a country gender assessment (in partnership with the Philippine Commission on Women and the National Economic Development Authority), as input to the 2014 Country Partnership Strategy. The strategy committed to continue ensuring that gender considerations were mainstreamed into operations, consistent with both its own and government policies. The Pantawid Pamilyang Pilipino Program conditional cash transfer program pays cash grants for education and health to women. Both Pantawid Pamilyang Pilipino Program and Kalahi (Comprehensive and Integrated Delivery of Social Services) programs have

Continued


BOX 1.1 | Gender in World Bank Group Programs (continued)

focused on empowering women by getting them to organize family development service sessions and serving as contact points and community leaders in the barangays. In the Autonomous Region of Muslim Mindanao, the participatory approach has enabled women, who are often marginalized from decision-making processes, to get involved in community-driven development subprojects. Gender aspects are also important in disaster risk management because natural disasters tend to disproportionately affect women and children. The provision of water supply and sewerage services in Metro Manila and interventions around Laguna de Bay had a positive impact on women's lives. Other World Bank interventions, such as the Participatory Irrigation Development project, helped increase women's presence in Irrigation Associations from zero to 20 percent and trained indigenous women in alternative livelihood activities. In 2014–16, the International Finance Corporation supported the development of the Small and Medium Enterprises Lending Program for Women in the Philippines with the Rizal Commercial Banking Corporation. The program allowed the corporation to disburse more than 2,000 loans to women-owned small and medium enterprises amounting to more than \$120 million.

World Bank Group Strategy

The country's development agenda was reflected in six-year Philippine Development Plans (PDPs) aimed at reducing poverty and improving the lives of the poorest segments of the population, but the focus has shifted with changes in government. The strategic themes of the PDP 2011–16, under the administration of President Aquino, were inclusive growth, good governance, anticorruption, and relocation of resources for reforms in health, education, and social protection. The administration of President Duterte, elected in 2016, aims to increase public investment for poverty reduction, job creation, and economic growth. This is reflected in the PDP 2017–22, which seeks to lift approximately 6 million Filipinos from poverty and achieve upper-middle-income country (UMIC) status by 2022. The PDP also highlights a prominent priority of the government: delivering a comprehensive agenda for peace and development in conflict-affected areas.

Both the 2009–13 CAS and 2014–19 CPS included support for macroeconomic management, good governance, inclusive growth and poverty reduction, private sector development, and building up resilience (appendix C, table C.1). The 2009–13 CAS was built around recovery from the global financial crisis. It focused on macroeconomic stability, public delivery of services, improving the investment climate, and reducing vulnerability (including through a conditional cash transfer [CCT] program and improved stability and peace in Mindanao). The 2014–19 CPS gave inclusive growth and poverty reduction a more central role. Its results framework was simplified substantially in

2017 (for example, the number of results indicators dropped from 143 to 41) as policy priorities changed with the new administration, including a significantly downsized program for governance. The Performance and Learning Review (PLR) 2017 identified lack of progress on governance reform and lack of relevance to the ongoing World Bank program as primary reasons for these modifications. However, in retrospect, some of the changes in the World Bank strategy document, such as the significant scaling down of the governance agenda and removal of an improved poverty measurement objective, were neither warranted nor specifically requested by the government.

A key feature of the Bank Group's strategy in the Philippines was continued support for peace and stability in the conflict-affected areas of Mindanao. The 2014 CPS committed to implementing the "peace dividend" after progress in the peace process and emphasized building trust to address low social cohesion and high levels of violence in parts of Mindanao. The World Bank used "conflict-sensitive" programming and implementation to help targeted communities access social and economic infrastructure and services, as well as to improve livelihoods, mainly through a community-driven development (CDD) approach. The 2017 PLR, in line with the priorities of the PDP 2017–22, proposed a Comprehensive Program for Regional Development in Mindanao, with three core components: (i) raising agricultural productivity, connectivity, and logistics from farm to market; (ii) boosting human development; and (iii) addressing drivers of conflict.

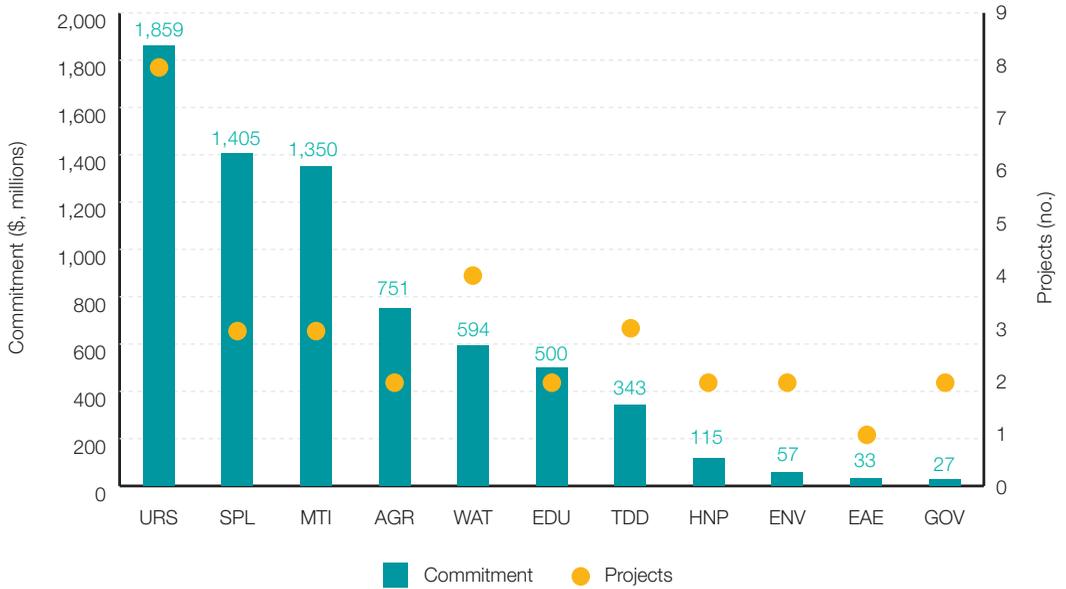
World Bank Group Operations

The Bank Group program during the review period included International Bank for Reconstruction and Development (IBRD) lending and International Finance Corporation (IFC) investments of approximately \$8.2 billion, and a multisectoral program of IBRD Advisory Services and Analytics (ASA) and IFC advisory services. There was no Multilateral Investment Guarantee Agency (MIGA) exposure during this period. The World Bank–supported program included 32 projects, with a total commitment of \$7 billion, including 26 investment project financing operations and six development policy loans (DPLs). The largest share of projects, weighted by commitment size, was under the Social, Urban, Rural, and Resilience Global Practice (27 percent), followed by Social Protection and Labor (20 percent); Macroeconomics, Trade, and Investment (19 percent); and Agriculture (11 percent). The World Bank delivered 201 ASA activities at a total cost of \$72.7 million (financed mainly through trust funds) (figure 1.1). IFC had 31 investment projects, with a total net investment commitment of \$1.2 billion. IFC provided 34 advisory services engagements, at a total cost of \$61 million (see appendix H for a detailed portfolio review).

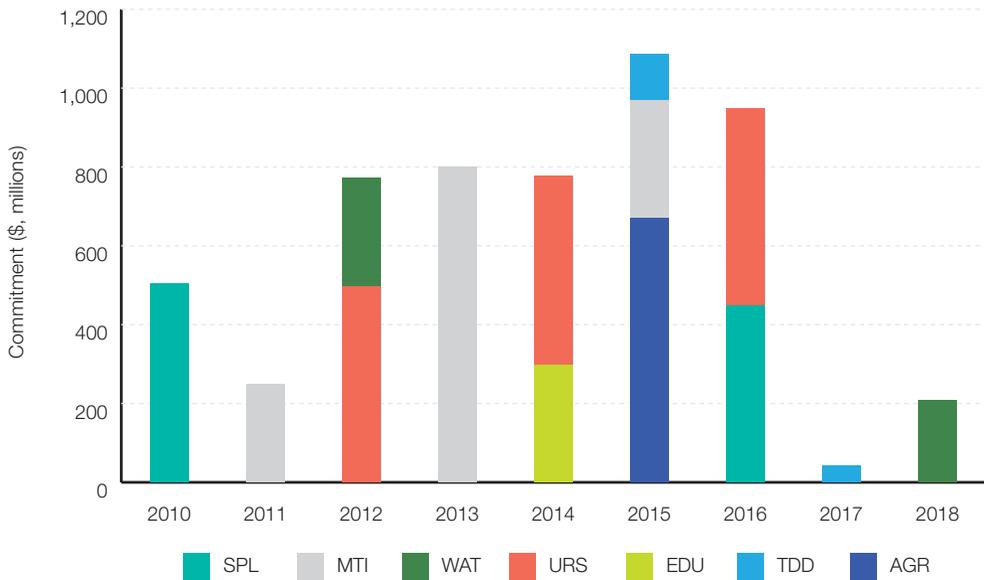
The World Bank's lending to the Philippines included four large flagship programs that provided continuity of engagement in priority areas. The DPL series (DPLs 1–3, 2011–15) focused on governance reform, improving the investment climate, and addressing vulnerabilities to natural disasters. Rural development projects supported rural infrastructure and rural enterprise development. The nationwide Social Welfare and Development Reform Projects (SWDRP) supported the national Pantawid Pamilyang Pilipino Program (4Ps) CCT program, as well as poverty measurement and socioeconomic data collection (through associated ASA). The Kapit-Bisig Laban

FIGURE 1.1 | World Bank Lending Portfolio by Global Practice and Fiscal Year

a. By Global Practice



b. Approvals by fiscal year and Global Practice

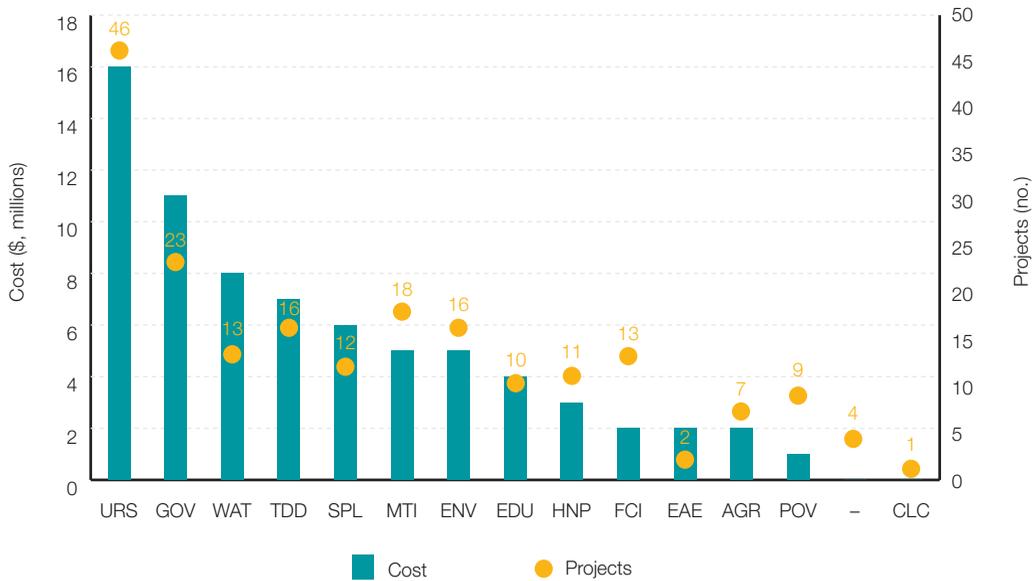


Source: World Bank.

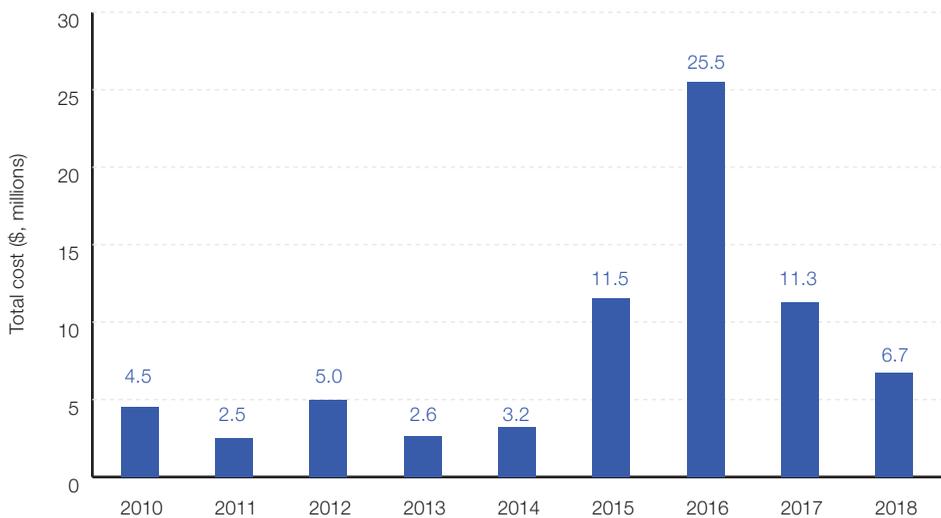
Note: AGR = Agriculture; EAE = Energy and Extractives; EDU = Education; ENV = Environment and Natural Resources; GOV = Governance; HNP = Health, Nutrition, and Population; MTI = Macroeconomics, Trade, and Investment; SPL = Social Protection and Labor; TDD = Transport and Digital Development; URS = Social, Urban, Rural, and Resilience; WAT = Water.

FIGURE 1.2 | World Bank Advisory Services and Analytics

a. By Global Practice



b. By fiscal year



Source: World Bank.

Note: AGR = Agriculture; CLC = Climate Change; EAE = Energy and Extractives; EDU = Education; ENV = Environment and Natural Resources; FCI = Finance, Competitiveness, and Innovation; GOV = Governance; HNP = Health, Nutrition, and Population; MTI = Macroeconomics, Trade, and Investment; - = not available; POV = Poverty; SPL = Social Protection and Labor; TDD = Transport and Digital Development; URS = Social, Urban, Rural, and Resilience; WAT = Water.

sa Kahirapan-Comprehensive and Integrated Delivery of Social Services (Kalahi-CIDSS) national CDD projects (KC-NCDD) provided financing for communal and municipal infrastructure through community empowerment and mainstreaming CDD principles into local development planning and service delivery.

The review period marked an evolution in World Bank assistance for disaster risk management from knowledge sharing to lending and analytical work. The first World Bank operation in support of disaster risk management was a DPL with a catastrophe deferred drawdown option (CAT DDO) of \$500 million (2011). The operation supported objectives in three areas: (i) strengthening institutional capacity for disaster risk management, (ii) mainstreaming disaster risk management into development planning, and (iii) better managing fiscal exposure to natural hazard impacts. World Bank lending for disaster risk management significantly increased during the review period from \$250 million in FY10 to \$1.8 billion by the end of FY18.⁷

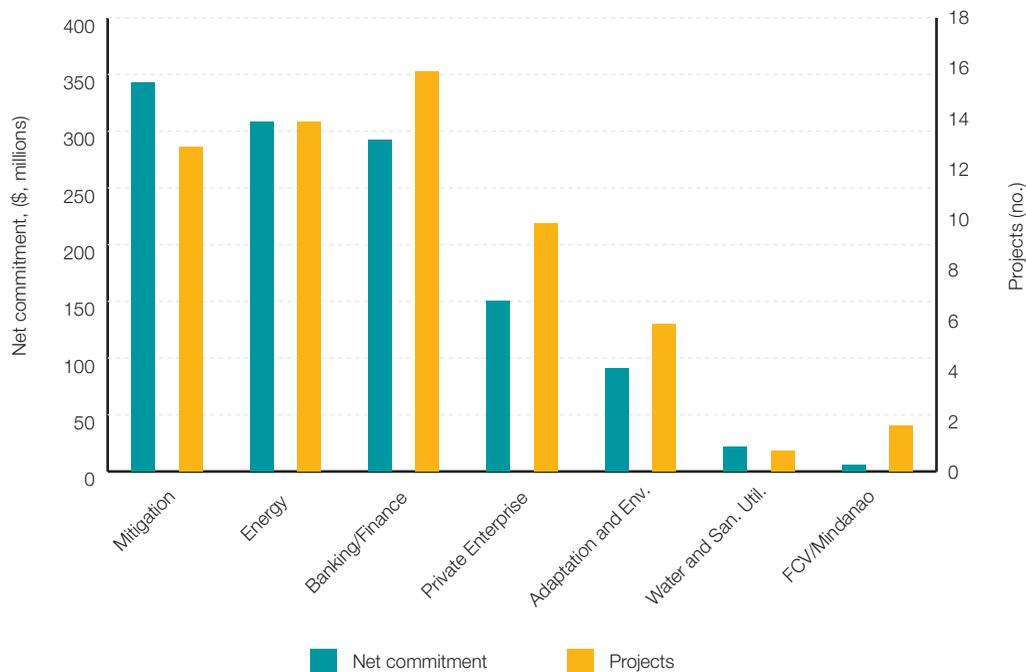
The World Bank's ASA program in the Philippines was generously supported by donor trust funds (figure 1.2 and appendix H). These programs combined major analytic studies and policy notes, technical assistance, training programs, conferences, and study tours. Three Global Practices (Social, Urban, Rural, and Resilience; Macroeconomics, Trade, and Investment; and Governance) were responsible for the delivery of close to half the nonlending products. In 2017, the World Bank signed the first reimbursable advisory services agreement with the government of the Philippines, covering several public financial management (PFM) issues.

IFC had a total net investment of \$1.2 billion during the review period (figure 1.3). IFC supported systemically important banks after the global financial crisis and helped attract investments to cities struck by typhoon Haiyan. As a transaction adviser for public-private partnership (PPP) projects during 2011–16, IFC helped relevant infrastructure agencies implement ongoing operations and develop a pipeline of PPP activities. A significant share of IFC advisory services focused on climate financing, access to finance, small and medium enterprise (SME) development, disaster risk management, and improving the business climate and competition policy.

Partnerships

Partnerships were a key component of the Bank Group's work in the Philippines. The Bank Group engaged with local, national, and international stakeholders on program development, funding, implementation, and delivery. As co-chair of the Philippines Development Forum alongside the government, the Bank Group facilitated dialogue among government stakeholders and development partners on the country's policy reform agenda. The World Bank was the convener of a few working groups under the Philippines Development Forum, such as on growth and investment climate, and on peace and reconciliation in Mindanao. However, according to some within the government, working group meetings were less productive in recent years. The World Bank coordinated closely with the International Monetary Fund (IMF) on macroeconomic policy recommendations and technical assistance, especially on tax policy, and worked jointly with the Asian Development Bank

FIGURE 1.3 | IFC Investment (Net Commitment) by Engagement Area



Source: International Finance Corporation.

Note: Env. = environment; FCV = Fragility, Conflict, and Violence; IFC = International Finance Corporation; San. Util = Sanitation Utilities.

and the Japan International Cooperation Agency to harmonize national procurement rules. The Australian Department of Foreign Affairs and Trade provided critical funding for a large number of World Bank analytical reports in several important areas. The Asian Development Bank provided parallel funding to important government programs supported by the World Bank (4Ps and Kalahi-CIDSS).⁸ This cooperation provided important advocacy when the new administration started having reservations about the program. The Bank Group and the Asian Development Bank also worked together on the 2016 Philippines Development Forum to discuss new policy directions of the government at an early stage. The European Union is a key partner in several areas, including energy and fragility, conflict, and violence. An important partner in project implementation was the United Nations through its various agencies. One of the most visible partnerships was with the United Nations Development Programme, with which the World Bank created and jointly administered the Facility for Advisory Support for Transition Capacities, a major source of technical and financial assistance in the conflict-affected areas of Mindanao.

The Bank Group and development partners were actively involved in reconstruction and reconciliation efforts in conflict-affected areas of Mindanao island. These activities were supported by World Bank lending of \$118 million in support of the Autonomous Region of Muslim Mindanao (ARMM) Social Fund Project and the Mindanao Rural Development Project (MRDP). The World Bank

also administered the multidonor trust fund for reconstruction and development in the amount of \$28.8 million. The trust fund financed projects to empower communities to recover from conflict and promoted participatory governance. Currently, the World Bank is providing assistance for recovery, rehabilitation, and reconstruction efforts in the city of Marawi, affected by a violent outbreak in 2017 (see appendix F for details on Mindanao conflict).

The Bank Group maintained strong dialogue with civil society organizations (CSOs) that provided valuable perspectives on country development issues and the Bank Group's partnership with the government. The World Bank partnered with the Knowledge for Development Community, consisting of higher learning institutions, foundations, and policy and research entities, to promote constructive dialogue with local governments, business groups, the media, and others. CSOs were important partners for activities related to governance and fragility, conflict, and violence. The World Bank supported International Alert in establishing the Bangsamoro Conflict Monitoring System,⁹ a subnational violence tracking database used by stakeholders engaged in the Mindanao peace process. At the same time, the World Bank built strong partnerships with the CSO community under the Open Government Platform and other programs seeking to build demand for improvements in governance. IFC established successful partnerships with local private sector entities to provide holistic solutions to smallholder farmers to foster sustainable businesses. One example is the long-term partnership with the Center for Agriculture and Rural Development, Rizal Microbank, and Bayer to provide inputs, crop protection, and insurance tailored to the specific needs of local smallholder farms.

Evaluation Scope and Methods

The scope of this CPE was determined by the key engagement areas identified in the last two Bank Group strategies for the Philippines. Although the 2009 and 2014 strategies covered similar areas, they visibly varied in their thematic foci and ambition, particularly after the 2017 PLR. This CPE used a combined assessment framework covering main areas included in both country strategies (appendix D). The program outcome ratings and subratings assess the extent to which the World Bank program achieved the results summarized in the combined assessment framework. They do not attempt to assess the extent to which the partners were satisfied with the Bank Group program, nor are they synonymous with Bank Group performance.

The CPE analysis was based on a set of overarching evaluation questions: (i) to what extent were the Bank Group's strategic positioning and scope of engagement relevant for, and aligned with, the country's main development constraints and development ambition; (ii) how, and to what extent, did the Bank Group's strategic engagement and program in the Philippines contribute to achieving development results in an effective and efficient manner; and (iii) to what extent did the Bank Group coordinate internally, and collaborate externally, with other development partners (taking into account respective comparative advantage and government preferences)?

The evaluation applied the standard Independent Evaluation Group (IEG) CPE methodology, using a combination of quantitative and qualitative data, document reviews, and stakeholder interviews,

drawing on a range of sources to triangulate results and test robustness of findings (appendix G). It analyzed the extent to which development results in the field could be attributed to the Bank Group program and how the program contributed to achieving these results. In the Philippines, political factors played a particularly important role in the formulation of government and Bank Group programs, reflected in the fundamental policy shifts after each electoral cycle, and compounded by the presence of ongoing internal conflict. Natural disasters and their profound effect on the economy and the government's priorities were another major factor considered.

¹ Lower-middle-income economies are those with a gross national income per capita ranging between \$1,006 and \$3,955; upper-middle-income economies are those with a gross national income per capita between \$3,956 and \$12,235, according to the Atlas Classification used by the World Bank (2018). <http://www.worldbank.org/en/country/mic/overview>.

² The country is only at 35 percent of the East Asia and Pacific region's average gross national income per capita (\$10,170) and half (53 percent) of the East Asia and Pacific group excluding the high-income economies (\$6,987).

³ The International Monetary Fund stated that the economic performance of the Philippines continued to be very strong and that the medium-term macroeconomic outlook remained favorable. All three major credit agencies upgraded the country's sovereign credit ratings to investment grade in 2013, with a further upgrade to one notch above investment grade by both Standard & Poor's and Moody's in 2014. A similar upgrade by Fitch took place in December 2017. In April 2019, the Philippines got its highest credit rating to date from Standard & Poor's Global Ratings, now at BBB+.

⁴ Between 2006 and 2012, the Philippines poverty rate, as measured by the international poverty line (\$1.90/day), declined only 0.9 percentage points per year compared with between 2.0 percent and 2.5 percent in China, Indonesia, and Vietnam, and the lower-middle-income class poverty line (\$3.20/day). It declined only 1.3 percentage points per year compared with 3 to 5 percentage points for the same three countries (World Bank 2018c).

⁵ The Philippines is the world's third most vulnerable country to natural hazards and 14th most affected by adverse impacts of climate change. Since 1990, natural disasters have caused an estimated \$23 billion in losses and damages in the Philippines. On average, more than a million Filipinos are impoverished each year by natural disasters. Typhoon Haiyan (2013) is estimated to have cost the country approximately 5 percent of gross domestic product. (World Bank 2018b; Philippines 2011, 206; United Nations University-Institute for Environment and Human Security, <https://ehs.unu.edu>; German Watch 2013).

⁶ The Philippines' high population growth—1.6 percent per year—is more than double the average for the East Asia Region (0.7 percent), and nearly 50 percent higher than the world average (1.2 percent; World Bank 2018b).

⁷ The World Bank used a mix of lending instruments, including development policy financing and investment project financing (catastrophe deferred drawdown options 1 and 2) and two supplemental development policy loans after the aftermath of typhoons that hit the country during the Country Program Evaluation period. The second catastrophe deferred drawdown option is still active, and its closing date has been extended to 2021.

⁸ Pantawid Pamilyang Pilipino Program (Bridging Program for the Filipino Family, also known as 4Ps), is a conditional cash transfer program of the government of the Philippines. Kalahi-CIDSS stands for Kapit-Bisig Laban sa Kahirapan (Linking Arms against Poverty) Comprehensive and Integrated Delivery of Social Services—a nationwide community-driven development program. It is built on the government's program that started in 2002, and channeled funding for infrastructure through municipal mayors.

⁹ International Alert is an international nongovernmental organization, established in 1986, working on peace and human rights globally.

2

Macroeconomic Management and Governance

GOVERNANCE PROBLEMS AND MACROECONOMIC

risks have been among central constraints to inclusive and sustainable growth in the Philippines since the 1990s. The primary concern was the low level and weak effectiveness of public spending on essential services, especially infrastructure and the social sectors. The effects of weak tax collection and a lack of transparency (and perceived high corruption) in public spending, with the Philippines caught in a low-revenue, low-expenditure trap since the late 1990s, have left revenues insufficient to close the development gap with East Asian comparator countries (see World Bank 2011h, 11). In addition, elite capture, vested interests, and the lack of a consensus among elites have been major constraints to governance reform.

The administration of President Aquino (2010–16) prioritized anticorruption and governance improvements. The 2011–16 PDP called for a stable macroeconomic environment, increased infrastructure investment, and improved governance. PDP implementation during the first half of President Aquino's tenure was accompanied by increased attention to cross-cutting governance issues. PFM reform focused on budget transparency, better risk management, and better management of state-owned enterprises (SOEs). The government of the Philippines emphasized the expansion of public expenditure by reallocating savings toward pro-poor programs, including CCTs. The government also launched several cross-cutting transparency initiatives, such as the Open Data Program.

However, progress has been uneven, and momentum stalled after 2014. This reflected the decline in commitment toward the end of the previous administration's tenure and the shift in priorities under the current administration, as reflected in various governance indicators after 2014 (table 2.1). The slackening of progress could be linked to the effects of a magnitude 7.2

earthquake in 2013 and the devastating typhoon Haiyan. Recovery needs were massive and might have diverted attention from reforms.

TABLE 2.1 | Selected Governance Indicators, 2006–17

Governance Indicator (Source)	2006	2010	2014	2016	2017
Corruption Perceptions Index (Transparency Int'l)	n.a. ^a	24	38	35	34
Open Budget Index score (Int'l Budget Partnership)	51	55	64	—	67
Control of Corruption (WGI)	-0.8	-0.8	-0.4	-0.5	-0.5
Government Effectiveness (WGI)	-0.1	0.0	-0.2	0.0	-0.1
Regulatory Quality (WGI)	-0.2	-0.2	0.0	0.0	0.0
Rule of Law (WGI)	-0.4	-0.6	-0.3	-0.4	-0.4
Voice and Accountability (WGI)	-0.1	0.0	-0.2	-0.2	-0.1
Political Stability and Absence of Violence (WGI)	-1.6	-1.7	-0.7	-1.4	-1.2

Sources: The World Governance Indicators, Transparency International, the International Budget Partnership. <http://info.worldbank.org/governance/wgi/index.aspx#reports>; https://www.transparency.org/news/feature/corruption_perceptions_index_2017; <https://www.internationalbudget.org/open-budget-survey/open-budget-index-rankings>.

Note: Corruption Perceptions Index score relates to the degree to which corruption is perceived to exist among public officials and politicians by business people and country analysts. Scores range between 0 (highly corrupt) and 100 (highly clean). Open Budget Index score is a measure of budget transparency. It uses individual indicators that assess whether the central country government makes key budget documents available to the public in a timely manner and whether the data contained in these documents are comprehensive and useful. Scores range between 0 (highly nontransparent) and 100 (highly transparent). World Governance Indicators relate to the strength of governance performance along six dimensions. These aggregate indicators combine the views of a large number of enterprises and citizen and expert survey respondents in more than 200 countries. Scores range from -2.5 (weak performance) to 2.5 (strong performance).

— = not available; n.a. = not applicable; WGI = World Governance Indicators.

a. The 2006 Corruption Perceptions Index for the Philippines (2.5) was calculated using a different methodology; therefore, it is not compatible with later indexes.

The PDP (2017–22) under President Duterte maintained focus on inclusive growth but gave less attention to governance. Instead, it pushed for increases in spending on infrastructure. The Duterte administration advanced two significant economic management reforms: (i) a comprehensive tax reform expected to yield additional revenue of 2 percent of GDP in the medium term (the first part of which was approved by Congress in 2018) and (ii) a budget reform bill to strengthen transparency and accountability in the budget system, establishing stronger links across the budget cycle to secure the irreversibility of earlier PFM reforms.

World Bank Group Program Focus and Results

The Bank Group's program covered four areas: (i) macroeconomic management and revenue mobilization, (ii) expenditure rationalization, (iii) transparency and accountability in the public sector, and (iv) decentralization and local government strengthening.

Macroeconomic Management and Revenue Mobilization

Both the 2009–13 CAS and the 2014–19 CPS initially emphasized support to the government of the Philippines in macroeconomic and revenue management. To accommodate some of the new or reinforced priorities of the Aquino administration, the 2011 CAS Progress Report suggested additional strengthening in this area. The 2014 CPS also reflected continued broad and ambitious governance-related reforms. However, the 2017 PLR significantly downsized the governance program, narrowing policy priorities to increased public revenue mobilization and improved quality and transparency of public financial reporting. Debt and risk management and SOE reform were effectively removed from program priorities. The reasons given in the PLR included lack of reform progress and low relevance to the ongoing Bank Group program. In retrospect, this downsizing may not have been fully justified.

The Bank Group program consisted of a series of DPLs and a comprehensive program of analytical work and technical assistance. Three DPLs (approved in 2011, 2013, and 2015) supported reforms in tax policy and administration, risk management, and fiscal transparency. Planned DPLs 4 and 5 did not materialize because the government's determination to push through difficult legislative reforms waned.¹ The analytical foundations of DPL-supported reforms were laid out in 2010 in a set of Discussion Notes on topics of importance to the incoming Aquino administration. The Philippines Development Report (2011) provided an in-depth analysis of the barriers to inclusive growth. Support for tax reforms included ASA and assistance with implementation and in communicating tax reform objectives to the public. Earlier work on tax policy was used to re-engage with the government after the 2016 election. Macroeconomic and tax policy recommendations and technical assistance were closely coordinated with the IMF.²

During the review period, the government achieved significant budget adjustments and reductions in the deficit and external debt. The overall nonfinancial public sector net debt declined from 53 percent of GDP in 2012 to approximately 43 percent in 2017, below the DPL program target for 2013. These results raised market confidence: all three major credit agencies lifted the country's sovereign credit ratings to investment grade in 2013 with a further upgrade in 2014, thereby decreasing borrowing costs for both the public and private sectors. In the 2017 IMF Article IV Consultation Report, the IMF stated that the macroeconomic performance of the Philippines continued to be very strong and that the medium-term macroeconomic outlook remained favorable. In 2011, the government undertook a comprehensive reform of SOEs (also known as government-owned and controlled corporations), which improved their performance significantly.

The improved macroeconomic situation reflects significant progress on the revenue side. Although strengthening tax administration proved more challenging because of resistance from vested interests, revenue gains allowed the government to raise funding levels in health, education, and

social protection, with an emphasis on pro-poor programs.³ Other progress included improved collection of excises from alcohol and tobacco, adoption of the Bureau of Customs Modernization and Tariff Act, and preparation of a new tax reform package to raise a further 2 percent of GDP in annual government revenues.

The World Bank made significant efforts to make the tax system more equitable. Several major ASA argued for policy changes to improve tax equity by indexing petroleum excise taxes (frozen since 1996) to boost revenues and improve the overall progressivity of the tax system, reducing tax incentives for domestic firms, increasing real property taxation, and improving tax administration to boost tax collection from the self-employed and professionals. However, those measures have not been implemented as of May 2019.

The Bank Group's contribution to improved revenue management has been significant. Major reforms supported by DPLs included passage of the Government-Owned and Controlled Corporations Governance Act to strengthen fiscal discipline and reduce contingent liabilities for such corporations. Many reforms in macroeconomic management benefited from World Bank technical assistance. DPLs also supported critical tax policy reforms: implementation of a tobacco and alcohol excise tax ("sin tax") reform and finalization of an annual online Tax Expenditure Statement on fiscal investment incentives. The Bank Group's support for implementation of the "sin tax" law is seen by the client as a major success. The Bank Group team helped reframe the debate on higher excise rates as primarily a public health issue, which shifted the discussion and ultimately neutralized opposition.

Expenditure Rationalization

The main objectives of the Bank Group-supported program in this area were to raise spending efficiency, improve pro-poor targeting, and enhance the quality of spending. These objectives were pursued mostly through self-standing ASA, DPLs, and sector investment projects and dialogue, often in coordination with development partners.⁴ Several public expenditure reviews drew attention to gaps in public spending and informed DPL-supported reforms that facilitated budget reallocations.⁵ In addition, the Bank Group undertook sector-level political economy assessments to understand better the constraints to expenditure rationalization. This was supplemented by technical assistance on budget planning. The Bank Group's assistance for expenditure rationalization was linked to government procurement reforms at national and local levels.⁶ The recent reimbursable advisory services agreement provides support to modernize the e-procurement system (Philippine Government Electronic Procurement System).

Budget planning in the Philippines has improved, although a comprehensive medium-term expenditure framework has not yet been developed. The government regularly uses projections and the budget strategy as inputs to annual budget formulation. Zero-based budgeting was introduced and has been used since 2011. The overall level of public spending has expanded, substantially supported by improved revenue performance.⁷ Government spending became more pro-poor (primarily because of the new CCT program). In late 2018, the Philippine Congress approved the Rice Tariffication Act, which abolished quantitative restrictions on rice imports. This

act is expected to bring considerable budget savings from reduced rice subsidies. The quality of sector spending has been enhanced through stronger accountability arrangements.⁸

The 2012 Country Procurement Assessment Report (CPAR) pointed to clear progress in procurement compliance and the use of competitive procurement practices.⁹ Since 2012, there has been gradual progress in procurement compliance, public access to procurement information, and professionalization of the procurement cadre (as recommended in the 2012 CPAR). However, no progress has been made on some other recommendations of the CPAR, such as establishment of an independent entity to handle procurement complaints and expanded opportunities for foreign participation in public procurement.

The Bank Group–supported program contributed significantly to the government’s expenditure rationalization effort. DPLs supported expansion in some core spending programs (infrastructure) and the introduction of new ones (the CCT). Public expenditure reviews and sector analytical work provided detailed recommendations to raise spending efficiency. Many of those recommendations have been fully internalized and have become government policy. For example, the Bank Group’s work on agriculture and rice subsidies helped the government to shift resources toward more effective programs. Bank Group technical assistance contributed to strengthening the capacity of the core economic agencies for budgeting, although there remains significant room for improvement. The Bank Group’s contribution to procurement reform has been critical. The CPAR’s regularly updated recommendations served as a “road map” for the reform process. The Bank Group has developed a strong collaborative partnership with the procurement regulator (Government Procurement Policy Board).

Transparency and Accountability in the Public Sector

Enhanced government transparency and accountability have been among the top priorities for Bank Group assistance during the entire period under review. In addition to providing support for PFM and procurement reforms, the Bank Group integrated governance dimensions into all new operations and business processes.¹⁰ This was complemented by a diverse ASA program, which included important diagnostic work and programmatic technical assistance.¹¹ The Bank Group also helped strengthen demand for accountability by investing in capacity building for CSOs and establishing partnerships with entities engaged in policy advocacy and monitoring of budget and service delivery. However, the feedback received by IEG during interviews suggests that the Bank Group’s engagement with civil society has weakened in recent years.

Reforms initiated under the Aquino administration and supported by the Bank Group strengthened governance and enhanced the quality of underlying institutions. These included better budget reporting, expanded access to budget information, strengthened internal audit and financial management capacity, and stronger budget alignment to development objectives. There has also been significant progress under the Extractives Industries Transparency Initiative. On social accountability, the Open Government Partnership and similar initiatives created a platform for better budget analysis and more effective public advocacy. The

education sector has seen significant gains from expanded monitoring by communities and nongovernmental organizations.

Progress on governance reform slowed after 2014, and many reforms remain unfinished. Despite achievements in PFM,¹² progress in improving the capacity of line agencies for accurate and timely expenditure reporting was limited. The country still lacks a modern government integrated financial management information system (GIFMIS), which significantly reduces the overall impact of reforms undertaken. The fragmented institutional structure for PFM in the Philippines is the primary reason for repeated failures to develop a GIFMIS, and it has been difficult to build a consensus on a reform strategy in the face of powerful stakeholders with competing agendas. At the same time, there are signs of an emerging interagency (for example, Department of Finance, Department of Budget and Management) consensus on medium-term PFM reform priorities. These include rollout of a Budget and Treasury Management System (a local substitute for GIFMIS) among the national government agencies in 2019, submission to Congress of a comprehensive budget reform bill that reflects Public Expenditure and Financial Accountability report recommendations, transition to a cash budgeting system, and signing the first reimbursable advisory services agreement with the Bank Group to provide implementation support for PFM reform.

The Bank Group played an important and positive role in advancing reforms in this area. DPLs supported adoption of a Unified Account Code Structure and introduction of new rules for budget disclosure. Several sector projects successfully advanced governance objectives, including more transparency in rural road planning, stronger accountability in financing and operation of schools, and better anticorruption arrangements in the administration of social transfers. The Bank Group made a major contribution to the gradual development of interagency consensus on a longer-term PFM reform strategy. This was the result of a multiyear Bank Group effort to build relationships with key local stakeholders, supported by large volumes of diagnostic, advisory, and advocacy work, as well as considerable investment in communication, mobilization, and education of various civil society groups.¹³

Decentralization and Local Government Strengthening

The Bank Group's approach and engagement in this area have shrunk over time, in part reflecting changes in government priorities. The 2009–13 CAS sought to refine the country's decentralization framework through broad-based reform and by strengthening local government unit (LGU) service delivery. However, the government did not pursue decentralization reforms, leading the 2014–19 CPS to reduce support to strengthening LGU capacity and enhancing central government capacity to monitor LGU performance. These objectives were pursued primarily through nonlending instruments.¹⁴ The main financing vehicle during the review period was an investment project, "Support for Strategic Local Development" (2006–16), which provided a credit line to LGUs through the Land Bank, primarily for modernization of water supply systems. The project did not pursue broad policy objectives or aim to strengthen the core governance functions of LGUs.

The absence of fresh lending to support local governments reduced the relevance of the Bank Group–supported program. Delivery of numerous small ASA pieces did not maintain the dialogue with and among government counterparts. The role and influence of the Bank Group in this area has diminished noticeably, while other development partners have expanded their footprint. Lack of sufficiently strong engagement at the subnational level became a binding constraint to an effective assistance program in public services, including education, health, and disaster risk management, all of which would have greatly benefited from improvements in LGU capacity and governance.

Progress in strengthening local governance was uneven, with most structural problems in the existing decentralization framework remaining largely intact, and LGUs remaining overly dependent on central government transfers. The government dropped earlier plans for comprehensive reform, including those intended to address overlapping service delivery responsibilities across different government levels and the highly unequal distribution of public expenditures and outcomes across regions, which is partly because of the formula for allocation of intergovernmental fiscal transfers (World Bank 2011h). More ambitious reforms are needed to ensure more equitable allocation of budget transfers across LGUs, enhance the capacity to raise local taxes, and plan and effectively implement local development programs. The government introduced new policies to monitor and incentivize LGU performance and promote transparency and accountability, including the Seal of Good Local Governance program, backed by budget performance grants to LGUs from the Performance Challenge Fund.¹⁵ However, progress was not accompanied by equal strengthening of local capacity to implement projects and deliver public services, as reflected in chronic underspending of local budgets and stagnant LGU revenue collection.¹⁶

The Bank Group helped improve communication across central government agencies involved in overseeing LGU performance but was less successful in advancing the governance agenda at the local level. The Bank Group’s ASA helped strengthen the design and implementation of several local governance programs at the central government level but was not able to develop working partnerships at the subnational level.¹⁷ A significant part of its 2012 Local Governance Strategy related to LGU capacity building remains unimplemented, undermining the efficiency of support for delivery of core public services. A notable example of tangible support for enhancing subnational capacity was the Philippine Rural Development Project (PRDP), which supported systematic improvements in the capacity of participating provincial governments to plan and support local rural development for infrastructure and specific agricultural value chains.¹⁸

Conclusions

Table 2.2 summarizes the results and achievements in macroeconomic management and governance.

TABLE 2.2 | Results in Macroeconomic Management and Governance

Sector or Area	Results	World Bank Group Contribution	Rating ^a
Macroeconomic management and revenue mobilization	Significant and sustained gains in macroeconomic performance. Improved revenue performance.	DPL series (2011–15) and technical assistance helped improve macroeconomic management, implementing “sin tax” law, and raising investor confidence.	S (5)
Expenditure rationalization	Expansion of public spending; increase in the share of priority and pro-poor public spending; improvement in budget planning and public procurement.	DPLs supported expansion in infrastructure and conditional cash transfer spending. Advisory Services and Analytics helped raise spending efficiency and provide support for procurement reform.	S (5)
Transparency and accountability in the public sector	Progress in strengthening governance since 2010. Improved Public Expenditure and Financial Accountability scores. However, no progress reported after 2015. Several key reforms remain incomplete.	The Bank Group supported reforms to enhance fiscal transparency and good governance, which played an essential role in strengthening public demand for government accountability. More could have been done.	MS (4)
Decentralization and local government strengthening	Progress in introducing new policies to promote local government transparency and accountability. However, no improvement in the regulatory framework for decentralization. Limited progress in strengthening local government capacity.	The Bank Group helped design and implement several local governance programs, but it was not able to develop effective partnerships at the subnational level and contribute to strengthening local government capabilities.	MU (3)
Overall rating			MS (4)

Note: DPL = development policy loan.

a. The Independent Evaluation Group uses a 6-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

The Bank Group’s engagement in improving macroeconomic management and governance is rated moderately satisfactory. The Bank Group played an important supporting role and contributed to improvements in macroeconomic management, progress in tax collection, better public procurement, and more efficient public spending. Well-established partnerships at the technical level across key government agencies made the Bank Group’s program delivery more effective and helped sustain policy dialogue during periods of major political transition. The Bank Group’s assistance in building proreform coalitions through policy advocacy and communication support was

critical for the success of politically sensitive reforms. In such cases, World Bank communication and other implementation support effectively complemented more traditional technical analysis and policy advice.

The program was relevant and largely well aligned with the government's development priorities, as spelled out in the PDPs. Under the Aquino administration, the PDP objectives in this area were top policy priorities. However, the relevance of the Bank Group's support was somewhat diminished by adjustments made in the 2017 PLR, which scaled down its support for governance. In retrospect, the Bank Group could have reframed (rather than reduced) its governance engagements by, for example, supporting reforms in local and SOE governance.

The most effective Bank Group interventions were in areas with strong government ownership. Those included reforms in revenue mobilization, expansion in spending on core social programs, and procurement reform. The effectiveness of assistance was boosted by the successful development of partnerships with technical staff in key government agencies, which was sustained over the transition to the new administration in 2016. Recent developments in PFM show promise of a breakthrough in consolidating recent regulatory improvements and establishing a modern budget management information system. If this happens, it would validate the longer-term programmatic effort of the Bank Group and its partners in this area. The Bank Group made an effective contribution to strengthening public demand for government accountability and transparency. However, it was not able to find appropriate entry points and develop effective working partnerships at the subnational level. This limited the effectiveness of its support to improve delivery of core public services.

The main achievements are likely to be sustainable because they are backed by strong government ownership. Gains in macroeconomic management achieved under the DPL series have been largely sustained, in part because the underlying reform program is perceived as government owned. The Bank Group made a major contribution to a gradual development of broad interagency consensus regarding the longer-term PFM action plan. Several Bank Group programs to strengthen CSO capacity to promote accountability have been sustained.

The quality of the Bank Group's knowledge services has been consistently high and appreciated by the client, yet somewhat fragmented and, at times, supply-driven. The government especially valued the Bank Group's ability to bring relevant international experience and convincingly apply it to local circumstances. The Bank Group's main knowledge products were well disseminated and are known to nongovernment players. However, the Bank Group could have made a more systematic effort to engage local expertise (academia and think tanks) as partners in the delivery of its ASA program and to enhance local analytical capacity. The large ASA program was sometimes fragmented, and its contribution to CPS objectives was not properly monitored (World Bank 2018a). Some government stakeholders noted that trust fund programming would have benefited from more consultation with the client. It also placed too much emphasis on new analysis and policy advice at the expense of providing additional support for implementation of reforms.

The World Bank can do more in this engagement area, building on earlier achievements, because many reforms remain incomplete. In PFM, an absence of a modern GIFMIS system represents a

significant constraint to further rationalization of public spending. The World Bank could leverage the recent reimbursable advisory services agreement to expand engagement with the government in the governance space to strengthen reform momentum. The priority for such an expansion could be PFM (beyond GIFMIS support) and local and SOE governance. The effectiveness of the ASA program could be improved by complementing basic diagnostics with implementation support and engaging local think tanks and universities. Lack of progress on the decentralization agenda has been a critical development constraint; the Bank Group was not able to develop effective partnerships at the subnational level, and its contribution to strengthening LGU capabilities was limited. Recent progress in strengthening subnational governance under the umbrella of PRDP could become a model for future World Bank subnational interventions. In addition, more attention is needed to strengthen public demand for government accountability. Closer engagement with civil society groups would boost their capacity to advance the accountability agenda, including other initiatives and specific programs under the previous Open Government Partnership country action plans, such as Open Data and Bottom-Up Budgeting.

¹ At the time of the evaluation, the World Bank was finalizing a new development policy loan to be submitted to the Board in late FY19 to early FY20.

² Some essential technical assistance activities were funded through the Programmatic Trust Fund funded by the Australian Department of Foreign Affairs and Trade. The Report on Observance of Standards and Codes (2017) was prepared jointly with USAID.

³ The Aquino administration committed to raise the tax-to-GDP (gross domestic product) ratio from 12.1 percent in 2010 to almost 16 percent in 2016. As of late 2018, national government tax revenues were approximately 15 percent of GDP. Of 3 percent of the GDP tax increase, 2 percentage points reflected improvements in tax administration.

⁴ Several Advisory Services and Analytics products were prepared with grant support from Australia's Department of Foreign Affairs and Trade. The latest Country Procurement Assessment Report was undertaken jointly with the Asian Development Bank and the Japan International Cooperation Agency. In addition, the World Bank partnered with the United Nations Children's Fund and the World Health Organization on upgrading vaccine procurement. It also worked with the Asian Institute of Management—a local think tank—on development of a new procurement training course.

⁵ The 2013 Climate Public Expenditure and Institutional Review developed recommendations to finance the Philippines' climate reform agenda. The Basic Education Public Expenditure Review (FY13) recommended providing additional resources to improve education quality.

⁶ This was done primarily through diagnostics under several Country Procurement Assessment Reports (the latest published in FY12) and various technical assistance to implement the assessment report's recommendations.

⁷ National budget allocations for infrastructure increased from 1.8 percent of GDP in 2010 to 4.5 percent in 2016 and 6.3 percent in 2017 (DBM data). Budget expenditures on health and education (combined) grew from 2.8 percent of GDP to 3.9 percent and 4.6 percent of GDP during those same years.

⁸ This has been most prominent in the education sector, where more resources have been reaching schools because of reforms in financing mechanisms, school management, textbook procurement, and community mobilization.

⁹ The Country Procurement Assessment Report score increased from 1.64 points (out of 3.00) in 2007 to 2.22 points in 2012. The Procurement Law was more strictly enforced, with 73 percent of the total value of government procurement going through competitive public bidding, up from 3 percent in 2008.

¹⁰ Development policy loans directly supported better institutional arrangements for budget transparency and accountability. The education project (Learning, Equity and Accountability Program, FY14) assisted in strengthening accountability in schools and participatory school planning processes, the Social Welfare and Development Reform Project aimed to improve governance within the social protection system, while the Community-Driven Development Program provided support for strengthening downward accountability at the local level.

¹¹ For example, Sector Governance Assessments (2011), Public Expenditure and Financial Accountability assessment (2016), and Public Financial Management Reform Support technical assistance.

¹² According to the 2016 Public Expenditure and Financial Accountability assessment, 17 of 28 indicators were rated either A or B compared with only 8 in 2010.

¹³ Advice from the World Bank helped the government put together the Public Financial Management Public Action Plan (2011), which then benefited from considerable World Bank implementation support. The World Bank also provided technical assistance to help strengthen natural resource governance and meet commitments under the Extractive Industries Transparency Initiative.

¹⁴ Several Advisory Services and Analytics products were delivered, covering the decentralization framework, the design and implementation of local governance reforms, local service delivery, local business climate issues, and political economy constraints for reforming local governance.

¹⁵ The results of the assessment under the Seal of Good Local Governance are used by the central government as eligibility criteria for key antipoverty programs at the local level. The Bottom-Up Budgeting Program, launched in 2012, facilitated the participation of local communities and civil society organizations in both the programming and subsequent monitoring of budget implementation by national agencies. Another recent program, Assistance for Disadvantaged Municipalities, is intended to better reflect the variation in actual needs of local government units and partially mitigate the inequality effects associated with the basic transfer allocation formula.

¹⁶ The consolidated local government unit budget surplus reached approximately 1 percent of GDP in both 2015 and 2016, reflecting the lack of local capacity to use available funding and implement local government programs.

¹⁷ For instance, the World Bank's recommendation helped streamline a transfer of central government funds under the Bottom-Up Budgeting Program to participating local government units and facilitated timely project implementation.

¹⁸ See chapters 3 and 4.

3

Private Sector– Led Growth

THE PRIVATE SECTOR has been the main driver of growth in the Philippines, but its potential to foster greater economic inclusion remains largely underexploited. The private sector generated 93 percent of the GDP and employed more than 92 percent of the workforce. The service sector is the top employer, with 56 percent of the nation’s workers; agriculture employs 26 percent.¹ However, business ownership remains highly concentrated in the hands of a few large groups—up to 76 percent of national wealth is estimated to be in the hands of the 40 richest families (Habito 2012). SMEs account for less than 8 percent of the total number of firms, and 92 percent are microenterprises. Large-scale companies account for 0.3 percent—an indicator of a “missing middle” in the economy.

A burdensome regulatory regime, large infrastructure gap, lack of financial inclusion, and complex land tenure system are among the main impediments to private sector–led growth. The Philippines’ regulatory regime remains ambiguous in many sectors of the economy, and corruption is rampant in many areas. *Doing Business* (2019) ranked the country 124th of 190 (20 places lower than in 2016). Investments in infrastructure have not kept up with rapid urbanization and population growth in the country. The Global Competitiveness Index (2017–18) ranks the Philippines 113th of 137 countries in quality of infrastructure. Although the country’s financial system remains stable and resilient,² weak property rights and strict collateral requirements pose an impediment for the poor in accessing finance, and close to 70 percent of the adult population continues to be outside the formal financial system.³ The current rigid land tenure system is a barrier to agribusiness growth (box 3.1). Rural areas lag in economic growth and have higher rates of underemployment because of the lack of access to capital, knowledge, technology, and markets.


BOX 3.1 | Land Tenure System in the Philippines

The current land tenure system was established under colonial rule. It is neither efficient nor effective, with multiple and conflicting laws, processes, and agencies on titling and valuation; a poor land record information and management system; and a variety of taxes on land transactions. These have created a highly inefficient and inequitable land market in the country, with a negative impact on economic activity and government revenue. Despite the presence of formal titles, the rental market remains inefficient at allocating land. According to the Department of Agriculture, the farming population is aging (the average age of farmers is 57 years old), and younger generations see no future in farming despite, substantial government subsidies.

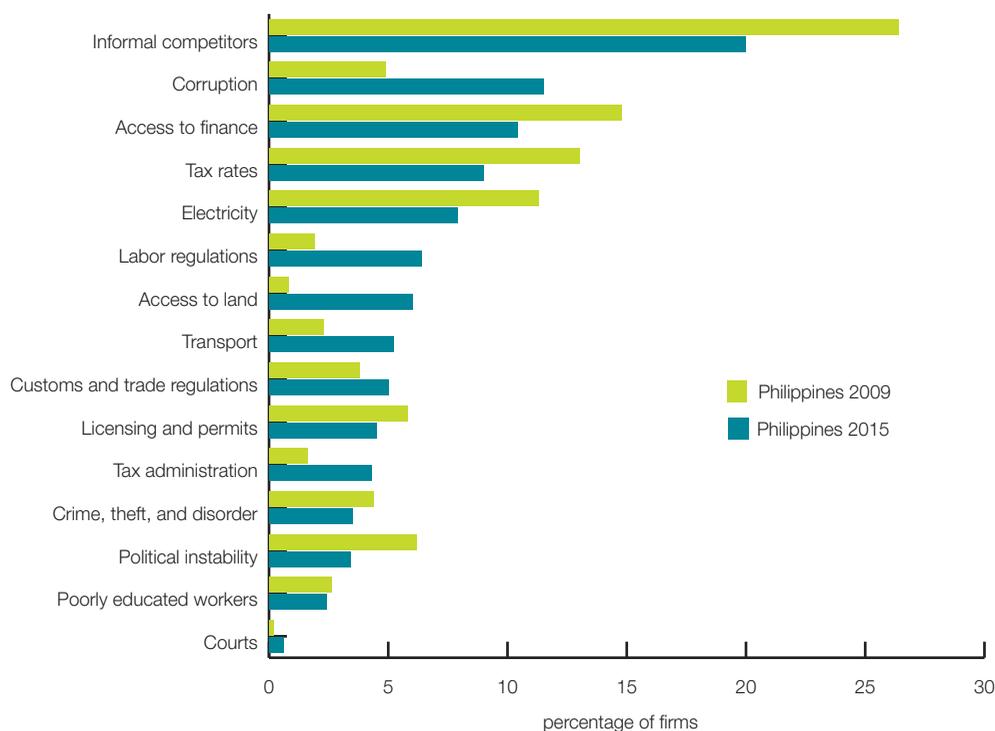
Source: Michler and Shively 2014.

The government's development strategies list industry, services, sustainable agriculture, infrastructure development, and a resilient financial system as priorities. The 2011–16 PDP identified a weak investment climate as the main constraint to growth and set out strategies to improve it through regulatory reform, infrastructure development, and PPPs.⁴ It stressed rural development by advancing principles of inclusive growth, natural resource management, and local development. The 2017–22 PDP called for reducing anticompetitive practices and barriers to entry, and expanding economic opportunities in agriculture, forestry, and fisheries by improving productivity. According to the 2009 and 2015 Enterprise Surveys, firms in the Philippines identified informality, corruption, access to finance, and taxes as the main obstacles to private sector development (figure 3.1).

World Bank Group Program Focus and Results

Private sector-led growth was an integral part of Bank Group strategies. The 2009–13 CAS had a strategic objective of “improving the investment climate,” and the 2014–19 CPS included an engagement area on “rapid, inclusive, and sustained economic growth.” Both strategies emphasized the “One Bank” principle—the World Bank and IFC would work together to catalyze private participation in strategic investments. MIGA has had no exposure in the Philippines since 2000.⁵ According to IEG interviews with MIGA staff and local counterparts in the field, significant improvements in the credit rating of the Philippines reduced the relevance of political risk providers and brokers over the period, and MIGA was not able to generate new business because there was a lack of demand.

FIGURE 3.1 | Ranking of the Top Business Environment Obstacles for Firms (Enterprise Surveys 2009 and 2015)



Source: <http://www.enterprisesurveys.org/data/exploreeconomies/2015/philippines>.

Four interrelated objectives can be distilled from the two Bank Group strategies on private sector development. They include the following: (i) improved investment climate; (ii) increased access to financial services; (iii) increased agricultural productivity, competitiveness, and rural incomes; and (iv) better models of infrastructure finance and management, including PPPs.

Investment Climate

The Bank Group provided assistance for this objective mainly through World Bank DPLs and IFC advisory support. The DPLs supported reforms aimed at streamlining procedures and computerizing registration systems.⁶ IFC provided advisory support to the Task Force on Competition (later the National Competitiveness Council), the Department of Agriculture on streamlining trade practices, the Department of Finance and Land Registration Authority in drafting the Personal Property Security Act to allow micro, small, and medium enterprises (MSMEs) and farmers to use their movable assets to access loans and to promote e-governance.

Some indicators show improvements in the business environment in some LGUs, but results are inconclusive and were not replicated at the national level. Recently enacted laws on Competition

(2015) and Doing Business (2018) are expected to reduce red tape. Similarly, the passage of bills on land and valuation should ease land transactions.

The Bank Group contributed to policy development and streamlining processes (mainly in selected subnational units). This included IFC advisories on shipping, cabotage, agricultural imports, and drafting laws on Competition and Doing Business through the Trade and Competitiveness program. IFC contributed to improving quarantine procedures to reduce the costs of complying with import and export safety requirements. IFC assistance to the National Competitiveness Council was minor compared with other development partners because its cost-recovery business model for advisory services was not competitive relative to grant technical assistance offered by others.

Access to Financial Services

The Bank Group's strategies targeted improving the delivery of and access to financial services. IFC provided loans and equity investments to build relationships with banks, microfinance and microinsurance institutions; advisory services to develop SME financial products (including in the agriculture sector); and a risk-sharing facility for sustainable energy financing. IFC helped broaden capital markets as an anchor investor in corporate and green bond issues (2016–18), although debt capital markets in the Philippines are still shallow and dominated by government issuances.⁷

IFC engagement resulted in increased lending volumes to MSMEs by client banks, but not enough to substantially improve access to finance for the poorest segments of the population. IFC supported the financial sector mainly through continuous engagement with large banks and some microfinance institutions. After the global financial crisis, IFC was the first foreign investor in a major bank with co-investment from its Asset Management Company. Client financial institutions benefited from IFC's investments and advisory services, global expertise, and knowledge in SME product development, including women-led businesses, agrifinance, and risk management, and were able to expand their MSME lending volume significantly. However, growth in agrifinance and credit secured by movable assets fell short of expectations, and financial inclusion levels have remained low. The 2014–19 CPS introduced a financial inclusion target to respond to the 2011–16 PDP theme of inclusive growth. The target was met according to the PLR, but the choice of the results indicator was not sufficiently reflective of the actual outcome.⁸ Seventy percent of the adult population remain unbanked; only 11 percent have access to credit, and 12 percent save in a financial institution.⁹ Data on credit secured by movable assets are not available.

Other activities had mixed results. The Credit Information Corporation decided not to follow IFC's recommendations to establish a credit information system in line with international standards and currently does not function as the central depository of credit information. IFC supported the development of the Personal Property Security Act (2018) to allow MSMEs and farmers to use movable assets to secure loans. After typhoon Haiyan, an IFC advisory services project supported development of a new indexed crop insurance product to protect farmers from catastrophe-related losses. This was the first in the Philippines to be offered by a private company, the Center for Agriculture and Rural Development Pioneer Micro-Insurance Incorporated, and the company has issued 11,000 policies, with total coverage of \$2.5 million.

Agricultural Productivity, Competitiveness, and Rural Incomes

The flagship Bank Group instruments in this area were the MRDP and PRDP series.¹⁰ PRDP (an ongoing nationwide project) was born out of success with a similar regional project, MRDP.¹¹ PRDP partners with LGUs and the private sector in providing infrastructure, facilities, technology, and information. LGUs that participate in the project are required to prepare a Provincial Commodity Investment Plan and business proposals for value chain development of commodities identified as priorities and to provide counterpart funds of 10 percent to 20 percent (the remainder is a grant). Two projects with similar objectives were canceled.¹²

There is clear evidence of progress on rural incomes, agricultural productivity, output value, rural infrastructure, and local governance. PRDP developed a state-of-the-art monitoring and evaluation framework through which progress on subprojects could be monitored online. In 2014–18, household incomes and assets of target beneficiaries grew 15 percent to 20 percent, achieving the target before project end. Incomes from on-farm activities increased 15 percent; nonfarm activities increased as much as 67 percent. For enterprise beneficiaries, business plan projections indicate at least a 30 percent increase in incomes. Agricultural productivity and the value of marketed output of the projects' target groups increased as well. Improvement in infrastructure substantially reduced travel time in targeted rural areas.¹³ At the same time, support for income-generating microenterprise activities aimed more at empowering beneficiary communities rather than enhancing rural entrepreneurship. Because PRDP investments consist of grants of up to 80 percent (60 percent project, 20 percent LGU-financed), they could potentially crowd out additional private investments.

The World Bank's knowledge work and dialogue with civil society provided valuable insights into agribusiness development in the Philippines. The World Bank supported the rural and agricultural development agenda through programmatic ASA covering agricultural policy, productivity, and agribusiness development. Technical assistance to the Department of Agriculture enhanced institutional capacity and supported the preparation of the Agriculture and Fisheries Modernization Plan (2011–16), a major input to the 2011–16 PDP.

Infrastructure Finance and Management, Including PPPs

IFC provided assistance to the government in implementing PPPs. IFC's contribution was catalytic in structuring pre-2010 PPP investments. Until the establishment of the PPP center in 2010, IFC was one of the few in-country entities able to provide such expertise. IFC partnered with the Development Bank of the Philippines to develop local PPP expertise (evaluation, preparation, structuring, presentation, and implementation of PPPs) and recently helped structure the first hybrid PPP transaction (Clark Airport).¹⁴

However, the actual impact of recent IFC engagement on PPPs largely remains to be seen because most transactions either were not completed or are not yet operational. IFC successfully facilitated the transaction for the development of the Ninoy Aquino International Airport Expressway (2013), but other IFC-facilitated PPP projects are experiencing implementation delays, have not yet started commercial operation, or are too recent to have produced visible results at the time of this evaluation.

Conclusions

Table 3.1 summarizes the results and achievements in private sector-led growth.

Achievement of the objectives in this area is rated moderately unsatisfactory. The Bank Group's program did register several important achievements during the period covered by this evaluation, and its objectives were relevant to country needs and government priorities. However, operational responses did not take advantage of potential World Bank-IFC synergies, and results were uneven across engagement areas. The World Bank's work on private sector development was not strategic, and its analytics were mainly confined to sector and subsector-specific technical assistance. For example, more results could have been achieved if there had been coordination among the World Bank's agriculture projects, such as PRDP and IFC's Agri-Finance Advisory Program. There were no MIGA guarantees since 2000. At the same time, Mindanao—a large island affected by ongoing political volatility and unrest, with high economic potential—had potential for MIGA engagement.

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The private sector has been the driver of recent higher growth, but its potential remains constrained by several factors. These include domination by large conglomerates, cumbersome regulations (including those for land tenure) and red tape, a large infrastructure gap, and slow growth and low incomes in agriculture, partly owing to lack of access to capital, technology, and markets. A large percentage of the adult population continues to operate outside the formal financial system.

The Bank Group faced its own institutional hurdles in expanding engagement on private sector development. These included pricing, an abundance of alternative financing sources for the government and the private sector, and an ineffective application of the "One Bank" approach. In the future, World Bank-IFC cooperation should extend beyond the exchange of information to a more coordinated partnership. For example, the use of common task team leaders for project implementation has proven to be a useful way to facilitate World Bank-IFC collaboration.¹⁵ A good example of such cooperation in the Philippines was the effort to promote agribusiness investments in Mindanao.

TABLE 3.1 | Results in Private Sector–Led Growth

Sector or Area	Results	World Bank Group Contribution	Rating ^a
Improved investment climate	Some progress on regulatory policy framework and institutional capacity for business registration and streamlining business processes in selected LGUs. National-level indicators stagnant or deteriorating.	The World Bank Group provided assistance on policy development. Results on investment climate and business regulations limited.	MU (3)
Increased access to financial services	Increased lending volumes to MSMEs. Financial inclusion of the poor still very limited. Limited (small scale) or no progress in agrifinance and securing credit through movable assets. A centralized credit information system not operational.	IFC client banks benefited from AS and increased lending volumes and products. IFC supported the first private indexed crop insurance product. IFC gender finance program with RCBC allowed the institution to lend more than \$120 million to more than 2,000 women-owned SMEs. Support for centralized credit information system not successful.	MS (4)
Increased agricultural productivity, competitiveness, and rural incomes	Significant increase in household incomes, assets, on-farm and nonfarm activities, agricultural productivity, and value of the marketed output. Improved rural infrastructure in targeted areas.	World Bank projects provided an effective platform for participatory rural development and income-generating microenterprise activities.	S (5)
Better models of infrastructure finance and management, including PPPs	Progress in implementing PPP as the preferred model of infrastructure financing uneven, with many delays. The government changed approach after 2016 to a hybrid model: public financing of infrastructure combined with private operations and maintenance.	IFC helped structure earlier PPP investments and the first hybrid PPP transaction (Clark Airport). Most recent IFC-facilitated PPP transactions were not operational or were canceled, except for the NAIA Expressway.	MU (3)
Overall rating			MU (3)

Note: AS = advisory services; IFC = International Finance Corporation; LGU = local government unit; MSME = micro, small, and medium enterprise; NAIA = Ninoy Aquino International Airport; PPP = public-private partnership; SME = small and medium enterprise; RCBC = Rizal Commercial Banking Corporation.

a. The Independent Evaluation Group uses a 6-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

The concentration of growth in a small group of large conglomerates was a major impediment to realizing the potential for private sector–led inclusive growth. This “missing middle” has the potential to boost the economy and accelerate poverty reduction if given the opportunity to develop. The Bank Group could have helped address this challenge by developing an explicit private sector development strategy, including advice on helping encourage competition, introducing new technologies as a potential driver of growth, and taking advantage of the country’s large youth population.

The PRDP model proved successful for improving rural incomes and promoting regional development, but it has room for improvement. An integrated package with rural investments (IBRD) linked to financing and financial inclusion efforts (IFC), combined with business development services (private sector), could have enhanced the entrepreneurial capacity of smallholders and crowded in additional investment from nonbeneficiaries. The large grant element helped secure benefits for subsistence farming but diminished the demonstration effect: nonbeneficiaries attributed success to the grant.

The PRDP platform could also help rural microentrepreneurs become the “missing middle” to boost rural and regional economies. Instead of offering grants to rural entrepreneurs, the project could facilitate access to finance, bundled with the necessary capacity building for beneficiaries to become responsible borrowers and successful entrepreneurs. Future enterprise development components could include demonstration, mentoring, and coaching.

The Bank Group’s efforts focused on improving access to finance rather than financial inclusion more broadly. Financial inclusion efforts could have been more effective if they were combined with greater attention to financial literacy. IFC’s financial sector engagement focused on banked segments of the population by supporting credit expansion for SMEs and housing loans. Now that the banking system is liquid and stable, IFC could shift resources to addressing the needs of the unbanked population. IFC’s advisory services on financial literacy can be extended, redesigned, and expanded to fit the needs of PRDP beneficiaries and possibly also CCT recipients through such mechanisms as the Family Development Services.

¹ Philippine Statistics Authority.

² Philippine banks are well capitalized and liquid, with a total capital adequacy ratio at 15.3 in 2017 (well above the 10 percent regulatory minimum) and high liquid reserves to assets ratios varying from 25 to 45 percent over the past decade. Nonperforming loans declined from an average of 2.6 percent of total loans in 2010 to 1.6 percent in 2017. Credit has sustained growth rates (double digits since 2014).

³ <http://www.worldbank.org/en/topic/financialinclusion/brief/achieving-universal-financial-access-by-2020>.

⁴ Total investment in the Philippines accounted for 14.7 percent of gross domestic product in 2008, contrasting with the 25 percent average observed in the East Asia and Pacific Region.

- ⁵ The Philippines's credit rating rose to investment grade in 2013, and in 2017 it reached "BBB." These improvements reduced the relevance of political risk providers and brokers over the period.
- ⁶ The development policy loan (DPL) prior actions focused on adopting an online business registration system—the Philippines Business Registry (DPL1)—linking the system with two local government units (DPL2) and improving the system's functionality by introducing an e-payments system and integrating the ability to pay registration fees online (DPL3).
- ⁷ Asian Development Bank. <https://asianbondsonline.adb.org/economy/?economy=PH>.
- ⁸ The Performance and Learning Review defined access to formal financial services as the share of population in the lower 40 percent of income bracket with a bank account in a formal institution instead of the share of population (lower percentile) that borrowed from a financial institution.
- ⁹ Universal Financial Access 2020, World Bank 2017 data. <https://ufa.worldbank.org>.
- ¹⁰ Other (smaller) projects and Advisory Services and Analytics also contributed to agricultural competitiveness, small-scale rural infrastructure development, and rural employment generation. The International Finance Corporation addressed agribusiness finance, insurance, and competitiveness aspects through its advisory services.
- ¹¹ The Mindanao Rural Development Project operated first locally in Mindanao. The second Mindanao Rural Development Project (2009–16, \$83 million) was the second project of a four-phase 15-year adaptable program loan and focused on strengthening rural public investment programs and reinforcing local government units, while incorporating close involvement of rural communities in design and implementation. The Philippines Rural Development Project started in 2014 and was originally to close in 2018, but was extended to 2021.
- ¹² The Inclusive Partnership for Agricultural Competitiveness project (2017) planned to help improve access to markets and enhance the competitiveness of smallholder farmers but was canceled because of a disagreement between the World Bank and the government over how to address land tenure issues. The Joint World Bank–IFC Harnessing Agribusiness Opportunities through Robust and Vibrant Entrepreneurship Supportive of Peaceful Transformation project was to promote agribusiness investment in Mindanao but was dropped in 2015 because of disagreement with the government.
- ¹³ The Philippines Rural Development Project Implementation Status Report reports that, as of December 2018, overall travel time had been reduced by 52 percent (from 10.1 to 4.8 minutes per kilometer).
- ¹⁴ In the hybrid public-private partnership formula, the government selects, finances (including borrowing at lower rates through grants and concessional loans), and builds big-ticket projects through competitive public bidding and, on completion, auctions off operations and maintenance to the private sector.
- ¹⁵ One recent example observed by the Independent Evaluation Group was in the Kyrgyz Republic. See World Bank 2019a.

4

Better Services for the Poor

AFTER DECADES OF PERSISTENTLY HIGH poverty and lagging human development, the Philippines has achieved more positive results in the past decade. Many Filipinos were living just above the poverty line, moving in and out of poverty because of their vulnerability to shocks. Between 2003 and 2009, 44 percent of the population was poor at least once, and the Philippines was off target to meet the MDGs, particularly on health and education. However, robust economic growth since 2010 has helped reduce the national poverty rate by an average of 1.2 percent per year during 2012–15 (World Bank 2018c). An improved fiscal situation permitted allocation of more resources to social protection, health, education, and service provision, which helped achieve key MDGs.

Despite recent positive developments and the high likelihood of achieving UMIC status before 2022, the country needs to make progress in several areas. The national poverty rate is still high at 21.6 percent (2015), and education and health outcomes lag behind other UMICs in the region (table 4.1 and figure 4.1). Many local governments lack the capacity to fund, manage, and maintain the infrastructure needed to provide basic services to the poor in their localities. The CCT program has succeeded in recipients' behaviors (increased enrollment, decreased dropouts, increased visits to health clinics, vaccination), but there is limited evidence of impact on final outcomes (learning, stunting, maternal mortality).

Policies and programs for poverty reduction and human development for the poor were a priority for the government throughout the review period. The PDP 2011–16 enumerated a long list of priorities for social development. The plan translated President Aquino's "Social Contract with the Filipinos" in promoting inclusive growth and equitable access to quality basic social services, especially for the poor and vulnerable. The Duterte administration continues to emphasize the need for

inclusive growth and has placed an emphasis on the need for infrastructure for productive sector development and improved quality of life for the poor.

TABLE 4.1 | Selected Economic and Human Development Indicators

Indicators	Philippines	EAP	World
	Average 2008–17		
GDP growth (<i>annual percent</i>)	5.6	4.3	2.4
GNI per capita, Atlas method (<i>current \$</i>)	2,992	8,665	10,064
Life expectancy at birth, total (<i>years</i>)	68.6	74.7	71.2
Mortality rate, infant (<i>per 1,000 live births</i>)	23.8	16.2	34.3
School enrollment, secondary (<i>percent gross</i>)	85.5	85.2	73.3
School enrollment, tertiary (<i>percent gross</i>)	31.7	33.4	32.1
Population growth (<i>annual percent</i>)	1.6	0.7	1.2

Source: World Development Indicators, DataBank, September 21, 2018.

Note: EAP = East Asia and Pacific Region; GDP = gross domestic product; GNI = gross national income.

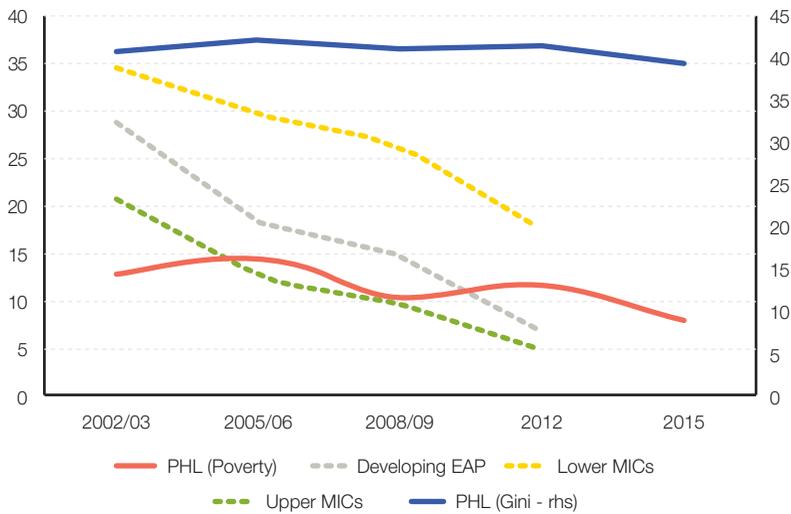
World Bank Group Program Focus and Results

Bank Group programs fall into three engagement areas: (i) poverty measurement and social protection, (ii) better service delivery in municipalities and communities, and (iii) human capital development.

Poverty Measurement and Social Protection

Throughout the review period, the World Bank supported the government’s efforts to build an integrated social protection system. The 2009–13 CAS prioritized making the CCT program fully operational and increasing coverage of the poor. The World Bank helped with expansion, consolidation, and implementation of the 4Ps CCT program through the SWDRP,¹ programmatic ASA, updating the Listahanan poverty database,² and use of the database for other government programs. The 2014–19 CPS had a more explicit focus on poverty measurement, but the associated results indicator was removed in the 2017 PLR as part of the simplification of the results framework. Programmatic ASA informed the policy dialogue on poverty, vulnerability, prosperity, and inclusive growth, with emphasis on ensuring accurate and timely statistics. In 2018, the World Bank produced a Poverty Assessment (World Bank 2018c), a rigorous

FIGURE 4.1 | Poverty Head Count Ratio at \$1.90 and Gini Index (percent of population)



Source: World Development Indicators data; East Asia and Pacific Poverty Portal data.

Note: Ratio data are 2011 purchasing power parity. EAP = East Asia and Pacific; MIC = middle-income country; PHL = the Philippines.

assessment of why growth in the Philippines has not resulted in as much poverty reduction as in other East Asian countries.

The CCT program rollout contributed significantly to poverty reduction. After the establishment of the Listahanan in 2009, the 4Ps CCT program moved beyond the pilot phase; approximately 4 million poor households with almost 9 million children were receiving CCT grants by the end of 2013. According to the 2018 Poverty Assessment, 25 percent of the reduction in poverty since the program started is attributable to social transfers and 1.5 million people have moved out of poverty.

By many accounts, the impact of the program on modifying behaviors of the poor has been significant. An impact evaluation carried out for the 4Ps in 2012 found significant positive impacts on both education and health of the poor (World Bank 2013c). The smooth and rapid implementation of the program and the positive response of beneficiaries resulted in almost universal rates of compliance with health and education conditions. The family development sessions, which are provided monthly for 4Ps members, cover a range of topics designed to enhance the general well-being of the family, including hygiene, family planning, emergency preparedness, waste management, and others. According to field interviews, the program has contributed to women’s empowerment through the payment of the benefit to women and the participation of women in the sessions. Evidence also shows that 4Ps had reduced the number

of incidents of violent insurrection in the areas where it had been introduced (Crost, Felter, and Johnston 2016).

The World Bank played a key role in promoting and helping to implement the CCT program. Since the mid-2000s, the World Bank has demonstrated the potential of a CCT program for both poverty reduction and enhanced educational and health outcomes. The World Bank supported South-South dialogue that helped ensure the government's ownership of the program. Government officials and politicians were taken on study tours to Turkey, Brazil, Mexico, and Colombia, and conferences were set up to discuss programs in those countries. The World Bank provided extensive technical advice and implementation support to get the Listahanan and 4Ps off the ground and ensure their continuation. This evaluation concurs with the high ratings accorded to the program by project evaluations but also cautions against possible stagnation, signs of which have been exhibited by the program more recently. 4Ps currently faces significant challenges, including the need to maintain initial high levels of targeting accuracy by using the Listahanan updated beneficiary list and ensuring coverage of indigenous peoples and the homeless and developing and putting in place a strategy for graduation from the list.

Service Delivery in Municipalities and Communities

The World Bank faced challenges in finding entry points for engagement at the local level. The widely recognized infrastructure gap—particularly large outside the Metro Manila area—is compounded by the lack of administrative capacity and poor governance at the local level. Local governments are often riddled with elite capture, and programs undertaken at the municipal level are subject to rent-seeking by local power structures. During the review period, the World Bank used several mechanisms for engagement. They included the KC-NCDD programs,³ the MRDP-PRDP series, and a range of activities designed to support larger-scale infrastructure development in cities.

The World Bank helped achieve results through CDD engagement, although a few elements of the program may need rethinking and fine-tuning. The World Bank helped convert a program providing funding to mayors for local infrastructure into a genuine CDD program with community empowerment, in part through exposure of local officials and politicians to the positive experience of the Kecamatan Development Program in Indonesia. KC-NCDD seems to have avoided elite capture; few of the grievances heard through the grievance process related to undue influence. The program has made an impressive start in integrating community activities that fall within the responsibility of the Department of Social Welfare and Development, and the next step is to integrate other departments at the municipal level. At the same time, the maintenance of infrastructure by municipalities is likely to present challenges, and rules governing the choice of subprojects may be too constraining in terms of short completion cycle and a low-cost ceiling. The original design of the KC-NCDD included objectives relating to community empowerment, provision of priority infrastructure, and mainstreaming CDD principles into local development planning and service delivery by providing capacity building support to LGUs. This was to be accomplished by aligning KC-NCDD with the Bottom-up Budgeting initiative and local development planning processes. Uncertainty about the

intentions of the current administration and shortfalls in capacity building at the LGU level pose risks to achieving this convergence. Elements of the project’s strategy—the “CDD principles” and approaches—may not be sustained when the project closes.

PRDP followed in the footsteps of a similar successful subnational project, the MRDP, by scaling the project up to the national level and widening its scope. PRDP mainly finances rural infrastructure (farm-to-market roads), but it also promotes local livelihoods (increased income through better employment opportunities and productivity), local entrepreneurship, and improved capacity of LGUs for planning and implementation. This platform provides mechanisms for participatory planning, implementation, and governance that build capacity at local, regional, and central levels.

Strengthening local government capacity for service delivery remains a major challenge in the Philippines, but some models of engagement show promise. The KC-NCDD and PRDP suggest there are ways to engage effectively at the local level by building instruments that are subject to participation and surveillance—from the *barangay* (village level) up to the municipality for KC-NCDD and from the provincial level down to communities for PRDP. There is also scope for more benchmarking of service delivery at the local level. A strong case can also be made for piloting different approaches with local governments that could form the basis for a broader program. Disaster “hot spots” are one obvious area where the need for an integrated approach to planning and management—not just of disaster preparedness and relief, but of the resilience of all local programs—could form the basis of a regional intervention to demonstrate the possibilities and benefits of clean and effective government.

Human Capital Development

In the mid-2000s, the Philippines was struggling to achieve the MDGs for health and education. The country had the lowest budget allocations for education and health as shares of GDP and public expenditure of any Southeast Asian country. The World Bank provided support through a series of projects in education and health, which were completed by 2012–13.⁴ The 2009–13 CAS gave priority to MDG outcomes, including indicators for primary and secondary enrollment rates, completion rates, reduced infant mortality, greater immunization coverage, better prenatal health, and tuberculosis treatment. The 2014 CPS was an integrated multisectoral program as opposed to number of separate single-agency sector investment projects.

The World Bank continues to have a significant presence in both the education and health sectors, even without direct lending. The 2014 CPS shifted focus in education from access to quality. The SWDRP supports cash transfers to the poor conditional on school attendance, vaccination, and regular checkups for young children, while the KC-NCDD provides support for the construction of classrooms and health centers, including access roads. Analytic work provides just-in-time support to different government agencies. In education, this started with the education public expenditure review and continued with programmatic support through policy briefs on the Department of Education’s finance policies to make resource allocation

more equitable and facilitate better quality service delivery. In health, there was a particular focus on studies and technical assistance to support implementation of the national health insurance program. Nutrition is emerging as a major area in which the World Bank may be able to play a role by bringing together agencies addressing stunting, which continues to afflict a large number of children and adults.

The MDGs were an important wake-up call for the authorities on the extent to which the country was lagging in human development. There was a substantial increase in budget allocations for health and education. The World Bank's support for the CCT program helped motivate better results in health and education, while the introduction of Universal Health Care enabled the poor to benefit from the expansion of health services. As a result, there was considerable progress between 2005 and 2015 in education enrollment, attended deliveries, and infant and under-five mortality.

Progress has been slow in other areas, especially compared with countries with similar per capita income. These include high levels of stunting, maternal mortality, disease incidence, low immunization coverage, limited results on education among the poor, and stagnation in quality of education. Only 31 percent of the poor have completed secondary education and 2 percent have benefited from tertiary education compared with 59 percent and 15 percent of the nonpoor, respectively (World Bank 2018c). The country did not achieve MDG targets 4.3 and 5 related to maternal and child health. In addition, despite the expansion of funding for health insurance, out-of-pocket expenses on health remain high and are a significant factor in households' vulnerability to falling back into poverty.

The success of the Philippines in achieving better results is partly due to increased sector budget allocations supported by World Bank analysis and lending. The World Bank's 2010 public expenditure review in education set the stage for the World Bank's work, contributing to the consensus around the need for the expansion of government expenditures. In addition, World Bank lending supported significant management reforms in education, which included more effective school-based management, textbook procurement, and community monitoring of school-based investments. This ensured that more resources reached schools. A particularly important contribution came through analytic work, which demonstrated the potential role that additional "sin taxes" could have in providing financing for health insurance and enabling the expansion of health insurance coverage through PhilHealth to the poor. The 4Ps support for school attendance brought many poor children into the educational system. The World Bank's health projects helped achieve a decline in the tuberculosis incidence rate, an increase in the use of health services by the poor, and an increase in the number of facility-based deliveries, but they were less successful in raising the childhood immunization rate, expanding the use of family planning, and improving women's health outcomes. Performance monitoring in education remains a major weakness. It is very difficult to assess whether there is improvement in comparable test scores even using the National Achievement Test, let alone using internationally consistent data.

Conclusions

Table 4.2 summarizes the results and achievements in better services for the poor.

TABLE 4.2 | Results in Better Services for the Poor

Sector or Area	Results	World Bank Group Contribution	Rating ^a
Poverty measurement and social protection	An effective system of poverty measurement is in place; CCT transfers contributed substantially to poverty reduction.	World Bank analytical work and loans informed or supported the implementation of both Listahanan and 4Ps.	S (5)
Better service delivery in municipalities and communities	Considerable progress (from a low base) has been made, but it is an overall area of weakness, especially in relation to lack of administrative capacity at the local level and heavily centralized governance.	World Bank interventions through KC-NCDD and PRDP improved services in rural areas, but many systemic issues, including urban poverty, remain unaddressed.	MS (4)
Human capital development	Access objectives were substantially achieved. Health outcomes have been mixed. Prospects for enhancements in education quality remain unclear. Health insurance has expanded to assist the poor, but large out-of-pocket expenses remain an issue.	The World Bank made important contributions to access for the poor to education and health. The program for quality enhancements has potential, but there is no adequate monitoring of quality in place and no public availability of information.	MS (4)
Overall rating			MS (4)

Note: 4Ps = Pantawid Pamilyang Pilipino Program; CCT = conditional cash transfer; KC-NCDD = Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services national community-driven development; PRDP = Philippine Rural Development Project.

a. The Independent Evaluation Group uses a 6-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

Overall rating for this engagement area is moderately satisfactory. The World Bank's program was relevant to the country's development objectives and has helped maintain a focus on links among social protection, service delivery, and poverty reduction. The subpillar on poverty measurement and social protection fully achieved its objectives and included some examples of good practice. The main achievements include the contribution to poverty targeting and measurement through Listahanan and the development of the CCT. The KC-NCDD and PRDP programs made significant contributions to the quality of life in rural households by making villages more accessible and providing other much-needed social and economic infrastructure. The reform of "sin taxes" helped expand funding for the national health insurance program, PhilHealth. The PRDP is an interesting

model that works around the problems of elite capture and rent-seeking in municipalities in an effective manner. The World Bank had substantial engagement in education and skills through analytical work and was the primary producer of analytical work on education in the Philippines, which helped guide government policy priorities.

Multisector operations have been the most successful part of World Bank programs. The SWDRP, KC-NCDD, and PRDP programs are all considered flagships. Even when implemented by one department, they inevitably bring in others to meet their objectives. The World Bank has provided the necessary long-term commitment and oversight to programs that address these links to help successive administrations keep them in place. Nonetheless, it may be necessary to revise and repackage these programs to ensure ownership by new administrations. Once ownership is re-established, these programs may need to be reinvigorated by adapting them to address emerging issues. It might be possible to use the 4Ps to fund scholarships for poor children who maintain good grades at school or to provide rewards at the community level for communities that perform well in improving child height and weight relative to a baseline. The World Bank could support the piloting of innovative approaches as it did in the early days of the program.

The World Bank's support for health and education was less successful. The World Bank had substantial engagement in education and skills through analytical work but had limited success in promoting sector-specific operations in health and education, despite considerable efforts. The World Bank's analytical work and "national" projects in health and education made major contributions to access, but stubborn problems persisted for quality of education, inadequate family planning, and poor nutrition. In the education sector, the World Bank could do more to support a higher quality monitoring framework.

Sustainability of achievements in this area requires continued attention, particularly in light of political cycles and the frequent reluctance of administrations to follow up on the policies and achievements of their predecessors. The achievements of "flagship" programs may be limited if there is no effort to follow up, update, and institutionalize them further. The CDD program has been an important success, but questions arise about how to graduate from it as a country moves up the income ladder.

Lack of progress on decentralized service delivery and limited administrative capacity at the local level continued to be impediments to the government's ambitious goals. Current institutional structures disproportionately benefit the political and economic elite, and there is a reluctance to support a genuine decentralization by strengthening and enhancing the autonomy of local government institutions. The geography of the Philippines adds to the challenges of a Manila-based government assessing local needs and responding to local priorities. The World Bank could develop a more integrated program of support for municipal infrastructure, using KC-NCDD and PRDP as entry points, and supporting efforts to upgrade municipal governments' quality of governance and capacity for implementation. The World Bank could consider piloting an integrated model of local government support in some of the disaster hot-spot provinces, where resilience needs to be incorporated into public investment programs.

¹ Pantawid Pamilyang Pilipino Program (Bridging Program for the Filipino Family, also known as 4Ps), is a conditional cash transfer program of the Philippine government.

² Listahanan or the National Household Targeting System for Poverty Reduction is an information management system that currently includes 15 million households.

³ Kalahi-CIDSS stands for Kapit-Bisig Laban sa Kahirapan (Linking Arms against Poverty) Comprehensive and Integrated Delivery of Social Services (CIDSS). This builds on the government's Comprehensive and Integrated Delivery of Social Services program that started in 2002 and channeled funding for infrastructure through municipal mayors.

⁴ P075464 NP Support for HNP (closed in FY12); P079628 Second Women's Health and Safe Motherhood (closed in FY13); P094063 National Program Support for Basic Education (closed FY13).

5

Disaster Risk Management

THE PHILIPPINES IS THE THIRD-MOST disaster-prone country in the world and is likely to experience even more frequent and intense climate-related disasters in the future. Natural disasters disproportionately affect the poor and have caused an estimated \$23 billion in losses and damage since 1990. On average, more than 1 million Filipinos are impoverished each year by natural disasters.¹ Under pressure of rapid growth and urbanization, infrastructure has not been designed to the standards of resilience required to withstand natural disasters.

The main concerns include risk of flooding, inadequate water and sanitation systems, and pollution. Metro Manila, with a population of 13.7 million, is prone to flooding, which has worsened with urban sprawl and the increasing number of migrants. Migrants typically have low-paying jobs, are unable to afford decent housing, and often end up living in danger zones. The National Housing Authority estimates that there are approximately 600,000 informal settler families in Metro Manila, equivalent to 20 percent of Metro Manila's total population. There has been progress in improving the water supply in the last 20 years, but progress in sewerage and solid waste collection is lagging. Only 15 percent of water consumers are connected to sewer lines.

Pollution and waste resulting from industrial development are a major source of concern. Solid waste collection efficiency in Metro Manila is estimated at 80 percent; the remaining 20 percent is either burned in backyards, left on the streets, or disposed of in waterways. Agricultural practices on steep slopes, the use of chemicals, and mining activities have removed vegetative cover from many hillsides, causing erosion and landslides.

The government changed its approach to disaster risk management in response to the series of natural disasters that hit the country in 2009, and especially after 2013, when the country

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was hit almost simultaneously by a magnitude 7.2 earthquake and the devastating typhoon Haiyan. A new Disaster Risk Reduction and Management Act was passed in 2010, coupled with a Strategic National Action Plan for disaster risk reduction and management. The Disaster Risk Financing and Insurance Strategy anticipated improving financing at the national level, providing local governments with additional funds, and empowering poor and vulnerable households and SMEs to restore their livelihoods quickly. After inadequate responses to natural calamities revealed a lack of coordination among government agencies, legislation to create a national Department of Disaster Resilience was proposed in 2018.

World Bank Group–Supported Program Focus and Results

Both Bank Group strategies, the 2009–13 CAS and 2014–19 CPS, supported the government in building resilience to natural disasters, including through infrastructure investments (water supply, sanitation, and sewerage). The World Bank–supported program has two subpillars:

(i) resilience, including financial, structural, and nonstructural resilience to natural disasters; and (ii) infrastructure, including water supply, sanitation, sewerage, and irrigation. The Bank Group helped the government develop and implement the Disaster Risk Financing and Insurance Strategy through a mix of DPLs (with a CAT DDO option) and investment project financing, as well as a range of knowledge products and capacity building activities. IFC supported the development of a new indexed crop insurance product—the first of its kind in the Philippines—to protect farmers from catastrophe-related losses. Policies supported by DPLs signaled a switch in disaster risk reduction management in the Philippines from a reactive to a proactive approach and were designed to be mainstreamed at the LGU and provincial levels. However, implementation of disaster risk reduction and management strategies at the local level remains a serious concern because of capacity and governance constraints.

The Bank Group helped the country become better prepared for natural disasters with a large number of ASA and considerable investment financing. ASA included work on seismic activity monitoring, revised building codes for public buildings, and the protection of cultural assets. Learning from the experience of other countries (including Japan, Mexico, and Turkey), along with World Bank advice, prepared the ground for initiating the establishment of the Department of Disaster Resilience in 2018.² In addition, the World Bank contributed to the draft of the Flood Management Master Plan (2014) with priority investments outlined until 2025 and followed up with an investment project (Metro Manila Flood Management project, 2017) and preparation of a flood-diversion dam project. In the housing sector, the World Bank played an influential role in developing a resettlement and postdisaster shelter program and preparing a cost-benefit analysis of in-city versus off-city resettlement that led to an evidence-based debate among stakeholders. The Global Partnership on Output-Based Aid project (with funding from IFC) improved access to water services in the east zone of Metro Manila. The project increased connections from 4,000 to 28,500 households. The number of poor people benefiting from connections to water supply increased from 20,000 to 142,000, and recurrent costs for water expenditures decreased from 13 percent of monthly spending to as low as 1 percent (World Bank 2013b).

Conclusions

Table 5.1 summarizes the results and achievements in disaster risk management.

TABLE 5.1 | Results in Disaster Risk Management

Sector or Area	Results	World Bank Group Contribution	Rating
Disaster risk management	Relevant sector strategies and policies in place. Legislation to establish Department of Disaster Resilience proposed. Comprehensive flood management plan developed for Metro Manila. Sewerage and solid waste management fell short of expectations. Low implementation capacity at the local level poses risks to resilience.	Facilitated dialogue on a new risk financing strategy and mechanism at the central government level. Financing instruments (two development policy loans with a catastrophe deferred drawdown option, a disaster bond, the Disaster Risk Financing and Insurance program, IFC-facilitated crop insurance) contributed to increased resilience. Facilitated private sector involvement in water and sanitation sectors. Limited results on the local level.	MS (4)

Note: The Independent Evaluation Group uses a 6-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

The achievement of objectives in disaster risk management is rated moderately satisfactory. The objective of increased resilience to natural disasters was achieved to a large extent, with shortcomings in impact at the local government level and for sewerage connections and wastewater treatment.

The sustainability of hard-won gains in disaster risk management seems likely given the administration's interest in resilience and infrastructure and larger budget allocations. Aided by two DPLs with a CAT DDO, budget spending on disaster risk management increased significantly. During 2011–16, the government requested a series of three CAT DDOs: two from the World Bank and one from the government of Japan. It also diversified its disaster emergency and contingency funding, including insurance and catastrophe bonds, to better withstand and respond to natural disasters.

There have been tangible improvements in the country's capacity to deal with disasters. Progress was made on two fronts. First, better preparedness helped reduce the damage from typhoons. Second, the availability of new financing instruments allowed for much quicker disbursement of funds to accelerate postdisaster recovery. Also, the Department of Finance developed a joint catastrophe risk insurance program in which 25 LGUs participated.

The Bank Group's strategy and objectives were broadly aligned with and relevant to the government's goals but may need an update. In the past decade, the World Bank's strategy focused mostly on the national level. The Philippines now has in place comprehensive state-of-the-art strategies and plans for disaster-relevant sectors and subsectors. The Bank Group helped develop the broader policy platform, such as the Disaster Risk and Insurance Strategy and the Metro Manila Flood Management Plan, from which other donors can now choose segments to finance. The current binding constraint is at the local government level, especially related to awareness and low implementation capacity of disaster risk management budgets.

In most respects, the Bank Group's program achieved its objectives of increasing resilience to natural disasters. World Bank engagement on disaster risk management made finances available in the immediate aftermath of a disaster, through both DPLs, a CAT DDO, and support for a Disaster Risk Financing and Insurance Strategy. Relevant agencies demonstrated high ownership of the disaster risk management reform agenda. There was considerable progress in all areas of the policy program: institutional capacity building, mainstreaming development planning, and managing fiscal exposure to natural hazards. At the agency level, the Department of Finance worked with the Department of Social Welfare and Development to create a system of postdisaster cash transfers through the 4Ps CCT system. At the community level, the Kalahi-CIDSS program uses infrastructure designs that are resilient to disasters. In addition, the family development sessions under this program provided information on how to prepare for—and recover from—natural disasters.

However, the use of disaster preparedness information and the understanding of risk at the provincial and especially LGU levels are still weak. Comprehensive approaches similar to the Metro Manila flood management plan (taking the whole watershed of Metro Manila into account and using it for a sequence of investment projects) are needed in other areas, particularly disaster hot spots such as Northern Luzon and Eastern Visayas. Now that the country has successfully updated its policies and early warning systems, the World Bank will need to follow the national-level policy dialogue on disaster risk management with investment projects that strengthen capacity and systems at the local level.

The World Bank's extensive ASA program on disaster risk management allowed for continued involvement in the sector, even in periods without major direct lending. ASA demonstrated tangible and lasting results through its influence on government policies, investment programs, and collaboration. Despite being somewhat ad hoc, the ASA covered a wide array of issues and enabled the World Bank to be ready with relevant information when there was an opening on the side of the government, thereby helping achieve breakthroughs at the policy level. The World Bank also made use of its convening power to bring together a large community of stakeholders to share digital rights management information and analytical assessments.

Climate Change and Environment

Climate change adaptation and mitigation, clean environment, and environmental protection have featured prominently in government strategies. The Philippines' increasing vulnerability to natural disasters places it at the forefront of international climate dialogue and explains the priority assigned to climate change by recent administrations.³ Climate action was a clear priority in communications during the Aquino administration, both within the country and internationally. Although climate change adaptation and mitigation appear to be less prominent in government documents under the Duterte administration, the country has generally stayed on track with its climate change reform agenda.

The government's climate change strategy, policies, and related institutional arrangements still need to be fully implemented. Low-carbon development (mitigation efforts) lacks a common strategy. Related action has been seriously delayed—or even reversed—in the energy and transport sectors. Low capacity for climate action (both adaptation and mitigation) at the local level causes delays in developing and integrating the climate change action plans of LGUs. The climate reform agenda is not consolidated across sectors at the national level, and distribution of responsibilities for implementation of the National Climate Change Action Plan is not clear.

The government's mitigation and adaptation strategies have followed different tracks. On mitigation, progress has been delayed. The country's electricity sector strategy prioritizes the least-cost approach at the expense of a low-carbon one: renewable resources are available, but coal plants are still being built. Greenhouse gas emission mitigation across sectors is insufficient. Adaptation and resilience reforms demonstrate an opposite trend: much more has been done and there is a continuation of policies and significant investment, although the current administration is less vocal.

World Bank Group–Supported Program Focus and Results

Bank Group strategy documents for the period reviewed mainstreamed climate change mitigation and adaptation. According to the Bank Group's Climate Change Action Plan (2016), the Philippines is one of the countries where mainstreaming climate considerations into World Bank policies and budgets was successful (World Bank 2016c). Support for continued climate change reform in the Philippines is provided for all high-impact areas: renewable energy and energy efficiency, sustainable mobility, sustainable cities, climate-smart land use, water, food security, green competitiveness, and leaving no one behind. Within the climate change engagement area, mitigation projects were mainly in energy, transport, waste management (related to coastal water pollution), and climate finance; adaptation projects were mostly in environment, agriculture, and forestry.

With regard to mitigation, expected outcomes in the CAS and CPS included lowering climate change risks, reducing greenhouse gas emissions, and scaling up clean energy. The Bank Group's knowledge work, starting with the 2010 document "A Strategic Approach to Climate Change in the Philippines," presented a clear mitigation strategy. The Bank Group's advisory niche has been in technically sophisticated strategic products. Its program in this area is relatively large and in

demand. IFC played a catalytic role to develop the market for climate mitigation finance sector in the Philippines, through regulatory capacity building (sustainable banking network), policy work (green building code), capacity building advisory and risk-sharing facility to commercial banks, creating green bond markets, and pioneering the typhoon microinsurance.

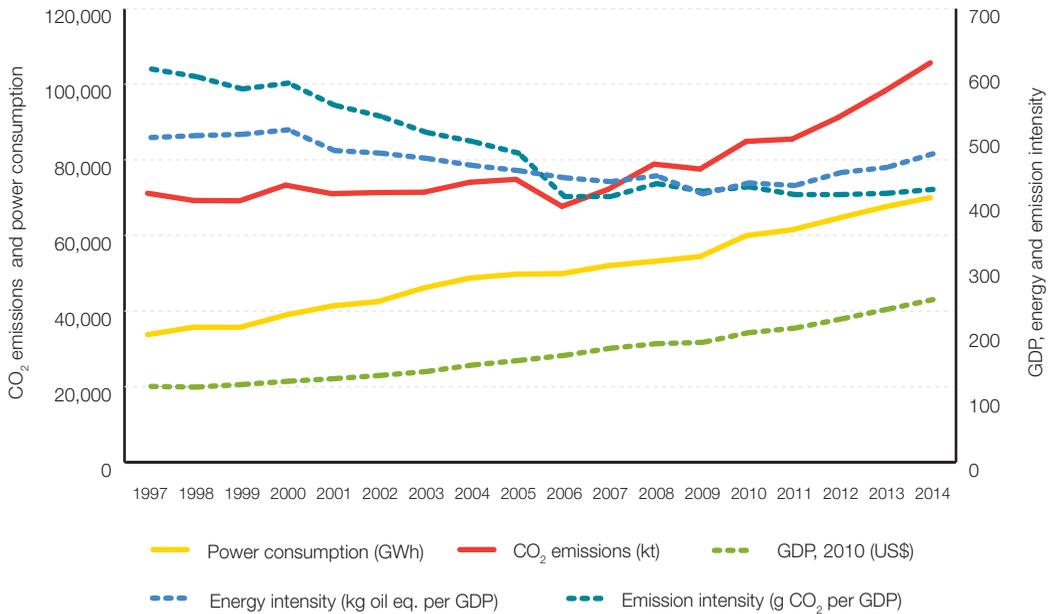
The Bank Group's operational engagement in the sectors most relevant for mitigation—energy, transport, and waste management—has been uneven. Currently, the Bank Group's portfolio of investments in mitigation is dominated by trust-funded projects. Climate mitigation has been the theme of IFC's investment program, with more than half of investment commitments during the review period addressing climate mitigation. In the energy sector, Bank Group lending supports mitigation through renewable energy development in rural areas, energy efficiency, and carbon financing. In the transport sector, there were no active projects and only three closed ones in the period under review. At the same time, mitigation action is needed in transport, including development of public and nonmotorized transport, urban transportation solutions, and improved vehicle technologies. Solid waste management has been a long-standing problem, but the World Bank's support did not translate into projects. Only one component of a disaster risk management project deals with solid waste, and only in relation to flooding.

Overall, the Bank Group has followed its mitigation strategy and provided strategic and targeted lending and ASA support, but on a smaller-than-planned scale and not consistently across sectors; more could potentially be achieved through closer World Bank–IFC collaboration. Although mitigation projects have advanced the climate change agenda of the government and the World Bank, many targets were only partially achieved. The ASA program is achieving its objectives, with the Bank Group's program in the energy and transport sectors fully focused on mitigation (renewable energy, energy efficiency, green transport), and is in demand. IFC's Sustainable Energy Finance Program (FY09–15) aimed to catalyze local financial markets for sustainable energy projects in cooperation with local banks. It resulted in financing of 193 projects (\$880 million) by the local banks and helped avoid 2 million tons of greenhouse gas emissions.

Despite the advanced policy and institutional environment for mitigation and detailed mitigation plans, implementation has been delayed, and objectives have not been achieved. The only commitment in the country's Intended Nationally Determined Contributions submitted to the United Nations Framework Convention on Climate Change—to reduce greenhouse gas emissions by 70 percent—is unlikely to be met because emissions have been steeply rising since 2006. Both the energy and emission intensities of the economy have been increasing (figure 5.1) with the growing reliance on coal and rising transport emissions (figure 5.2). It has been estimated that greenhouse gas emissions in the Philippines will triple between 2010 and 2030 and, if no action is taken, will quadruple by 2050.⁴

The Bank Group has a comprehensive strategy and program for climate change adaptation and addressing environmental degradation. In addition to disaster risk management and resilient infrastructure, it includes protection of ecosystems, agricultural adaptation, climate adjustment of communities, and water resource management. The Bank Group's adaptation and environmental improvement portfolio is relatively large and dominated by loans (unlike

FIGURE 5.1 | Emission and Energy Intensity of the Philippine Economy



Source: World Bank analysis, World Development Indicators data.

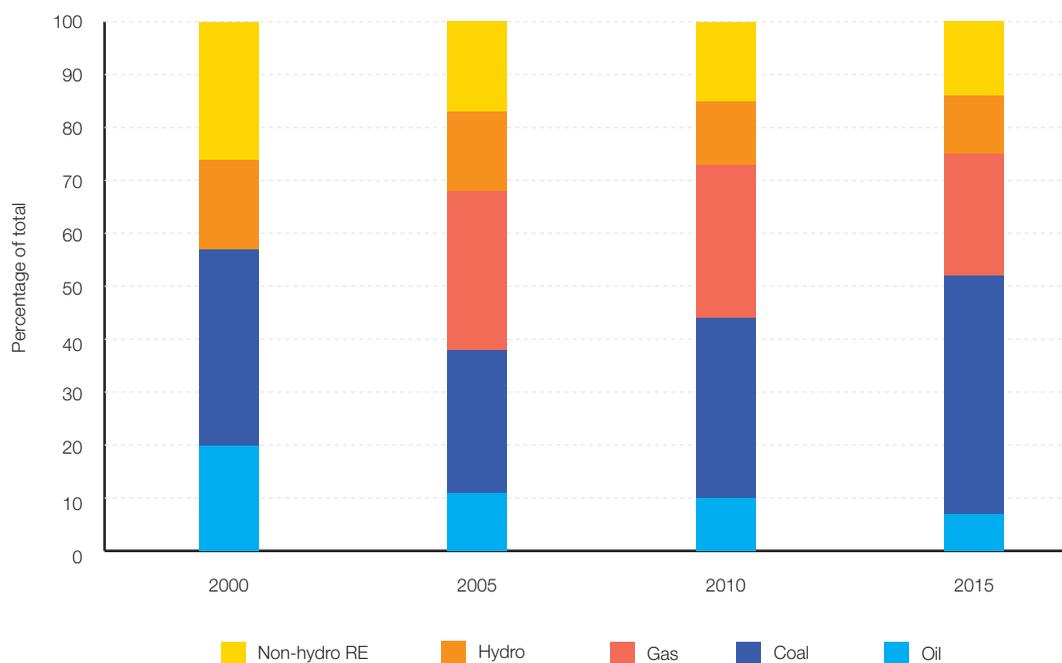
Note: CO₂ = carbon dioxide; GDP = gross domestic product; GWh = gigawatt hour; kt = kiloton.

mitigation, where the focus is on grant financing and ASA).⁵ IFC had three investment projects and three advisory projects.

The World Bank had a considerable ASA engagement on public investment in climate change adaptation. This was done through the Climate Public Expenditure and Institutional Review (FY13), accompanied by technical assistance support to the implementation and operationalization of the National Climate Change Action Plan (FY14). The strategic objective was to assist with the operationalization of the action plan through the establishment of climate budgeting, which would support the development of the government’s capacity for more effective planning and implementation of activities to address climate change. Some early signs of success in this area include adoption of routine Climate Change Expenditure Tracking and the steady increase in budget allocations.

The government recognizes the importance of climate change adaptation and environmental improvement, but they have had few tangible results so far. The scale of programs and investments in these areas are not commensurate with the scale of the problems. The Bank Group contributed—on a small scale—to the increase in wastewater treatment capacity in Metro Manila, reduction of pollution in Manila Bay, and improved environmental conditions of Laguna Bay. The Bank Group is applying new approaches in mainly pilot-level efforts.

FIGURE 5.2 | Electricity Sources in the Philippines



Source: World Bank analysis, World Development Indicators data.

Note: RE = renewable energy.

Conclusions

Table 5.2 summarizes the results and achievements in climate change and environment.

TABLE 5.2 | Results in Climate Change and Environment

Sector or Area	Results	World Bank Group Contribution	Rating ^a
Climate change and environment	Advanced policy and institutional environment for mitigation in place, but greenhouse gas emissions are steeply rising. Adaptation policies continued with raising awareness and significant investment in important areas, including reduced pollution in Manila Bay and an improved sewerage system, but more time and effort are required to achieve results.	The World Bank Group provided strategic and targeted lending and Advisory Services and Analytics, contributed to several pilots, applying new approaches and increasing awareness, but on a smaller scale than planned and not consistently across sectors. Although the Bank Group concentrated on green action, it could not offset current trends.	MS (4)

Note: a. The Independent Evaluation Group uses a 6-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

The achievement of objectives in this area is rated moderately satisfactory, with better results on climate change adaptation than on mitigation. The focus of the Bank Group's program for mitigation was highly relevant to the government's development priorities, but the program was too small and not catalytic enough to have a significant impact at the national level. Although the energy sector program fully supported strategy objectives and was designed to cover areas of strategic importance, it could not offset continuing investment in coal-based energy. The transport program could not achieve projected results because of delays in new project approval, and the waste and coastal pollution program was small relative to needs. Support was provided to a large extent through small trust-funded projects and technical assistance and advisory services.

The adaptation and environmental improvement program was more effective and highly relevant to the government's objectives. Support was consistent with the government's strategic natural resource management priorities. The Philippines faces high levels of environmental degradation, and the World Bank sought to change behaviors and increase awareness through small projects employing a bottom-up participatory approach—perhaps the most effective modality in these circumstances. However, even some larger-scale interventions are too small to fundamentally change the situation. The Bank Group is implementing several community-based projects involving management of natural resources and agricultural adaptation, applying new approaches, and increasing awareness of adaptation. Although these are mainly pilot efforts, they could have a substantial impact if scaled up. They are likely to be sustainable; their sustainability is a government priority at the strategy and investment levels.

The World Bank could build on the achievements of the program and expand engagement on the climate change agenda. It could be more selective with mitigation and adaptation projects, while maintaining focus on awareness building, helping with Intended Nationally Determined Contributions commitments, supporting efforts to reverse environmental degradation (including expanding beyond Metro Manila), helping improve capacity at the local level (including climate budgeting and expenditure planning), and providing technical support with advanced technologies.

Peace and Reconciliation in Mindanao

The Bank Group's continued engagement in the conflict-affected areas of Mindanao made important contributions to the peace and reconciliation processes. The engagement signaled that development work was possible even during the active conflict and negotiation phases. Through the Mindanao Trust Fund (MTF), the World Bank helped consolidate development assistance for the socioeconomic recovery of conflict-affected communities in the ARMM and build confidence in the normalization process with the Moro Islamic Liberation Front (MILF). Using the CDD approach, the World Bank's program in ARMM helped communities in conflict-affected areas recover from conflict and improve their living conditions (box 5.1).

The resolution of the protracted and multilayered conflict and violence in Mindanao (characterized by separatism, communist insurgency, banditry, and *rido* or clan wars) is at a turning point. After 17


BOX 5.1 | Timeline of Conflict in Muslim Mindanao

- 1984—Moro Islamic Liberation Front (MILF) is established
- 1990—Autonomous Region of Muslim Mindanao is established
- 2000—All-out war between the Philippine armed forces and the MILF
- 2003—President Gloria Macapagal-Arroyo brokers peace talks with the MILF
- 2008—Conflict intensifies, peace talks declared unconstitutional by the Supreme Court
- 2011—President Aquino resumes peace negotiations with the MILF in Narita, Japan
- 2012—Negotiations for Bangsamoro Framework conclude
- 2014—Bangsamoro Basic Law (BBL) submitted to Congress
- 2015—Mamasapano incident; passage of the BBL is stalled
- 2016—Newly elected President Rodrigo Duterte pushes to pass the BBL
- 2018—President Duterte signs the Bangsamoro Organic Law, formerly the BBL
- 2019—Plebiscites in Southern Mindanao ratify the Bangsamoro Organic Law and the establishment of the Bangsamoro Autonomous Region in Muslim Mindanao

Source: Michler and Shively 2014.

years of negotiations, the government of the Philippines and the MILF reached a peace agreement in 2014 (the Comprehensive Agreement on the Bangsamoro). The agreement paved the way for the normalization process in ARMM through programs tackling security, socioeconomic development, and confidence-building. The socioeconomic component focused on the rehabilitation, reconstruction, and development of conflict-affected areas to address the needs of former combatants, internally displaced persons, and poverty-stricken communities. The peace agreement led to the Bangsamoro Organic Law, signed by President Duterte in 2018, which established the new Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). The plebiscites on the future status of ARMM in January and February 2019 provided important legitimacy to the BARMM (see appendix F for details on the Mindanao conflict).

The signing of the Bangsamoro Organic Law in July 2018 and the January and February 2019 plebiscites provided a clear path for the self-determination of the Bangsamoro. BARMM will have its own cabinet, legislative assembly, and *sharia* law (applicable to Muslims only). The region will receive block grants from the government of the Philippines and shares of the taxes and charges imposed

on natural resources in addition to funds to rehabilitate the conflict-affected areas. Approximately 40,000 MILF combatants will be decommissioned and given financial support to transition into civilian life.

Despite being endowed with fertile agricultural lands and rich natural resources, Mindanao's development trails behind the rest of the country. GDP per capita of Mindanao is half that of Luzon, wages are two-thirds lower than the national average, and nearly a third of households are without access to power.⁶ The region is home to 11 of the 20 poorest provinces, with Lanao del Sur province recording the highest poverty incidence (70.2 percent).⁷ ARMM, with approximately 4 percent of the population, contributes only 1 percent to the national GDP and has severe socioeconomic problems, including a higher death rate and lower life expectancy than the national average (table 5.3).⁸

TABLE 5.3 | Selected Human Development Indicators of ARMM and the National Capital Region

Indicators	ARMM	NCR	Reference Period
Annual average family income	₱139,000 (\$2,673) ^a	₱ 425,000 (\$8,173) ^a	2015
Annual average family expenditure	₱111,000 (\$2,135) ^a	₱349,000 (\$6,712) ^a	2015
Annual average family saving	₱28,000 (\$538) ^a	₱76,000 (\$1,462) ^a	2015
Life expectancy at birth (male)	61.9	68.8	2010–15
Life expectancy at birth (female)	62.9	75.6	2010–15
Functional literacy rate (10–64 y)	72.1	95.3	2013

Source: Philippine Statistics Authority. Quick Stat on Autonomous Region in Muslim Mindanao, National Capital Region (June 2018).

Note: ARMM = Autonomous Region of Muslim Mindanao; NCR = National Capital Region; ₱ = Philippine peso.

a. US\$1 = ₱52 (2018).

World Bank Group–Supported Program Focus and Results

Both the CAS 2009–13 and CPS 2014–19 supported peace and stability in the conflict-affected areas of Mindanao. The World Bank used conflict-sensitive programming and implementation to help targeted communities in conflict areas get access to social and economic infrastructure and services, as well as to improve livelihoods. The World Bank's flagship project, ARMM Social Fund for Peace and Development, helped improve access to infrastructure and services, food security, employment, and household incomes; helped strengthen social cohesion and partnerships; and improved local governance and institutional capacity. Analytical work on Mindanao was relevant and comprehensive.

As with other parts of the World Bank–supported program, peace and reconciliation strategies and programs had to accommodate a change in administration. The Aquino administration focused on harnessing Mindanao's socioeconomic potential, while the current government is looking at “healing” and addressing “historical injustices.”⁹ The World Bank's emphasis remained the same during both

administrations (access to basic services, livelihood improvements, and local capacity building). However, the approach changed from conflict-sensitive programming to building trust among communities in conflict-affected areas. This redirected funds to a different set of beneficiaries (from internally displaced persons to communities in MILF camps) and objectives (from rehabilitation and conflict-sensitive programming to increasing trust and implementing peace dividend programs) and created some discontinuity in meeting the objectives.

At the same time, objectives in the CAS and CPS were often formulated as outputs or general guidelines and did not include baseline data, which made assessment of effectiveness difficult. World Bank documents report achieving objectives targeting assistance for internally displaced persons, MILF camps, and the use of conflict-sensitivity tools (during the first half the CPE period), but evidence is limited. The conflict-sensitivity tool was developed, but there was no indication either in World Bank documents or during IEG interviews of its effectiveness and use. The 2014 CPS objective of supporting implementation of the “peace dividend,” for example, did not specify how it was to be measured.¹⁰ The World Bank used CDD programs to achieve increased trust, but strategy papers and project reports do not clearly indicate whether such programs were considered a peace dividend. Field interviews conducted by IEG provided only anecdotal evidence that CDD programs increased trust and social cohesion. The objectives on livelihood and basic services were accomplished for particular MILF camps and not for the entire ARMM.

The multidonor trust fund for reconstruction and development, managed by the World Bank (the MTF), was key to peace-related activities in ARMM. Established in 2006, the MTF exemplified the World Bank as convener. It consolidated international development assistance for socioeconomic recovery of conflict-affected communities in Mindanao and ARMM and sought to build confidence in the normalization process with the MILF. The MTF supported CDD approaches to improve access to basic services in conflict-affected communities. According to a 2016 IEG evaluation (World Bank 2016d), communities in the conflict-affected areas, internally displaced people, and rebel returnees benefited from visible restoration of some basic services of their choice, sustained by more accountable local government. The MTF also helped develop the capacity of the Bangsamoro Development Agency (BDA; the development arm of the MILF). Currently, the World Bank is providing assistance for the recovery, rehabilitation, and reconstruction efforts in the city of Marawi, which has been severely affected by the recent most-violent outbreak of conflict in 2017 (box 5.2).

Bank Group–supported programs triggered important changes in ARMM. The programmatic approach and its interventions in conflict-affected parts of Mindanao helped the MILF and the government find ways to work together even before signing the peace agreement in 2014. From mid-2000, World Bank staff worked directly with the combatant parties, particularly the BDA, providing technical assistance to their efforts. In recent years, the World Bank provided support to the implementation of the 2014 Comprehensive Agreement on the Bangsamoro, with focus on building legitimate institutions for citizen security, justice, and jobs. The results of the World Bank program in conflict-affected areas in the Philippines are discussed here in relation to (i) building institutional capacity, (ii) improving trust and social cohesion, (iii) better access to basic services, and (iv) the World Bank’s role as a convener among development partners.



BOX 5.2 | The World Bank Group's Engagement in Postconflict Reconstruction in Marawi

The five-month siege of Marawi (a city in central Mindanao) in 2017, after clashes between the Armed Forces of the Philippines and a coalition of violent extremist groups, had a devastating impact on casualties, displacement, and destruction. A Task Force Bangon Marawi (TFBM), including members of key government departments, was established to coordinate humanitarian relief assistance. The government requested support from the World Bank to coordinate international response and assist the TFBM in laying out the road map for recovery, reconstruction, and rehabilitation. The World Bank was asked to provide hands-on and just-in-time technical assistance and advisory services to the TFBM to carry out the Post-Conflict Needs Assessment, develop the Comprehensive Rehabilitation and Recovery Program, address postconflict aspects (for example, complex land issues), create the strategic communication plan, and provide donor coordination of planning, implementation, and monitoring of the recovery and rehabilitation efforts. The World Bank provided support for the Comprehensive Rehabilitation and Recovery Program's preliminary report and final document and technical inputs to various TFBM subcommittees. In collaboration with International Alert, Community and Family Services International, the Philippine Center for Islam and Democracy, and the Bangsamoro Development Agency, the World Bank conducted 30 focus group discussions to seek feedback for the plan on the most affected area and finalize the rehabilitation and construction strategy of the city.

Source: World Bank, Independent Evaluation Group mission.

One of the World Bank's main contributions was supporting the capacity building of the ARMM administration and the BDA. Established in 2001, the BDA was given a clear mandate to determine, lead, and manage relief, rehabilitation, and development projects in the conflict-affected areas. The BDA evolved from a small group of volunteers with no development experience to a development agency implementing projects in the region. Hundreds of people were trained and equipped with organizational, planning, implementation, and monitoring and evaluation skills. At some point, the BDA had 300 staff across seven regional offices, with its headquarters in Cotabato City. Through the MTF, the World Bank and other development partners provided technical and financial assistance to the BDA to prepare it for a role in BARMM in the transition period. The MTF funded technical assistance to help the BDA formulate the Bangsamoro Development Plan, the first comprehensive economic development blueprint prepared by a nonstate armed group. The World Bank also provided assistance to the ARMM administration on procurement, management, and monitoring of infrastructure projects, and to regional and local authorities on institutional strengthening and development of administrative guidelines.

World Bank–supported programs contributed to peace building by improving social cohesion among different groups and working with different parties to the conflict. The CDD approach allowed different stakeholders and combatant parties to collaborate to deliver community projects. Local stakeholders jointly decide the type of intervention and, with the help of the BDA, design and implement the project. The participative approach (which included indigenous peoples and women, who are often marginalized from decision-making processes) fostered social unity and built trust, while increased familiarity led to mutual understanding.

World Bank programs improved access to basic services in ARMM. The ARMM Social Fund provided grants for CDD projects to build, rehabilitate, and improve small-scale social and economic infrastructure, such as water and sanitation systems, small-scale irrigation schemes, health centers, schools, and postharvest facilities. Larger regional infrastructure damaged during the conflict were also rehabilitated, including health and education facilities, social services, and ports. There were 1 million direct beneficiaries under the ARMM Social Fund Project. According to a survey conducted by the project, 86 percent of women were satisfied that the project’s investments aligned with their needs. CDD interventions under the MTF enhanced the living conditions of war-torn communities by enabling them to get access to improved infrastructure, including water systems, barangay roads, solar driers, and community centers.

The World Bank’s reputation for neutrality and its global experience in situations of conflict helped it to play a convening role among development partners, and to be a trusted partner with other entities in Mindanao. Jointly with the United Nations Development Programme, the World Bank

BOX 5.3 | The Bangsamoro Conflict Monitoring System

The Bangsamoro Conflict Monitoring System (BCMS) is a subnational conflict database established by the International Alert U.K. Philippines Office in partnership and with funding from the Bank Group, Australian Aid, and the Korea Trust Fund. The BCMS aims to systematically monitor and analyze violent conflict within the Bangsamoro and adjoining areas to inform policy, development, and peace-building approaches and strategies. The BCMS works with three academic institutions and relies on several data sources that include the Philippine National Police and media reports focusing on the five provinces in ARMM. Between 2011 and 2017, 14,873 incidents were reported in ARMM. It is the biggest database in the world for a subregion. The report *War and Identity* produced by International Alert in 2018 claims that the shadow economy was the leading cause for the overall crimes and violence between 2011 and 2017, accounting for one-third of the incidents. The second major cause of conflict was related to identity issues, while common crimes came in third (21 percent) and political issues fourth (13 percent).

Source: International Alert 2018.

set up the Facility for Advisory Support for Transition Capacities in 2013 to provide technical and financial assistance to the MILF and the government for the transition process to Bangsamoro; it included expertise for negotiations and drafting legislation. The World Bank partnered with International Alert to set up the Bangsamoro Conflict Monitoring System, a subnational database to collect and analyze violent conflicts in Bangsamoro and a reliable information source for policy makers and stakeholders engaged in the Mindanao peace process (box 5.3). According to field interviews, the World Bank could further improve collaboration with one of the leading multinational partners, including in support of the Marawi reconstruction. Improved collaboration and quality of dialogue in this high-profile initiative will send positive signals within the development partner community in the Philippines.

Conclusions

Table 5.4 summarizes the results and achievements in peace and reconciliation in Mindanao.

The achievement of objectives related to peace and reconciliation in Mindanao is rated satisfactory. Despite persistent challenges, the Bank Group's efforts in Mindanao and ARMM provided important contributions to the peace and reconciliation process. Targeted communities received the benefits of peace and development assistance, and key stakeholders and donors stressed the critical role of the World Bank in the peace process and capacity building. The World Bank has been an effective manager of consolidated international development assistance through the MTF and has been able to keep the MTF functional even during times of high tension in ARMM. The involvement of communities and LGUs in projects has fostered social cohesion and increased trust between Muslims and Christians. CDD projects helped improve access to basic services and contributed to social cohesion. Surveys for the MTF Implementation Completion and Results report show that 86 percent of the beneficiaries admitted that projects reflected their needs. More than a third of recipients acknowledged that CDD programs improved their living conditions and that the new infrastructure (barangay roads, solar driers) contributed directly or indirectly to their economic and social well-being. Many community centers were used for implementing the Alternative Learning System, a national program providing basic education in poor urban and rural areas. Approximately 2,800 people—former combatants, housewives, and out-of-school youth—attended Alternative Learning System classes in ARMM. The CDD interventions helped build capacity within the BDA, particularly in project design and implementation.

The sustainability of World Bank-supported interventions in Mindanao differed. Small-scale infrastructure interventions (such as *barangay* roads, water systems, solar driers) appear to be more sustainable than livelihood interventions. Community participation contributed to ownership and made people responsible for managing the facilities. However, various livelihood projects (for example, production of clothes and banana chips) were less sustainable because of the lack of markets. Despite continued efforts to build capacity in the BDA, risks to institutional sustainability are high. The main factors are the interim nature of the BDA, lack of clarity about its future in BARMM, frequent staff turnover, and high dependence on MTF funds.

TABLE 5.4 | Results in Peace and Reconciliation in Mindanao

Sector or Area	Main Results	World Bank Group Contribution	Ratings ^a
Increased access to basic services in conflict-affected areas	Peace agreements with the MILF signed (2012 and 2014), implementation of socioeconomic development programs initiated.	Community-driven development projects (water, transport, and social infrastructure) provided better access to services and improved livelihoods for 638,000 people.	S (5)
Increased trust and social cohesion	Normalization process launched: the MILF and the government embarked on applying the provisions of peace agreements. Improved community participation in investment planning in conflict-affected areas.	The collaborative and participatory approach of the World Bank–supported programs helped communities increase trust and enabled communities and local government units to work together. Fifty-one percent of project beneficiaries were women. Indigenous peoples benefited from projects.	S (5)
Governance capacity building in conflict-affected areas	The Bangsamoro Development Agency developed into a functional organization, but institutional weaknesses persist and its future role in Bangsamoro Autonomous Region of Muslim Mindanao is unclear.	The World Bank provided capacity building to Bangsamoro Development Agency on project design, development, implementation, and monitoring, helping position the agency as a reliable partner in Mindanao.	MS (4)
Partnerships	MTF was an effective multidonor mechanism of development assistance.	World Bank leadership and global expertise contributed to MTF success.	S (5)
Overall rating			S (5)

Note: LGU = local government unit; MILF = Moro Islamic Liberation Front; MTF = Mindanao Trust Fund.

a. The Independent Evaluation Group uses a 6-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

The impact of the World Bank’s analytic work on operations and the government’s strategies remains to be seen. For example, the Mindanao Jobs Report, which recommends how to address land dispossessions and conflict, has not had much traction to date, and its recommendations have not been applied. Some stakeholders believe it is not the right time yet for some of the analytic products, but that they could be useful during the transition period.

The World Bank's track record in Mindanao could open new avenues for engagement in the newly established BARMM. The need for a strong and active Bank Group engagement in BARMM (including establishing a more permanent local presence, using the ongoing work on Marawi rehabilitation as a possible entry point) is more urgent during the transition period. The World Bank should adjust strategies, approaches, and priorities as the situation evolves from a conflict to postconflict environment, building on MTF results and experience. In this context, continued close engagement and dialogue are important for identifying new opportunities. BARMM institutions will need to improve capacity in development planning, budgeting, financial management, and taxation to be able to handle government and donor funds (such as the Bangsamoro Normalization Trust Fund).¹¹

¹ <https://www.gfdr.org/en/philippines>.

² As of September 2019, the proposed bill to create the Department of Resilience has not yet been approved by the Parliament.

³ The Philippines ratified the United Nations Framework Convention on Climate Change treaty in 1994, chaired the Group of 77 (developing nations) at the first Conference of the Parties (COP1) in Berlin in 1995, and ratified the Kyoto Protocol in 2003.

⁴ Philippines Policy Development Support for Low-Carbon Development. A World Bank technical assistance project. Concept Note. 2018.

⁵ In the period under review, the International Bank for Reconstruction and Development (IBRD) portfolio had nine adaptation projects (currently some are still active) with total financing of \$1.560 billion, which includes IBRD financing of \$1.036 billion and trust fund financing of \$32 million. The IBRD Advisory Services and Analytics portfolio had nine products, mainly providing knowledge support to lending projects. Adaptation and environment projects (or components) can be classified into three categories: (i) community-based management of natural resources combining objectives of poverty reduction, rural development, sustainability of agriculture resources, and adaptation; (ii) participatory environmental management; and (iii) improved sewerage and wastewater services.

⁶ National Electrification Administration, January 2018. <http://www.nea.gov.ph/ao39>.

⁷ 2015 Philippine Statistical Yearbook. <https://psa.gov.ph/products-and-services/publications/philippine-statistical-yearbook/2015>.

⁸ Philippine Statistics Authority. "Quick Stat on Autonomous Region in Muslim Mindanao, National Capital Region—June 2018". <https://psa.gov.ph/statistics/quickstat/regional-quickstat/2018/Autonomous%20Region%20in%20Muslim%20Mindanao>.

⁹ Philippine Development Plan 2017–2022.

¹⁰ The 2017 Performance and Learning Review dropped the "peace dividend" objective.

¹¹ The government has allocated ₱31.1 billion (approximately \$600 million) for 2019 for the new Bangsamoro Autonomous Region in Muslim Mindanao.

6

Conclusions and Recommendations

THE PERIOD UNDER REVIEW SAW strong economic performance in the Philippines. Growth has been sustained at higher levels than before, and poverty has been reduced. Strong global demand resulted in growing remittances and income from a booming services sector. The Philippines is on track to achieve UMIC status in the near future. These achievements are impressive in the context of recurring severe natural disasters and conflict in Mindanao.

However, higher growth has not resolved many fundamental structural problems. The Philippines still has one of the world's highest rates of inequality, and productivity in agriculture and manufacturing lags most regional competitors. Despite some improvements in human development, serious gaps remain in family planning, nutrition, maternal mortality, and education quality. Infrastructure, particularly in transport and municipal services, is inadequate to meet the needs of the rapidly growing and urbanizing population.

The main constraints facing the country are well understood by the government and development community; debate revolves less around what needs to be done than how to do it. For development partners, the political economy presents a complex set of challenges in determining how best to provide support. The electoral cycle can bring abrupt swings in government policy. The World Bank, along with other development partners, faces the challenge of ensuring continued strong client engagement despite changes in administrations and counterparts. In addition, political elites often block reforms that could affect their position, such as those supporting a more competitive business environment and increased decentralization.

Over the past decade, the Bank Group made a substantial contribution to improved economic performance in the Philippines. The Bank Group's program covered areas highly relevant to the country's development priorities and commensurate with its comparative advantages. At the same time, more could have been done in some specific areas, such as governance, private sector development, and subnational engagement, building on the legacy

of the ongoing long-term partnerships. The impact of the World Bank was significant in strengthening macroeconomic management, governance, social protection, and disaster risk management; contributing to peace and reconciliation in Mindanao, upgrading rural infrastructure; and improving access to services for the poor. However, the World Bank's support was less successful in promoting private sector development (particularly for SMEs), financial inclusion, climate change mitigation measures, and enhancing the capacity of subnational governments.

The World Bank's contribution was driven by a set of well-established long-running interventions, which can be described as "development platforms," most of which were put in place before the period under review. These included the DPL series, support through the SWDRP for the 4Ps (CCT) program, the Kalahi-CIDDS (CDD) program, MRDP, and the subsequent (2014) nationwide PRDP. These platforms were supported by a substantial program of ASA that provided the diagnostics and evidence base needed for the implementation of these programs. These programs remain at the core of the World Bank's support for the Philippines and can be used as multisector development platforms and launching pads for support in other sectors and at the subnational level.

Taken together, these platforms and the ASA reinforced one another and enhanced the World Bank's effectiveness. For disaster risk management, the World Bank's analytic work contributed to the new policy framework, a DPL (with CAT DDO) provided quickly available funds when disaster occurred, the 4Ps uses family development sessions to instruct the rural poor on how to protect against and respond to disasters, and the Kalahi-CIDDS and PRDP have introduced higher standards of resilience to the construction of local infrastructure. In the area of governance, the success of the DPL series in supporting timelier and more transparent budget reporting has been complemented by the support for community empowerment through the Kalahi-CIDSS program and participatory planning and better provincial and municipal management in the PRDP. The use of targeted and monitored transfers under the CCT program has meant that funds reach the beneficiaries, in contrast to past social transfer programs where only a small fraction of funds (as little as 10 percent in one program) reached the beneficiaries.

The dilemma for the World Bank is that these long-running programs, although in line with the objectives of the previous two administrations, may be less central to the objectives of the current administration. The central theme of the administration of President Duterte is addressing the huge gap in national-level infrastructure. There is no question of the importance of this for enhancing the Philippines' competitiveness and improving the quality of life in Metro Manila and beyond. But other development partners are better placed to support this agenda; the government sees them as less costly sources of funding, and these partners have been more active in this area in the past.

Although the World Bank has global expertise of relevance to the government, it is currently underused in the Philippines. The areas in which the Bank Group could do more with its comparative advantage include disaster risk management and climate change; support for the peace process in Mindanao; enhancing the capacity of subnational governments to provide better services, nutrition, and education quality; supporting private sector development and SME development; and good governance.

In most middle-income countries, the World Bank's knowledge services are central to its comparative advantage; this is also the case in the Philippines. Currently, however, there appears to be less interest in the World Bank's knowledge contribution in some areas. Many stakeholders interviewed by IEG felt that the World Bank focuses too much on basic diagnostics, whereas the government is looking for additional support with implementation. Although the decision to take a programmatic approach to ASA was appropriate, the scale of the World Bank's ASA program may have exceeded both the appetite and absorptive capacity of its counterparts, resulting in the impression that at least some analysis and technical support was of limited value. It will be important for the World Bank to work more closely with the authorities to identify areas of ASA (including joint work and increased use of local expertise) that are of more direct interest to the government.

The World Bank played an important convening function in many areas. For example, it made a major contribution to a gradual development of broad interagency consensus regarding the longer-term PFM action plan. Successful multisector operations (such as SWDRP, PRDP, and KC-NCDD) linked several departments to meet their objectives. The World Bank provided the necessary long-term commitment and oversight to maintain these links and helped successive administrations keep them in place.

There is alignment between the World Bank's comparative advantage and the government's goal for the country to achieve UMIC status by the end of the current administration. Reaching UMIC status is feasible if the country continues to grow rapidly, but it is necessary to look at more than just the growth numbers. Rapid growth has contributed to greater poverty reduction, but the Philippines still has some fundamental structural issues that need to be addressed. These include a high rate of inequality; still-high levels of poverty and vulnerability, which leads many of the nonpoor to periodically fall back into poverty; a dependence on the service sector; underperformance of the agriculture and manufacturing sectors; lack of medium-size enterprises (the "missing middle"); inadequate quality of education, which limits the access of the poor to better jobs; and gaps in the health care system. The capture of the political system by a dominant elite is both a cause of many of these problems and a constraint in addressing them. The alignment of this agenda with the World Bank's comparative advantage should provide the basis for an agreement on how best the World Bank can support the government's objectives. The World Bank's support program in the upcoming Country Partnership Framework should be presented in this context.

In the face of many constraints, the positive outcomes over a sustained period of the World Bank-supported program represent a significant achievement, and there is scope for the World Bank to have a greater impact. With this in mind, the following recommendations are suggested:

- **Consider revising and updating the large, long-running programs: the DPL series, CCT program, rural development, and CDD projects.** These well-established and successful programs remain at the core of the World Bank's support for the Philippines. Although their continued relevance is not in question, some of the innovation and experimentation that characterized their initial phases has been reduced and needs to be revived. There are risks that some of these programs could lose relevance unless there is a reassessment of how they relate to evolving realities and the government's priorities.

- **Apply current successful models of subnational engagement (such as the PRDP) to expand presence and operations at the provincial and municipal levels and build the capacity of subnational governments.** There are many operating difficulties at the local level in the Philippines: elite capture in many provinces and municipalities, the proliferation of small jurisdictions with limited administrative and technical capacity, and the national government's apparent lack of appetite for addressing these issues. The World Bank has been able to get traction in this area through the PRDP and social protection and CDD programs. PRDP has contributed to capacity building at the subnational level and created a transparent governance model through partnership with the Department of Agriculture, with its network of local branches. The World Bank should build on these successes and possibly focus on some of the disaster hot spots for piloting a new model of engagement at the subnational level.
- **Improve the overall balance of analytical and advisory engagement: make it more demand-driven and selective, with greater emphasis on collaborative approaches.** There is clear appetite for expanded use of Bank Group ASA for implementation support as opposed to broad sector diagnostics. This has the potential to strengthen partnerships and improve dialogue with government agencies. In some sectors, the Bank Group could make a more systematic effort to use local expertise (academia, think tanks) as partners in delivery of ASA, thereby contributing to enhancing local analytical capacity.
- **Consider making Mindanao (and especially BARMM) a focal area for Bank Group support, and potentially a model for in-depth regional engagement and local capacity building.** Mindanao has the largest concentration of poor in the Philippines and has considerable economic potential. Here is where the World Bank has a comparative advantage, given continued engagement on peace and reconciliation, experience with MRDP, capacity building at the BDA, ongoing Marawi reconstruction, and high-quality analytical work, such as the Mindanao Jobs Report. Mindanao could be a showcase of effective development assistance in a specific region, which can be scaled up to other regions.
- **Improve coordination and sequencing of World Bank and IFC interventions for private sector development and operationalize the “One Bank” approach.** World Bank–IFC cooperation should be complementary (while avoiding conflicts of interest) and should extend beyond the exchange of information to a more strategic partnership. Successful experience from other countries suggests that the use of common task leadership for IFC or World Bank projects has helped develop a unified Bank Group culture in certain areas. A good example of cooperation was the integrated effort to promote agribusiness investments in Mindanao. MIGA reengagement could add value by promoting foreign investment in the country, especially in Mindanao, a large, populous island with considerable economic potential. The Bank Group could consider working with the Philippine authorities to develop an explicit private sector development strategy, including advisory support to help deal with elite capture and the impact of new technologies on growth, and to more effectively mobilize the country's large youth population.

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APPENDICES

The World Bank Group Partnership
with the Philippines, 2009–18
Country Program Evaluation



IEG
INDEPENDENT
EVALUATION GROUP

WORLD BANK GROUP
World Bank • IFC • MIGA



Appendix A. Country Program Evaluation Outcome Ratings

Engagement Area	Main Results	Key World Bank Group Contributions	Rating ^a
1. Macroeconomic Management and Governance			MS (4)
(i) Macroeconomic management and revenue mobilization	Significant and sustained gains in macroeconomic performance. Improved revenue performance.	The DPL series (2011–15) and technical assistance helped improve macroeconomic management, implementing the “sin tax” law, and raising investors' confidence.	S (5)
(ii) Expenditure rationalization	Expansion of public spending, increase in the share of priority and pro-poor public spending, improvement in budget planning, and public procurement.	DPLs supported expansion in infrastructure and CCT spending. ASA helped raise spending efficiency and provided effective support for procurement reform.	S (5)
(iii) Transparency and accountability in the public sector	Progress in strengthening governance since 2010. Improved Public Expenditure and Financial Accountability scores. However, no progress reported after 2015. Several key reforms remain incomplete.	The World Bank Group supported reforms to enhance fiscal transparency and good governance and played an essential role in strengthening public demand for government accountability. More could have been done in recent years.	MS (4)
(iv) Decentralization and local government strengthening	Progress in introducing new policies to promote local government transparency and accountability. However, no improvement in the regulatory framework for decentralization. Limited progress on strengthening local government capacity.	The Bank Group helped design and implement several local governance programs. Not able to develop effective partnerships at the subnational level or provide a sufficient contribution to strengthening local government capabilities.	MU (3)

Engagement Area	Main Results	Key World Bank Group Contributions	Rating ^a
2. Private Sector–Led Growth			MU (3)
(i) Improved investment climate	Some progress on regulatory policy framework and institutional capacity for business registration. Progress on streamlining business processes in selected LGUs. National-level indicators stagnant or deteriorating.	The Bank Group provided assistance on policy development. Results on investment climate and business regulations limited.	MU (3)
(ii) Increased access to financial services	Increased lending volumes to small and medium enterprises. Financial inclusion of the poor still very limited. No progress in agrifinance and securing credit through movable assets. Credit information system not in place.	IFC client banks benefited from advisory services and increased lending volumes and products. IFC gender finance program with RCBC allowed the institution to lend more than \$120 million to more than 2,000 women-owned SMEs. IFC supported first private indexed crop insurance product. Support for credit information system not successful.	MS (4)
(iii) Increased agricultural productivity, competitiveness, and rural incomes	Significant increase in household incomes, assets, on-farm and nonfarm activities, agricultural productivity, and value of the marketed output. Improved rural infrastructure in targeted areas.	World Bank projects provided effective platform for participatory rural development and income-generating microenterprise activities.	S (5)
(iv) Better models of infrastructure finance and management, including PPP	Most recent IFC-facilitated PPP transactions not operational or canceled, except for the NAIA Expressway.	IFC helped structure earlier PPP investments and partnered with the Development Bank of the Philippines to develop relevant local expertise. Recently helped structure the first hybrid PPP transaction (Clark Airport).	MU (3)

Engagement Area	Main Results	Key World Bank Group Contributions	Rating ^a
3. Better Services for the Poor			MS (4)
(i) Poverty measurement and social protection	An effective system of poverty measurement in place; CCT transfers contributed substantially to poverty reduction.	World Bank analytical work and loans informed and supported the implementation of both Listahanan and 4Ps.	S (5)
(ii) Better service delivery in municipalities and communities	Considerable progress (albeit from a low base), but overall an area of weakness, especially related to the lack of administrative capacity at the local level and an overly centralized system of governance.	World Bank interventions through Kalahi-CIDSS national community-driven development and Philippine Rural Development Project improved services in rural areas. However, many systemic issues, including urban poverty, remain unaddressed.	MS (4)
(iii) Human capital development	Access objectives were substantially achieved. Health outcomes have been mixed. Prospects for enhancements in education quality remain unclear. Health insurance expanded to assist the poor, but large out-of-pocket expenses remain an issue.	World Bank helped improve access to education and health services for the poor. Program for quality enhancements has potential, but there is no adequate monitoring of quality in place and no public availability of information.	MS (4)
4. Resilience to Natural Disasters, Climate Change, and Conflict			MS (4)
Disaster risk management	Relevant sector strategies and policies in place. Disaster management department created. Comprehensive flood management plan developed for Metro Manila. Sewerage and solid waste	Facilitated dialogue on a new risk financing strategy and mechanism at the central government level. Successful financing instruments (two DPLs with a catastrophe deferred dropdown option, a disaster bond, the Disaster Risk Financing and Insurance program, and IFC-facilitated crop insurance) contributed to increased resilience. Facilitated private sector involvement in	MS (4)

Engagement Area	Main Results	Key World Bank Group Contributions	Rating ^a
Climate change mitigation and adaptation	<p>management fell short of expectations. Low implementation capacity at the local level poses high risks to resilience.</p> <p>Advanced policy and institutional environment for mitigation in place, but the implementation has been delayed and objectives not achieved. Greenhouse gas emissions are steeply rising. Adaptation policies continued, including significant investment in important areas (sewerage), but much more needs to be done.</p>	<p>the water and sanitation sector. Limited results on the local level.</p> <p>The Bank Group provided strategic and targeted lending and ASA, contributed to several pilots, applied new approaches, and increased awareness, but on a smaller scale than planned and not consistently across sectors.</p>	MS (4)
Peace and reconciliation in Mindanao	<p>Peace agreements with Moro Islamic Liberation Front signed, socioeconomic development programs initiated, and normalization process launched. Community participation in investment planning in conflict-affected areas improved. Bangsamoro Development Agency developed into a functional organization.</p>	<p>Better access to services and improved livelihoods for 638,000 people in the Autonomous Region of Muslim Mindanao. World Bank programs helped increase trust in communities and enabled communities and LGUs to work together. The World Bank provided capacity building to Bangsamoro Development Agency.</p>	S (5)

Engagement Area	Main Results	Key World Bank Group Contributions	Rating ^a
Overall program rating			MS (4)

Note: 4Ps = Pantawid Pamilyang Pilipino Program; ASA = Advisory Services and Analytics; CCT = conditional cash transfer; CIDSS = Comprehensive and Integrated Delivery of Social Services; DPL = development policy loan; IFC = International Finance Corporation; LGU = local government unit; NAIA = Ninoy Aquino International Airport; PPP = public-private partnership; RCBC = Rizal Commercial Banking Corporation; SME = small and medium enterprise.

a. IEG uses a six-point rating scale, with 1 being the lowest and 6 the highest: HU (1) = highly unsatisfactory; U (2) = unsatisfactory; MU (3) = moderately unsatisfactory; MS (4) = moderately satisfactory; S (5) = satisfactory; and HS (6) = highly satisfactory.

Appendix B. List of People Interviewed

Government of the Philippines

Department of Agriculture

Roy Abaya	Director
Danilo Alesna	Deputy Project Director, Mindanao Cluster
Alexander Baluyut	PPMIU Head, Provincia Project Management and Implementation Unit
Charito A. Cadorna	I REAP National Enterprise Development and Marketing Specialist, Project Support Office
Frances Margaret C. Camacho	PPMIU Head, Provincial Project Management and Implementation Unit
Milva Carinan	Planning Officer
Arnel De Mesa	Regional Director
Hansel Didulo	Assistant Secretary for Regulations
Ronel Ellorimo	Economist, Project Support Office
Adamar Estrada	Assistant Chief
Consolacion Gasacao	Finance Unit Head, Project Support Office
Angelita Martir	
Ara M. Morano	Administrative Head, Project Support Office
Imma Camille Requilme	Economist
Joseph Rico	M&E Unit Head, Project Support Office
Sulpicio Untal	Enterprise Development and Marketing Specialist, Project Support Office
Ronnie Yulo	I REAP Component Head, Project Support Office

Department of Agrarian Reform

Lucienne Fulgar	Division Chief
Imelda Lamboon	
Clemencia Padrinao	

Department of Budget and Management

Florencio Abad	Former Secretary
Marianne Fabian	Focal Point for Open Government Partnership
Lilia Guillermo	Undersecretary
Lea Nuñez	Division Chief
Laura Pascua	Undersecretary
Rolando Toledo	Assistant Secretary

Department of Education

G.H. Ambat	Assistant Secretary
Miriam Coprado	
Lorna Dig Dino	Undersecretary
Revsee A. Escobedo	Assistant Secretary
Bro. Armin Luistro	Former Secretary
Nepomuceno A. Malaluan	Undersecretary
Jesus Mateo	Undersecretary
Roger Masapol	Director
Victoria L. Medrana Catibog	Undersecretary
Milagros T. Talinio	Director

Department of Finance

Romeo Bernardo	Former Undersecretary
Karl Kendrick Chua	Undersecretary
Soledad Emilia Cruz	Assistant Secretary
Rosalia V. De Leon	National Treasurer, Bureau of Treasury
Rommel Decis	
Pamela Quizon	Director
Cesar Purisima	Former Secretary
Maria Edita Z. Tan	Assistant Secretary
Alexandria Topacio	Revenue Operations Group

Department of Health

Socorro Balbino	Bureau of International Health Cooperation
Mar Wynn Bello	Director, Bureau of International Health Cooperation
Maylene Beltran	Director, Health Policy Development and Planning Bureau
Grace Buquiran	Bureau of International Health Cooperation
Aleli Annie Grace Sudiagal	Bureau of International Health Cooperation

Department of Public Works and Highways

Lydia Aguilar	Engineer
Catalina Cabral	Undersecretary
Mar del Castillo	
Marlon V. Galerio	Project Manager
Patrick B. Gatan	Project Director
Shirley Medina	Engineer
Emil Sadain	Undersecretary
Violenda B. Sucro	Project Manager
Emmanuel Supe	Project Manager

Appendix B
List of People Interviewed

Department of Social Welfare and Development

Cicero Juan Aguilar	Former Deputy National Program Manager for Technical Services
Rhodora G. Alday	Director
Esperanza Cabral	Former Secretary
Camilo Gudmalin	Undersecretary and Deputy National Program Director for Operations of the Pantawid Pamilyang Pilipino Program
Vincent Andrew T. Leyson	Director
Noel M. Macalalad	Assistant Secretary
Lee Patarlas	Former Community and National Finance Management Specialist
Rhea B. Peñaflor	Assistant Secretary for Promotive Operations and Programs Group
Maria Benilda E. Redaja	Former Director and National Program Manager
Dinky Soliman	Former Secretary
Ernestina Z. Solloso	Officer in Charge, National Program Manager

Department of the Interior and Local Government

Anna Liza F. Bonagua	Director
Austere Panadero	Former Undersecretary

Department of Trade and Industry

Ceferino Rodolfo	Undersecretary
Rowel Barba	Undersecretary

Government Procurement Policy Board

Maria Lora Alvarez	
Elmira Cruz Caisido	Deputy Executive Director
Diane Angela Marcos	
Dennis Santiago	Former Executive Director

Laguna Lake Development Authority

Adelina Santos Borja	Department Manager
Jocelyn Siapno	

National Economic and Development Authority

Gemma Agagas	Monitoring and Evaluation
Gemma Bala	Monitoring and Evaluation
Violeta S. Corpus	Director, Monitoring and Evaluation
Rory Dacumos	Agriculture, Natural Resources and Environment
Mary Anne Darauay	Director, Social Development
Jesse David	OIC Director, Monitoring and Evaluation
Reynaldo Delos Santos	National Policy and Planning
Remedios Endencia	Director, Regional Development

Givette Kristine Esguerra Infrastructure

Bien Ganapin	OIC Director, Trade, Services and Industry
Judith Gondra	Governance
William Ku	Monitoring and Evaluation
Noel Quejada	Monitoring and Evaluation
Calixto Mangilin	Public Investment
Laurence Tibon	Public Investment
Jonathan Uy	Assistant Secretary

National Irrigation Administration

Angelina A. Abalos	
Eden Garcia	Central Office representative
Marilou S. Regonda	
Benjamin N. Rivera	Cluster head

Office of the Presidential Adviser on the Peace Process

Arvin Chua	Director, Donor Coordination and Partnership Unit
Ma. Cecilia D. Papa	OIC, Government MILF Panel Secretariat
Teresa Montemayor	

Philippine Health Insurance Corporation

Jovita Aragona	Chief Information Officer
Ruben John Basa	External Vice President and Chief Operations Officer
Roehlano Briones	
Rona Cacatian	
Shirley Domingo	Corporate Affairs Group
Bernadette Lico	Senior Manager, Corporate Planning Department
Mary Jean Lim	
Israel Francis Pargas	Acting Senior Vice President, Health Finance Policy Sector
Evangeline F. Racelis	Senior Manager, International and Local Engagement Department
Nerisa Santiago	Acting Senior Vice President, Office of the Actuary
Melanie Santillan	Acting Senior Manager, Benefits Development and Research
Narisa Portia Sugay	Acting Vice President, Quality Assurance Group
Leila Tuazon	Acting Senior Manager, Human Resource Department

Local Governments

Guiller Asido	Administrator, Intramuros
Rojilyn Q. Bagabaldo	Mayor of Paete
Aurora Ciego	City Planning and Development Coordinator, Local Government of Caloocan City

Appendix B
List of People Interviewed

Anthony Damalerio	Provincial Disaster Risk Reduction and Management Officer, Local Government of Bohol
Arnulfo Lantaya	Municipal Planning and Development Officer, Local Government of Pantukan, Compostela Valley
Elizabeth Munda	Councilor, Local Government of Tagabakid, Mati City, Davao Oriental
Raul S. Palino	Mayor of Teresa LGU
Melandres G. de Sagun	Mayor of Trece Martires

Other Agencies

Ludell Alcalá	Development Management Officer, Climate Change Commission
Joshua Bingcang	Vice President for Business Development and Operations Group, Bases Conversion and Development Authority
Jose Victor Chan-Gonzaga	Counselor, Philippine Embassy in the U.S.
Gemma Cunanan	Head, Foreign Assisted Projects Management System
Francisco Dacumos	Development Management Officer, Climate Change Commission
Windel Diangcalan	Deputy Executive Director, Bangsamoro Development Agency
Marlon F. Pielago	Municipal Environment and Natural Resources Office
Sandee Recabar	Planning Officer and Chief of Implementation Oversight, Climate Change Commission

Private Sector

Erwin Avante	Vice President, Energy Development Corporation
Robert Baffrey	General Manager, Clark Water Corporation
Arnel Boleche	Relationship Manager, Rizal Commercial Banking Corporation
Francis Nicolas Chua	FVP, Development Bank of the Philippines
John Thomas Deveras	Senior EVP, Rizal Commercial Banking Corporation
Jo Ann Eala	Senior Vice President, Bank of the Philippine Islands
Guillermo Luz	Chairman, Livable Cities Challenge
Mariz Mandocdoc	Vice President, Administration and Finance, Clark Development Corporation
Jose Parreno Jr.	President, Discovery World Corporation
Alfredo E. Pascual	CEO, Institute of Corporate Directors
Princess Patricio	Manila Water Company
Ferdinand Pecson	Executive Director, Public-Private Partnership (PPP) Center
Honorio Poblador	Managing Partner, Navegar
Luis Reyes	Senior Vice President, Banco de Oro
Raymundo Roxas	President, Rizal MicroBank
Jovito Sunga	Manager, Clark International Airport

Angela Tinio Senior Vice President, Commercial and SME Banking Segment,
Rizal Commercial Banking Corporation
Walter Wassmer Senior EVP, Head of Institutional Banking, Banco de Oro

Civil Society (Academia, Think Tanks, NGOs)

Institute of Governance, De La Salle University

Jesse Robredo

Ian Jayson Hecita

Francisco Magno Director

Jessa Pacheco

Ador Torneo

International Alert

Francisco Lara Jr. Senior Peace and Conflict Adviser, Asia

Nikki de la Rosa Country Manager, Philippines

Kaizen Multipurpose Cooperative

Eufrocina Corachea Secretary

Evelyn Dimaandal General Manager

Caroline Lescano Treasurer

Mary Rose Sancho Bookkeeper

Alona Sobejana Member, Board of Directors

Sapang Multipurpose Cooperative

Sarah Agustin Clerk

Erwin Apaga Chairman

Maylen Bautista Bookkeeper

Mariano Carbonel Member, Board of Directors

Cesario Tabago General Manager

Other

Sam Chittick Country Representative, Asia Foundation

Eddie Edullantes President, Pangsi Christian and Muslim Solidarity for Peace and
Development Organization, Pangsi Maco, Compostela Valley

Nory Lamera Auditor, Magnaga Community Builders for Peace and
Development Association, Magnaga, Pantukan, Compostela Valley

Abhoud Syed Lingga Institute of Bangsamoro Studies

Abner Manlapaz President, Life Haven, Independent Living Center for Persons with
Disabilities

Ishak Mastura Convenor, Land Study Group, Transitional Justice and
Reconciliation Commission

Appendix B
List of People Interviewed

Steven Muncy	Executive Director, Community and Family Services International
Nasser Sinarimbo	Project Coordinator, Community and Family Services International
Vicente Paqueo	Research Fellow, Philippine Institute for Development Studies
Redempto Parafina	Executive Director, Affiliated Network for Social Accountability in East Asia and Pacific
Garry John Tampuso Oriental	President, Tagabakid Muslim Christian Association, Mati, Davao
Damaso Vertido	Executive Director, Mindanao Land Foundation Inc.

Development Partners

Agence Française de Développement

Christophe Blanchot	Country Director for the Philippines
Hugo Lecue	Program Manager

Asian Development Bank

Oscar Amiel A. Badiola	Program Officer, Philippines Country Office
Joven Balbosa	Principal Country Specialist
Michael Barrow	Director-General, Private Sector
Aekapol Chongvilaivan	Country Economist
Martin Lemoine	Private Sector
Lynnette Perez	Senior Education Specialist
Sherwin Pu	Private Sector
Karin Schelzig	Senior Social Sector Specialist
Kenji Yuhaku	Senior Adviser, Private Sector

Australia Department of Foreign Affairs and Trade

Peter Carreon	Senior Program Officer, Development Section
Shannen Enriquez	Program Officer, Political Section (Peace and Stability)
Nardia Simpson	Counselor, Economic Section
Emmanuel Solis	Senior Program Officer, Political Section
Ming Toh	First Secretary, Economic Section

Embassy of Canada

Bryan Post	
Narcisa Rivera	Senior Program Officer
Stephen Weaver	Head of Cooperation

EU Delegation to the Philippines

Willy Hick	Project Manager for Cooperation
Emily Mercado	Programme Manager

International Monetary Fund

Luis Breuer Mission Chief

Japan International Cooperation Agency

Shibata Atsushi Representative, Economic Growth Group
 Mary Ann Bakisan Senior Program Office, Human Security Group
 Yo Ebisawa Senior Representative
 Erika Inoue Project Formulation Officer
 Kawabuchi Kiyu Senior Representative
 Catherine M. Palanca Senior Program Officer
 Kessy Reyes Senior Program Officer, Human Security Group
 Yoshida Wada Chief Representative

United Nations Agencies

Rosela Agcaolli Social Policy Specialist, UNICEF
 Kristin Dadey Head of Mission, International Organization for Migration
 Khalid Hassan Country Director, International Labour Organization
 Tess Felipe Education Specialist, UNICEF
 Andrew Parker Adviser, United Nations Development Programme
 Julia Rees Deputy Representative, UNICEF
 Ma. Concepcion Sardaña Senior Program Officer, International Labour Organization
 Anjanette Saguisag Chief for Social Policy, UNICEF

E. World Bank Group

World Bank

Pablo Acosta Senior Economist
 Christopher Ancheta Senior Sanitary Engineer
 Dominic Aumentado Senior Procurement Specialist
 Yolanda Azarcon Senior Operations Officer
 Kevin Chua Economist
 Lesley Cordero Senior Disaster Risk Management Specialist
 Victor Dato Senior Infrastructure Specialist
 Gabriel Demombynes Program Leader
 Abigail Dunleavy Former Consultant
 Marcelo Fabre Senior Social Development Specialist
 Birgit Hansl Country Manager
 Lewis Hawke Lead Governance Specialist
 Bert Hofman Former Country Director
 Takiko Igarashi Education Specialist
 Natalie Christine Jorge Former Consultant
 Frauke Jungbluth Lead Agriculture Economist

Appendix B
List of People Interviewed

Kai Kaiser	Senior Economist
Chiyo Kanda	Manager
Motoo Konishi	Former Country Director
Ulrich Lachler	Lead Economist (retired)
Eric Le Borgne	Lead Economist
Lilanie Maitim	Senior Operations Officer
Yasuhiko Matsuda	Program Leader
Tomo Morimoto	Senior Operations Officer
Robert Oelrichs	Senior Health Specialist
Maria Loreto Padua	Senior Social Development Specialist
Gerardo Parco	Senior Operations Officer
Agata Pawlowska	Portfolio Manager
Pia Peeters	Senior Social Development Specialist
Andrew Ragatz	Senior Education Specialist
Saeeda Sabah Rashid	Senior Public Sector Specialist
Artesa Saldivar Sali	Senior Municipal Engineer
Tom Sta. Maria	Financial Management Specialist
Matthew Stephens	Senior Social Development Specialist
Joop Stoutjesdijk	Lead Irrigation and Drainage Specialist
Lada Strelkova	Country Program Coordinator
Roy Tordecilla	Social Development Specialist
Maya Villaluz	Senior Environment Engineer
Georgia Wallen	Senior Country Officer
Mara Warwick	Country Director
Fang Xu	Senior Transport Specialist
Yan Zhang	Urban Economist
Maribelle Zonaga	Senior Operations Officer

[International Finance Corporation](#)

Farida Lasida Adji	Senior Private Sector Specialist
Lulu Baclagon	Senior Investment Officer
Val Bagatsing	Principal Investment Officer
Melba Baltasar	Operations Analyst
Thuy Thu Bui	Senior Investment Officer
Gerlin May Catangui	Senior Private Sector Specialist
Paula Felipe	Senior Operations Officer
Roberto Martin Galang	Senior Private Sector Specialist
Donna Gonzales	Senior Investment Officer
Helen Han	Senior Investment Officer
Mikio Ishiguro	Investment Officer
Conrad de Jesus	Operations Officer

Yuji Kano	Principal Investment Officer
Mei Li	Investment Officer
Natalie Macawaris	Consultant
Colin Raymond	Lead Financial Sector Specialist
Saima Rehman	Investment Officer
Gay Santos	Senior Financial Sector Specialist
Hans Shrader	Senior Private Sector Specialist
Rick van der Kamp	Senior Operations Officer
Wendy Jo Werner	Country Manager, Bangladesh
Jane Yuan Xu	Country Manager, the Philippines
Aileen Ruiz Zarate	Senior Investment Officer

Appendix C. World Bank Group Strategic Objectives and Country Program Evaluation Framework

Table C.1. Philippines Strategic Engagement, FY10–19

Strategy Document	Strategic Objective 1: Stable Macro Economy	Strategic Objective 2: Improved Investment Climate	Strategic Objective 3: Better Public Service Delivery	Strategic Objective 4: Reduced Vulnerabilities	Cross-Cutting Theme: Good Governance
FY10–12 Country Assistance Strategy	Fiscal and financial stability through consolidation and improved macroeconomic risk management	Enabling business environment to promote competitiveness, productivity and employment Financial services	Public service delivery in key sectors Basic service delivery in poor areas	Social protection system Disaster risk management and climate change Stability and peace	Governance and anticorruption in selected national government agencies Procurement and public financial management reforms at national and local levels Better local governance through more effective decentralization
FY15–18 Country Partnership Strategy	Engagement Area 1: Transparent and Accountable Governance	Engagement Area 2: Empowerment of the Poor and Vulnerable	Engagement Area 3: Rapid, Inclusive, and Sustained Economic Growth	Engagement Area 4: Climate Change, Environment, and Disaster Risk Management	Engagement Area 5: Peace, Institution Building and Economic Opportunity

World Bank Group Strategic Objectives and Country Program Evaluation Framework

Strategy Document	Strategic Objective 1: Stable Macro Economy	Strategic Objective 2: Improved Investment Climate	Strategic Objective 3: Better Public Service Delivery	Strategic Objective 4: Reduced Vulnerabilities	Cross-Cutting Theme: Good Governance
	Strengthen public finances and fiscal risk management	Improve poverty measurement and socioeconomic data systems	Strengthened economic policy	Increased resilience to natural disaster and climate change	Increase trust within communities, and between citizens and the state in conflict-affected areas
	Strengthened public sector institutions (national and subnational)	Improve health status	Improved investment climate, including access to finance, especially for micro and small enterprises	Improve natural resource management and sustainable development	Development and implementation of Peace Dividend program for Bangsamoro
	Strengthened pressure for government accountability	Improve quality of basic education and improved access for the vulnerable Strengthen social protection system	Increase economic growth, productivity, and employment in agricultural and rural areas		
FY15–19 Country Partnership Strategy (as updated by the FY17 Performance and Learning Review)	Engagement Area 1: Transparent and Accountable Governance	Engagement Area 2: Empowerment of the Poor and Vulnerable	Engagement Area 3: Rapid, Inclusive, and Sustained Economic Growth	Engagement Area 4: Climate Change, Environment, and Disaster Risk Management	Engagement Area 5: Peace, Institution Building and Economic Opportunity
	Increased public revenue mobilization	Increased coverage and use of health services	Improved transport connectivity	Increased resilience to natural disasters and climate change	Increased access to basic services in

Appendix C
World Bank Group Strategic Objectives and Country Program Evaluation Framework

Strategy Document	Strategic Objective 1: Stable Macro Economy	Strategic Objective 2: Improved Investment Climate	Strategic Objective 3: Better Public Service Delivery	Strategic Objective 4: Reduced Vulnerabilities	Cross-Cutting Theme: Good Governance
					conflict-affected areas
	Improved quality and transparency of public financial reporting	Improve quality of basic education	Streamlined business registration and trade logistics	Reduction in pollution	Improved community participation in investment planning in conflict-affected areas
		Increased social protection coverage	Increased access to financial services	Increased access to clean energy	
		Improved access to basic services and local planning	Improved agriculture productivity and incomes		

Table C.2. Engagement Areas for the FY10–18 Country Program Evaluation

Macroeconomic Stability and Good Governance	Private Sector-Led Growth	Better Services for the Poor	Improving Resilience
<p>Public financial management and fiscal stabilization:</p> <ul style="list-style-type: none"> Fiscal and financial stability and improved macroeconomic risk management Increased public revenue mobilization Improved fiscal transparency and accountability Improved quality and transparency of public financial reporting <p>Improved expenditure efficiency and targeting Institutional capacity building</p> <ul style="list-style-type: none"> Strengthened public sector institutions (including at the local level) Strengthened demand-side pressure for accountability Procurement reform Decentralization 	<p>Investment climate and regulations</p> <ul style="list-style-type: none"> Improved investment climate Streamlined business registration and trade logistics <p>Private sector development</p> <ul style="list-style-type: none"> Increased access to financial services Improved agricultural competitiveness and productivity Higher incomes and employment in rural areas Improved access to transport connectivity (private sector development perspective) Better models of infrastructure finance and management, including public-private partnerships 	<p>Increased social protection coverage</p> <ul style="list-style-type: none"> Better poverty measurement Improved social safety nets Effective conditional cash transfer programs <p>Improved delivery of services</p> <ul style="list-style-type: none"> Increased coverage and use of health services Improve quality of basic education Effective community-driven development programs 	<p>Disaster Risk Management</p> <ul style="list-style-type: none"> Increase physical and financial resilience to natural disasters Infrastructure investment Improved access to transport connectivity (disaster risk management perspective) Improved water and sanitation systems <p>Climate change and environment</p> <ul style="list-style-type: none"> Improve natural resource management Improved pollution reduction Increased access to clean energy <p>Fragility, conflict, and violence</p> <ul style="list-style-type: none"> Increased access to basic services in conflict-affected areas (Mindanao) Improved community participation in investment planning in conflict-affected areas Increase trust within communities, and between citizens and the state in conflict-affected areas

Appendix D. Partnerships

Partnerships were a key component of the World Bank Group's program in the Philippines. The Bank Group engaged with national, local, and international stakeholders on program development, funding, implementation, and delivery to strengthen partnership with the government of the Philippines and increase cooperation with the donor community and development partners.

Partnerships with Bilateral and Multilateral Agencies

The partnership with bilateral and multilateral development partners and donors was demonstrated through project and program planning, implementation, and cofinancing.

The Asian Development Bank (ADB), one of the World Bank's key partners in the Philippines, provided parallel funding to both Pantawid and Kalahi-CIDSS (Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services) programs. This cooperation played an important advocacy role when the new administration started having reservations about the program and was about to close it. The fact that both the Bank Group and the ADB had ongoing programs of support for the Pantawid was crucial in persuading the government not to defund the program. The Bank Group and ADB also worked together on the 2016 Philippines Development Forum to discuss new policy directions of the government at early stage.

The European Union is a key partner in funding and delivering on programs in several areas, including fragility, conflict, and violence and energy. The World Bank works closely with European partners under Access to Sustainable Energy, a €60 million program for which €29 million is administered by the World Bank (€11 million is World Bank executed). The program distributes 40,500 solar systems and installs 11MW of photovoltaic panels, mainly in Mindanao.

Another important World Bank partner in project implementation was the United Nations through its various agencies. One of the most visible partnerships was with the United Nations Development Programme, with which the World Bank created and jointly administered the Facility for Advisory Support for Transition Capacities. The facility was a major source of technical and financial assistance to the Moro Islamic Liberation Front, the government, and the Bangsamoro Development Agency for on-demand training, policy advice, research, and access to a pool of experts to help address key issues for transition to the Bangsamoro Autonomous Region of Muslim Mindanao (BARMM). However, the United Nations Development Programme and World Bank are currently again at odds regarding management of the upcoming Bangsamoro Normalization Trust Fund. Other United Nations agencies that joined the World Bank's work in the Philippines included the International Labour Organization (recipient from the Mindanao Trust Fund), United Nations Children's Fund, and the World Health Organization (upgrading procurement in the health sector-vaccine procurement).

The Japan International Cooperation Agency (JICA) has a traditionally large and important presence in the Philippines and has been an important partner. The Bank Group engaged with JICA on private

investment and job creation in the agriculture sector in Mindanao and the Autonomous Region of Muslim Mindanao (ARMM). One attempt was through HARVEST, a \$320 million project to which the World Bank was to commit \$130 million. The project's aim was to support large private corporate investments, encourage micro, small, and medium enterprises, and help producers operate at scale through cooperative alliances. The target was to provide \$265 million in loans, generate investments of \$332 million, and create 45,000 jobs. Although the project was dropped, the World Bank's cooperation with JICA was fruitful, because in 2017 JICA launched a \$45 million agribusiness lending facility with the Land Bank, using elements of the HARVEST model.

The World Bank worked with a few other development partners. It coordinated closely with the International Monetary Fund on macroeconomic policy recommendations and technical assistance, especially on tax policy, and worked jointly with the ADB and JICA on harmonizing national procurement rules. The Bank Group strengthened cooperation with development partners, having similar concerns on operational matters or business processes. To this end, the World Bank, ADB and JICA conducted joint portfolio reviews with the government to address project implementation issues that impacted the respective agencies' portfolios. Development partners also set up the Philippine Learning Center on Environmental and Social Sustainability to promote environmental and social safeguards and standards.

As co-chair of the Philippines Development Forum (alongside the government), the Bank Group facilitated dialogue among government stakeholders and development partners on the country's policy reform agenda and its impact on development assistance. The World Bank was the convener of a few working groups under the Philippines Development Forum, including one on growth and investment climate and one on Mindanao. However, in recent years, according to some views within the government, the working groups' meetings were less productive.

Trust funds played an important role in the delivery of the World Bank program in the Philippines. Development partners financially supported the World Bank in several areas, including fragility, conflict, and violence, macrofiscal policy, governance, disaster risk management, and social protection. Two trust funds crucial for the World Bank's engagements in the Philippines were the Mindanao Trust Fund, focusing on peace building and development, and the Australia Trust Fund, covering a wide range of topics from public finance to disaster risk management.

Partnerships with Civil Society and Other Local Partners

The Bank Group maintained strong dialogue with civil society organizations (CSOs) that provided valuable perspective on country development issues and on the Bank Group's partnership with the government. For example, the World Bank engaged with CSOs while preparing the 2009 Country Assistance Strategy and the 2014 Country Partnership Strategy. The engagement worked in different ways— from consultations for flagship reports (such as the Mindanao Jobs Report) to increased outreach to youth leaders and online influencers. The World Bank partnered with the Knowledge for Development Community, which comprises higher learning, institutions, foundations, and policy and

Appendix D Partnerships

research entities, to promote constructive dialogue with different entities, including local government, business groups, and media. The Knowledge for Development Community's university partners, such as Central Philippine University in Iloilo and Notre Dame University in Cotabato City, coorganized focus group consultations for the 2017 Performance and Learning Review.

CSOs were important partners for the World Bank for activities related to fragility, conflict, and violence and governance. The World Bank helped International Alert to establish the Bangsamoro Conflict Monitoring System, a subnational violence tracking database used by stakeholders engaged in the Mindanao peace process. At the same time, the World Bank built strong partnerships with the local CSO community under the Open Government Partnership and other demand-side governance programs.

The International Finance Corporation (IFC) established successful partnerships with local private sector entities to provide holistic solutions to smallholder farmers to foster sustainable businesses. One example is the long-term partnership with the Center for Agriculture and Rural Development, Rizal Microbank, and Bayer to provide inputs (such as planting seeds), crop protection, and insurance tailored to the specific needs of local smallholder farms. IFC helped build the capacity of financial institutions, while Bayer trained farmers using IFC-customized modules on farmer engagement skills and financial literacy.

The World Bank could further strengthen partnerships based on the already solid foundation. This would be particularly relevant for cooperation with the local research and academic community through potential integration of local think tanks and universities into the delivery of the Advisory Services and Analytics, going beyond outsourcing of training courses. For instance, the World Bank worked successfully with the Asian Institute of Management on the development of a procurement training course but could also have used grant funding for analytical and advisory work to enhance local research capabilities. A more holistic intervention is needed at the Bank Group level to promote private sector-led agribusiness development for smallholders. This should be done through integrated partnerships (for example, rural financial products, inputs, extension services, training or coaching) with the private sector, and this should lead to market development and yield incremental results. The World Bank should expand the climate change lending programs based on Advisory Services and Analytics work in areas where it has a comparative advantage and should work closely with the development partners, moving from shared information to harmonization of strategies and activities to advance the climate change agenda, especially by building capacity at the local level.

Appendix E. Gender Coverage

Gender Equality in the Philippines

The Philippines fares well globally on gender equality and has recorded gains in the political participation of women; however, challenges remain in attaining key Millennium Development Goals affecting women and their participation in the labor market. The Philippines is generally perceived as a relatively successful model of gender equality and strong on gender equity in education. The 2018 World Economic Forum *Global Gender Gap Report* ranked the Philippines 8th out of 149 countries and tied for first on educational attainment. The country ranks well on economic opportunity (14th) and political empowerment (13th) but lower on health (42nd), as maternal mortality remains relatively high (WEF 2018). School enrollment for girls and other education indicators surpass those of boys, and efforts have shifted to getting more boys to complete secondary, higher, and tertiary education. Even though political parties tend to be male dominated, there has been a marked increase in the number of women elected to the House of Representatives and in the number of female mayors. However, few are present in the top tier of the government: only 3 of the 20 cabinet secretaries of the current administration are women. Employment and unemployment rates for men and women are roughly the same, but only about half of women participate in the labor force, compared with almost 80 percent of men. Further, women dominate in traditional, socially ascribed careers—household work, education, and health care.

Gender in World Bank Group Programs

In partnership with the Philippine Commission on Women and the National Economic Development Authority, a country gender assessment was completed in 2013 as input to the 2014 Country Partnership Strategy. The strategy committed ensuring that gender considerations were mainstreamed into operations, consistent with both its own and the government's policies. Since 2009, the World Bank has conducted an annual assessment of the Philippines portfolio to assess progress in gender mainstreaming and identify gaps. The major strengths of projects in gender and development mainstreaming include equal representation of women and men in the design and implementation of key activities, availability of sex-disaggregated data, and presence of gender focal points on project teams.

The Pantawid conditional cash transfer program pays cash grants for education and health to women. Secondary and tertiary education have a higher share of girls than boys and at some point, consideration may have to be given to incentives to get more boys to complete schooling and move on to college. Both the Pantawid and Kalahi-CIDSS (Kapit-Bisig Laban sa Kahirapan-Comprehensive and Integrated Delivery of Social Services) programs have focused on empowering women by getting them to organize family development sessions and serving as contact points and community leaders in the barangays. Women were also empowered by other World Bank programs. For example, half the beneficiaries of the Mindanao Rural Development Project supporting income-generating micro-enterprise activities in agriculture were

women. Under the project's Community Fund for Agriculture Development 4,000 livelihood and micro-enterprise subprojects were developed, involving 180,000 beneficiaries; 46 percent of these were women.

In the Autonomous Region of Muslim Mindanao (ARMM) region, 51 percent of the 638,000 beneficiaries of the community-driven development (CDD) subprojects under the Mindanao Trust Fund are women and 41 percent of the members of the People's Organizations -the entities implementing CDD interventions— were female. The participatory approach of the Mindanao Trust Fund fostering social unity and building trust between stakeholders has enabled women, who are often marginalized from decision-making processes, to get involved in the CDD subprojects. Testimonies from the evaluation mission indicate that People's Organizations with women members in conflict areas in ARMM have been quite effective in implementing the CDD subprojects. Women are one of the most vulnerable groups during conflict, they tend to be more passionate in pushing the peace and development agenda forward in their communities, and they better appreciate the difference the peace dividends could bring. At the same time, some Mindanao Trust Fund donors highlighted that they wished that the World Bank had made more efforts at gender analysis to take a deliberate path in addressing gender issues in the interventions.

Gender aspects are also important in disaster risk management, because natural disasters disproportionately tend to negatively affect women and children. Similarly, shelters and relocation create issues for women because their security and needs are often not met in these temporary accommodations. The Advisory Services and Analytics on in-city versus off-city resettlement were likely favorable to women and children. Also, poor women living in informal settlements close to sewers depend on water supply, sanitation, and waste collection for their daily chores and well-being. The provision of water supply and sewerage services in Metro Manila and interventions around Laguna Bay to reduce pollution and improve environmental quality had a positive impact on women's lives. Other World Bank interventions, such as the Participatory Irrigation Development project, helped increase women's presence in Irrigation Associations from zero to 20 percent and trained indigenous women in basket making, as an alternative livelihood.

In 2014, the International Finance Corporation supported the development of Rizal Commercial Banking Corporation's (RCBC) Small and Medium Enterprises Lending Program for Women in the Philippines. It included development of a customer value proposition for women. This allowed RCBC to institutionalize the brand, making it available to cash management, investments, and other services. Seminars, trade fairs, and forums with professional women groups were rolled out, providing avenues for clients and nonclients to expand their networks and broaden their business know-how. The eWMN program was awarded the International Finance Corporation's CEO Gender Award for promoting gender smart solutions in banking. RCBC was named the Philippines' Small and Medium Enterprise Bank of the Year in 2015 by Asian Banking and Finance for its upgraded RCBC Gender program that comes with added features, including the creation of dedicated women champions, business education and training seminars, networking forums, and tie-ups with professional women's groups, among others, as it shifted from the traditional "transactional banking" to "relationship banking." The program has disbursed more than 2,000 loans to small and medium enterprises amounting to

\$120 million from 2014 to 2016 with nonperforming loans share below 1 percent as of December 2016.

Reference

WEF (World Economic Forum). 2018. *Global Gender Gap Report*. Geneva: WEF.
http://www3.weforum.org/docs/WEF_GGGR_2018.pdf.

Appendix F. Mindanao Conflict Background

Detailed Timeline of Conflict in Muslim Mindanao

1970—Moro National Liberation Front (MNLF) is founded.

1972—President Ferdinand Marcos declares Martial Law.

1976—Signing of the Tripoli Agreement, providing a framework for autonomy.

1984—Moro Islamic Liberation Front (MILF), a breakaway group of the MNLF is established.

1990—Autonomous Region of Muslim Mindanao is established, based on an agreement with MNLF.

2000—All-out war between the Philippine armed forces and MILF under President Joseph Estrada.

2003—President Gloria Macapagal-Arroyo brokers peace talks with MILF.

2008—Conflict intensifies as peace talks are declared unconstitutional by the Supreme Court.

2011—President Aquino resumes Peace Negotiations with the MILF in Narita, Japan.

2012—Negotiations for Bangsamoro Framework conclude.

2014—Signing of the Comprehensive Agreement on the Bangsamoro leads to the Bangsamoro Basic Law (BBL) submission to Congress.

2015—Mamasapano Incident (ambush and killing of 44 national police, 18 MILF members, and 4 citizens). Passage of the BBL is stalled.

2016—Newly elected President Rodrigo Duterte pushes to pass the BBL.

2017—Congress begins reading of the BBL in the Parliament.

2018—President Duterte signs the Bangsamoro Organic Law (formerly BBL)

2019—Plebiscites in Southern Mindanao ratify the Bangsamoro Organic Law and the establishment of the Bangsamoro Autonomous Region of Muslim Mindanao to replace Autonomous Region of Muslim Mindanao.

Mindanao Conflict History

Mindanao is one of the three major islands of the Philippines located in the southern part of the country, the other two being Luzon and Visayas. Mindanao has 26 provinces, and five of its provinces are mired in violent conflict, namely Maguindanao (including Cotabato City), Lanao del Sur, Basilan (including Isabela City), Sulu, and Tawi-Tawi—all of which make up the Autonomous Region of Muslim Mindanao (ARMM).

Conflict in Mindanao is multilayered, characterized by separatism, communist insurgency, banditry, and *rido* or clan wars. In addition to independent bandits present in Mindanao, the separatist groups and communist insurgents are also both linked to acts of terrorism and banditry.

Three centuries before the Philippine government was established in 1898, a governance structure was already in place in Mindanao in the form of a sultanate system. Mindanao's population comprises the Bangsamoro population or the Moros, the majority of which are Muslims. In the 1800s, the Spanish colonizers were not able to penetrate Mindanao due to fierce resistance from the Moros. During the American occupation in the early 1900s, however, the U.S. government encouraged

Filipino Christians to migrate to Mindanao and establish businesses. Land grabbing became prevalent wherein many of the Moros, unaware of the new government policies, lost their lands to the elite Christian-Filipino settlers (Vellema, Boras, and Lara 2011).

The Moro National Liberation Front (MNLF) and the Moro Islamic Liberation Front (MILF) are the two leading separatist movements in the Philippines. The MNLF started the armed struggle for independence from the Philippine government in 1972. In 1996, the MNLF and the government signed a peace agreement, which granted autonomy to provinces in Southern Mindanao with a Muslim majority population. Basilan, Lanao del Sur, Maguindanao, Tawi-Tawi, and Sulu form the ARMM, which has a population of roughly 3.8 million (as of 2015); 89 percent of which are Muslims.

MNLF demobilized as a result of the establishment of ARMM; however, a group of MNLF members who did not agree with autonomy demanded a complete independence and mobilized a splinter group called the MILF. The MILF continued the armed struggle for independence until they reached a negotiated solution that led to a bilateral ceasefire in 1997 and the start of formal peace negotiations in 1999.

The peace negotiations between the government and the MILF lasted from 1997 to 2014. Alongside the peace negotiations, sporadic clashes between government forces and the rebel groups continued (Herbolzheimer 2015). In 2014, the Aquino administration and the MILF signed a peace agreement leading to the preparation of the Bangsamoro Basic Law (BBL), which establishes a political identity for the Bangsamoro people. Legislation of the BBL was stalled, however, for some reasons, such as the alleged killing of 44 policemen by the MILF in early 2015 (which created distrust among legislators and prompted them to halt the signing of the BBL); and the Congress' stance about the unconstitutionality of the BBL. Although the peace process was ongoing, the MNLF (the rival of MILF) and the newly formed Bangsamoro Islamic Freedom Fighters waged violent attacks to civilians and soldiers to express their opposition to the peace process and/or grievance of being excluded from the BBL discussions. The MNLF leader Nur Misuari became a fugitive after leading a violent attack in Zamboanga City but was later given an amnesty by President Duterte. The MNLF leader met with the President in November 2016, and this marked the willingness of the rival separatist groups (MNLF and MILF) to work together to achieve peace in Mindanao.

On 26 July 2018, President Duterte finally signed the BBL, calling it the Bangsamoro Organic Law (BOL). The BOL provides for self-determination by the Bangsamoro people within the framework of the Philippine Constitution and norms and standards of the international law. The ARMM is now called the BARMM (Bangsamoro Autonomous Region in Muslim Mindanao), which is empowered to enact its own laws. The BARMM will automatically receive an annual block grant (5 percent of the net tax revenue of the Philippine government); 75 percent share from the government's revenue taxes, charges, fees, and taxes imposed on natural resources; and ₱5 billion annually for 10 years, which will be used to rehabilitate the conflict-affected areas.¹

Appendix F Mindanao Conflict Background

Similar to the former ARMM, the BARMM also covers the provinces of Basilan, Lanao del Sur, Maguindanao, Sulu, and Tawi-Tawi. A plebiscite on the ratification of the BOL was held in early 2019. The plebiscite also determines whether the 39 barangays in North Cotabato, 6 municipalities in Lanao del Norte, and the cities of Cotabato City in Maguindanao and Isabelia in Basilan will be included in the Bangsamoro territory. As of the writing of this report, official results of the plebiscite have not yet been released by the Philippine Commission on Election.

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- Herbolzheimer, K. 2015. "The Peace Process in Mindanao, the Philippines: Evolution and Lessons Learned." Report, December. Oslo: Norwegian Peacebuilding Resource Center.

¹ Philippines. (2018, July 23). Republic Act No. 11054

Appendix G. Country Program Evaluation Methodology

The analytical approach used by the Independent Evaluation Group (IEG) is guided by the 2005 Country Assistance Evaluation Retrospective undertaken by the Operations Evaluation Department of the World Bank.

Country Program Evaluation Methodology

Country Program Evaluation rates outcomes of World Bank Group assistance programs, rather than the country's overall development progress. In Country Program Evaluation, IEG rates only the outcome of the Bank Group's program, not the country's overall development outcome, although the latter is clearly relevant for judging the program's outcome. Assessments of assistance program outcomes and Bank Group performance are not the same. The assistance program's outcome is determined by the impact of four agents: (i) the country; (ii) the Bank Group; (iii) partners and other stakeholders; and (iv) exogenous forces. IEG measures Bank Group performance primarily on the basis of contributory actions the Bank Group directly controlled. Judgments regarding Bank Group performance typically consider the relevance and implementation of the strategy, the design and supervision of the Bank Group's lending and financial support interventions, the scope, quality and follow-up of diagnostic work and other AAA, the consistency of the Bank Group's lending and financial support with its nonlending work and with its safeguard policies, and the Bank Group's partnership activities.

Evaluating and Rating World Bank Group Program Outcomes

In rating the outcome of an assistance program, IEG gauges the extent to which major strategic objectives were relevant and achieved. In other words, did the Bank Group do the right thing, and did it do it right? Programs typically express goals in terms of higher-order objectives, such as poverty reduction. The Country Assistance Strategy may also establish intermediate goals, such as improved targeting of social services or promotion of integrated rural development and specify how they are expected to contribute toward achieving the higher-order objective. IEG's task is then to validate whether the intermediate objectives were the right ones and whether they produced satisfactory net benefits, as well as whether the results chain specified in the strategy was valid. Where causal links were not fully specified in the Country Assistance Strategy, the evaluator reconstructs the causal chain from the available evidence and assesses relevance, efficacy, and outcome with reference to the intermediate and higher-order objectives.

For each of the main objectives, the Country Program Evaluation evaluates the relevance of the objective and the Bank Group's strategy toward meeting the objective, including the balance between lending and nonlending instruments; the efficacy with which the strategy was implemented; and the results achieved. This is done in two steps. The first is a top-down review of whether the Bank Group's program achieved a particular Bank Group objective or planned outcome and had a

Appendix G
Country Program Evaluation Methodology

substantive impact on the country's development. The second step is a bottom-up review of the Bank Group's products and services (lending, AAA, and aid coordination) used to achieve the objective. Together these two steps test the consistency of findings from the products and services and the development impact dimensions. Subsequently, IEG makes an assessment of the relative contribution to the results achieved by the Bank Group, other development partners, the government and exogenous factors.

Evaluators also assess the degree of country ownership of international development priorities, such as the Millennium Development Goals, and Bank Group corporate advocacy priorities, such as safeguards.

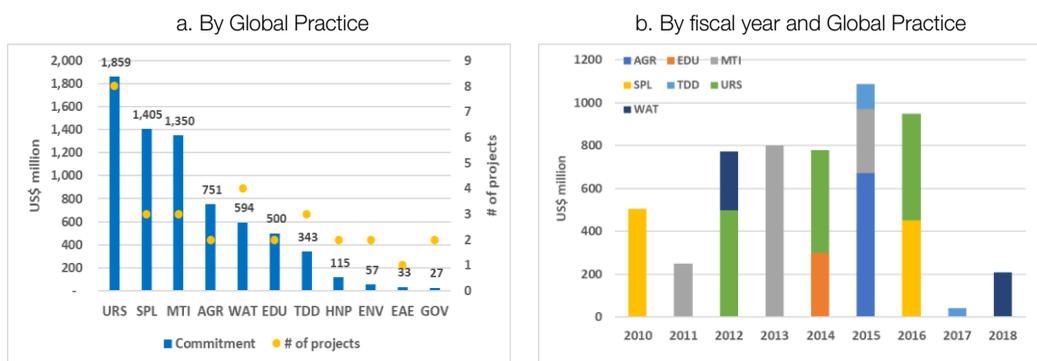
Appendix H. Portfolio Review

This review provides a statistical snapshot of the volume and structure of the World Bank Group lending and knowledge programs in the Philippines; describes the outcomes of the portfolio review by engagement areas (pillars); and presents a semistructured evaluation of the knowledge (Advisory Services and Analytics [ASA]) program. Portfolio review by engagement areas covers the period of FY10–18 and includes projects that were either approved in FY10–18 or closed in FY11–18. It is made up of International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC) financing, World Bank ASA, IFC lending and Advisory Services, and World Bank–managed trust funds (TFs). Actual lending disbursement (as opposed to commitment) is used for closed projects, and committed amounts are used for projects approved during the reviewed period review.

Portfolio Statistics

The overall portfolio comprises 32 IBRD loans (nine of which received additional financing during the review period)¹ with total commitment or lending of \$7,034 million; 99 TF-financed (World Bank–managed) projects totaling \$347 million; 201 World Bank ASA with total cost of \$72.7 million; 31 IFC investments with total net commitment of \$1,212 million; and 34 IFC AS.

Figure H.1. World Bank Lending Portfolio Approved in FY10–18, by Global Practice and Fiscal Year

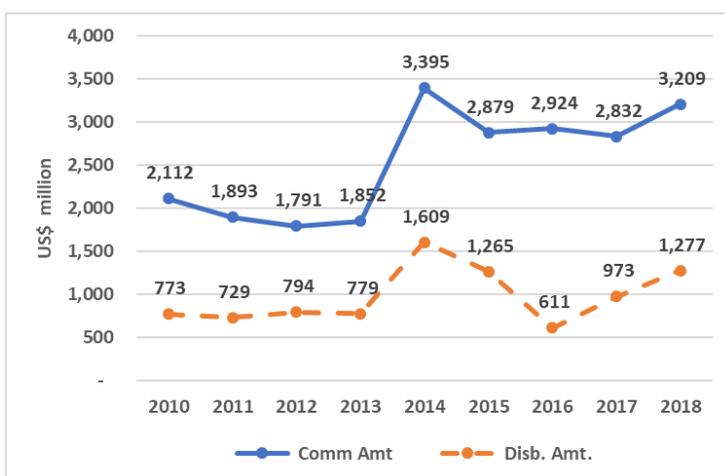


World Bank lending. During the period reviewed, the World Bank portfolio included 32 lending projects—26 IPF and six development policy loans (DPLs)—for a total commitment of \$7,034 million (additional financing or subsidiary financing projects are not counted as separate projects, financing added to the parent project). The largest share of lending was under the Social, Urban, Rural, and Resilience (SURR) Global Practice (26 percent) followed by Social Protection and Labor (SPL; 20 percent) and Macroeconomics, Trade and Investment (MTI; 19 percent; figure H.1, panel a) The portfolio included 14 projects approved during the period reviewed with a commitment of

\$5,392 million and 18 projects approved before the reviewed period and closed during it with a commitment of \$1,642 million. The approvals were mostly in SURR (27 percent), MTI (25 percent), and SPL (18 percent), the lending volume of approvals was highest in FY12–17, and steeply dropped in FY17–18 (figure H.1, panel b).

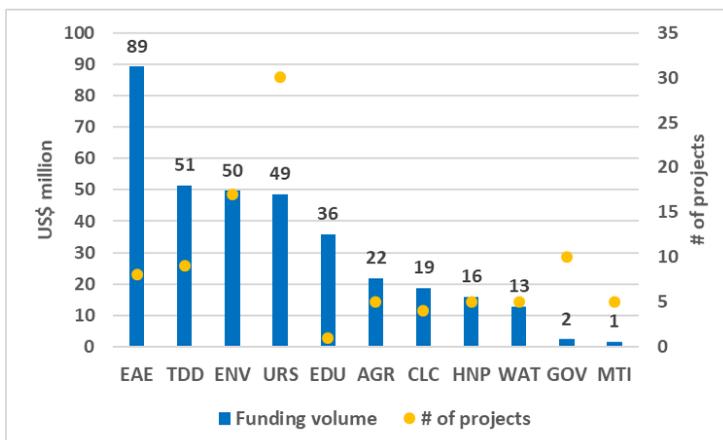
The FY10–13 Country Assistance Strategy envisaged a \$4,350 million lending program of which \$1,950 million was approved. The FY15–18 Country Partnership Strategy (extended to FY19) planned lending of \$3,420 million of which \$2,380 million was approved. In FY14, three unplanned projects amounting to \$1,270 million were approved (after typhoon Haiyan). Commitment and disbursement amounts are reflected in figure H.2. There is a sizable gap between commitments and disbursements, with an increase in this gap in FY16 reflecting the change in government.

Figure H.2. World Bank Lending Commitment and Disbursement, FY10–18



TF financing. During the period reviewed, the Philippines portfolio included 99 TF-financed projects totaling \$347 million; the Energy and Extractives Global Practice accounted for the highest amount (\$89.2 million, 8 projects), followed by Transport (\$51.3, 9 projects), Environment (\$49.6 million, 17 projects), and SURR (\$48.6 million, 30 projects; figure H.3).

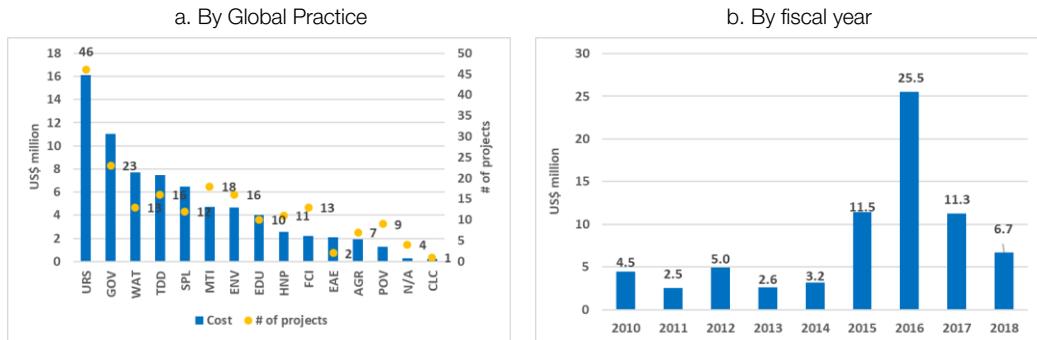
Figure H.3. Trust Fund Financing by Practice, FY10-18



Note: AGR = Agriculture; CLC = Climate Change; EAE = Energy and Extractives; EDU = Education; ENV = Environment and Natural Resources; GOV = Governance; HNP = Health, Nutrition, and Population; MTI = Macroeconomics, Trade, and Investment; TDD = Transport and Digital Development; URS = Social, Urban, Rural, and Resilience; WAT = Water.

The total ASA portfolio during the period reviewed comprised 210 projects, of which 201 projects were delivered with total cost of \$72.7 million. The greatest number of ASA was delivered by SURR Global Practice (46 projects, cost \$16 million), followed by Governance (23 projects, \$11 million), Water (13 projects, cost \$8 million), and TDD (16 projects, cost \$7 million). ASA cost increased to \$11.5 million in 2015 from \$3.2 million the previous year and further to \$25.5 million in 2016 from an average of \$3.6 million per annum in FY10-14 (figure H.4).

Figure H.4. World Bank Advisory Services and Analytics, FY10–18, by Global Practice and Fiscal Year

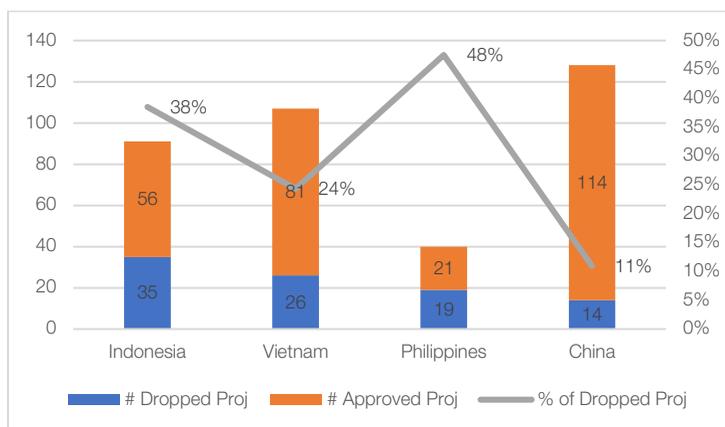


Note: AGR = Agriculture; CLC = Climate Change; EAE = Energy and Extractives; EDU = Education; ENV = Environment and Natural Resources; FCI = Finance, Competitiveness, and Innovation; GOV = Governance; HNP = Health, Nutrition, and Population; MTI = Macroeconomics, Trade, and Investment; N/A = not applicable; POV = Poverty; SPL = Social Protection and Labor; TDD = Transport and Digital Development; URS = Social, Urban, Rural, and Resilience; WAT = Water.

Portfolio performance. The Independent Evaluation Group (IEG) evaluated 29 IBRD loans closed during the review period with total commitment of \$2,880 million: 58.6 percent of the projects are rated MS+ (89.7 percent weighted by value). Philippines’ portfolio performance is comparable to that of China and is above East Asia and Pacific and World Bank averages. Risk to development outcome (RDO) for the Philippines is marginally above the average for the region but below the global average. Similarly, 64.6 percent of resources were invested in projects with moderate or lower RDO. SURR performed better than other practices (41 percent rated MS+) second only to SPL (37 percent) weighted by commitment size (35 percent).

The share of projects at risk during FY10–18 was 19.1 percent, slightly higher than Vietnam (15.9 percent) and China (15.7 percent) but comparable to the regional average (18.9 percent) and better than the World Bank–wide average (23.3 percent). Weighted by commitment amount, the Philippines presented a lower risk (10.5 percent) compared with Vietnam (12.6 percent) and China (14.8 percent), the region (15 percent) and World Bank–wide (20.2 percent). The Philippines had much higher share of dropped projects (48 percent), compared with regional comparators (figure H.5).

Figure H.5. World Bank Lending: Approved and Dropped Projects, FY10–18



Note: Includes additional financing or subsidiary financing projects.

IFC and the Multilateral Investment Guarantee Agency. During FY10–18, IFC had 31 investment projects representing a total net commitment of \$1,212 million. IFC provided 34 Advisory Services amounting to \$61 million, largely for cross-cutting advisory solutions (41 percent) followed by Financial Institutions Group (25 percent), Environment, Social and Governance (11 percent) and Public-Private Partnerships Transaction Advisory (7 percent). IEG completed 10 XPSR and 11 PCRs during the review period. There was no Multilateral Investment Guarantee Agency exposure during the period reviewed.

Country Portfolio by Engagement Area

This section presents the main characteristics of the Philippines' FY10–18 portfolio by pillar/subpillar of the Philippines Country Program Evaluation. The subpillars are further called engagement areas (table H.1). The analysis provides information regarding the scope, structure, and timeline of the Bank Group country engagement. Each project is assigned one or more engagement areas based on the project objectives, components, and subcomponents as described in the project documents.

Projects (Bank and IFC financing and knowledge products) included in this review were either approved in the period FY10–18 or closed in the period FY11–18. The main characteristics of the methodology are as follows:

- The same project can belong to (and subsequently be counted in) more than one engagement area: the unit of analysis is effectively project activities. Therefore, summing up the number of projects in all engagement areas returns the result that is above the portfolio total.
- The above rule is not applied to the calculations of the commitment/actual lending, which is done without double counting, by splitting the total cost among all relevant engagement areas. The weight of each engagement area in such calculations is determined on the basis

Appendix H
Portfolio Review

of the project objectives and the substance of the project's developmental work at the subcomponent level. Splitting the cost on the basis of the subcomponent cost is avoided to prevent assigning heavier weight to components involving creation of physical assets (in particular, road construction or building transmission lines and power generation assets).

- Additional financing projects are not counted as separate projects; and are included in the parent project's commitment/actual lending.
- Actual project cost (from ICRRs/ICRs) is used for evaluated/closed World Bank projects.

Table H.1. Country Program Evaluation Pillars and Subpillars (Engagement Areas) Used in the Portfolio Analysis

Pillar			Engagement Area		
No.	Full Name	Short Name	No.	Full Name	Short Name
World Bank					
I	Macroeconomic Stability and Good Governance	Macro/Fiscal/Governance	1	Macroeconomic Stability and Good Governance	Macro/Fiscal/Governance
II	Private Sector–Led Economic Growth	Private Sector	2	Private Sector–Led Economic Growth	Private Sector
III	Better Services for the Poor	Better Services for the Poor	3	Social Protection and Poverty	Social Protection
			4	Rural Development/CDD	Rural/CDD
			5	Health	Health
			6	Education	Education
IV	Resilience to Natural Disasters, Climate Change, and Violent Conflicts	Resilience	7	Mitigation	Mitigation
			8	Adaptation and Environmental Protection	Adaptation and Environment
			9	Disaster Risk Management and Related Infrastructure	Disaster Risk Management
			10	FCV/Mindanao	FCV/Mindanao
IFC					
I	Private Sector–Led Economic Growth	Private Sector	1	Energy and Extractives	Energy
			2	Banking/Finance	Banking
			3	Private Enterprise Support	Private Enterprise
			4	Water and Sanitation Utilities	Water and San. Util.
II	Resilience to Natural Disasters, Climate Change, and Violent Conflicts	Resilience	5	Mitigation	Mitigation
			6	Adaptation and Environmental Protection	Adaptation and Environment
			8	FCV/Mindanao	FCV/Mindanao

Note: CDD = community-driven development; FCV = fragility, conflict, and violence.

World Bank lending. The largest area of the World Bank investment in the Philippines, with one-quarter of total lending, is Social Protection, followed by three areas where lending is slightly below one-fifth of the total in each: Disaster Risk Management, Rural/CDD, and Macro/Fiscal/Governance. DPLs (six loans) account for 40 percent of the World Bank lending, in the following areas of engagement: Disaster Risk Management (36 percent), Macro/Fiscal/Governance (32 percent), and Social Protection (22 percent). DPLs exhibit higher than average performance: the average rating for

DPLs is 5.3 as compared with the portfolio average of 4.0 and Investment project average of 3.8 (table H.2 and figure H.6).

Table H.2. Structure of the World Bank Portfolio by Engagement Area

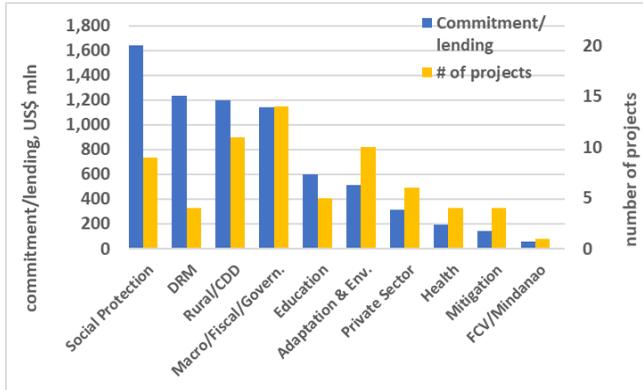
Engagement Area	Projects (no.)	Commitment or Actual Lending (\$, millions)	Projects (no.)		Commitment or Actual Lending (\$, millions)		Share of MS+ IEG Rating (percent)
			DPL	IPF	DPL	IPF	
Macro/Fiscal/Governance	14	1,143	3	11	887	256	56
Private Sector	6	315	3	3	169	146	100
Social Protection	9	1,639	4	5	608	1,031	100
Rural/CDD	11	1,199	0	11	0	1,199	88
Health	4	194	0	4	0	194	33
Education	5	599	3	2	136	464	100
Mitigation	4	141	0	4	0	141	50
Adaptation and Environment	10	510	0	10	0	510	67
Disaster Risk Management	4	1,232	2	2	998	234	100
FCV/Mindanao	1	61	0	1	0	61	100
Total in the portfolio	32	7,034	6	26	2,798	4,236	70

Note: CDD = community-driven development; DPL = development policy loan; FCV = fragility, conflict, and violence; IEG = Independent Evaluation Group; IPF = investment project financing; MS+ = moderately satisfactory.

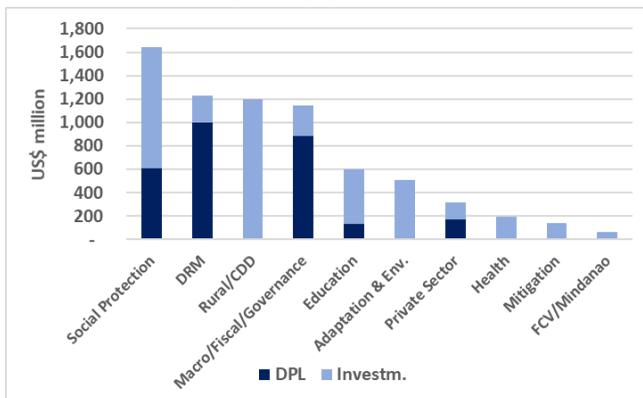
The commitment/lending grew (with some annual adjustments) from FY03 to FY15. After that, there is a steep fall in the volume of lending, dropping 13-fold between FY15 and FY17 and only marginally recovering in 2018. The top years in terms of total commitment/lending are FY12–15. The increase started in 2009 and ended in 2016, thus almost coinciding with President Aquino administration term in office. Large commitments in Macro/Fiscal/Governance are observed in FY11, FY13, and FY15. Rural/CDD experiences hikes in financing in FY14 and FY15, while Social Protection investment peaks in FY09, FY10, and FY16. Disaster Risk Management received significant support in FY12 and FY16 (figure H.6, panel c).

Figure H.6. IBRD Projects by Engagement Area, Lending Instrument, and Approval Year

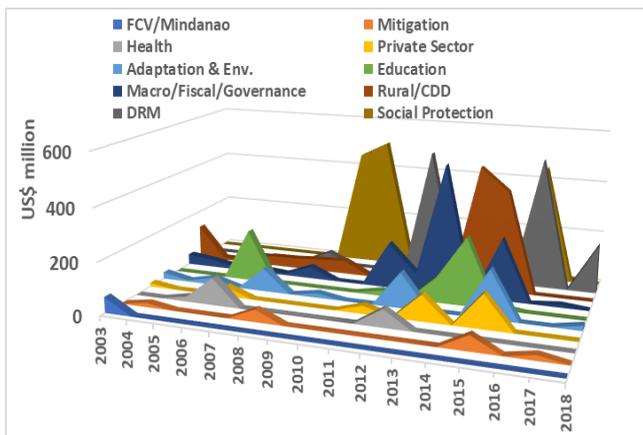
a. Commitment or lending and project number by engagement area



b. Commitment or lending by engagement area and instrument type



c. Commitment or lending by engagement area and approval year



Note: CDD = community-driven development; DPL = development policy loan; DRM = disaster risk management; FCV = fragility, conflict, and violence; IBRD = International Bank for Reconstruction and Development.

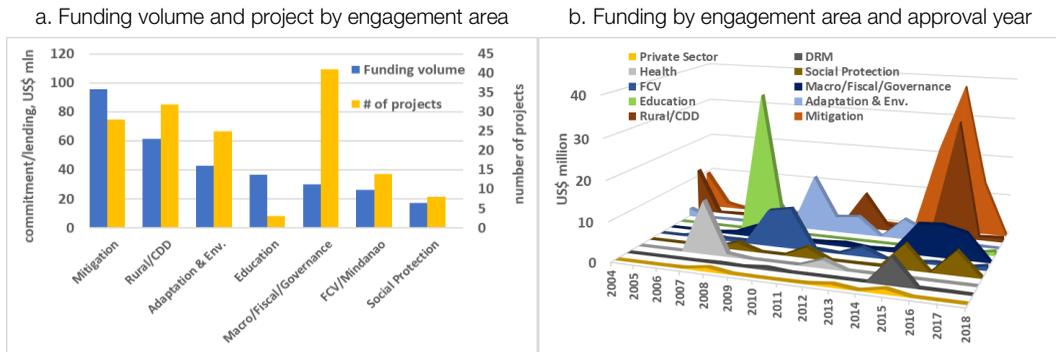
World Bank–managed trust funds. Trust funds supported Mitigation engagement area (28 percent of the total TF funding), followed by Rural/CDD with 18 percent of the total, and then by Adaptation and Environment with 12 percent of the total. The total TF funding in FY10–18 amounts to \$347 million. The pillar where the TFs participate the most—\$172 million—is Resilience, largely addressing Mitigation issues (56 percent), followed by Adaptation and Environment (25 percent), FCV/Mindanao (15 percent), and Disaster Risk Management (4 percent). The second largest pillar in terms of the TF financing volume is Better Services for the Poor, with the total of \$132 million, and almost half the total funding there goes to Rural/CDD activities. The Macro/Fiscal/Governance pillar receives a much smaller amount of \$30 million, and Private Sector – \$13.4 million (table H.3 and figure H.7, panel a). The TF financing volume grew in FY08 and in FY15–16, peaking in FY16. Unlike lending, political cycle did not affect TF financing (figure H.7, panel b).

Table H.3. World Bank–Managed Trust Funds by Engagement Area

Engagement Area	Projects (no.)	Volume (\$, millions)	MS+ IEG Rating (percent)
Macro/Fiscal/Governance	41	30.1	73
Private Sector	8	13.4	100
Rural/CDD	32	61.4	81
Social Protection	8	17.0	25
Health	5	16.2	25
Education	3	36.8	0
Mitigation	28	95.5	57
Adaptation and Environment	25	42.8	64
Disaster Risk Management	9	7.5	83
FCV/Mindanao	14	26.3	80
Total in the portfolio	99	347	65

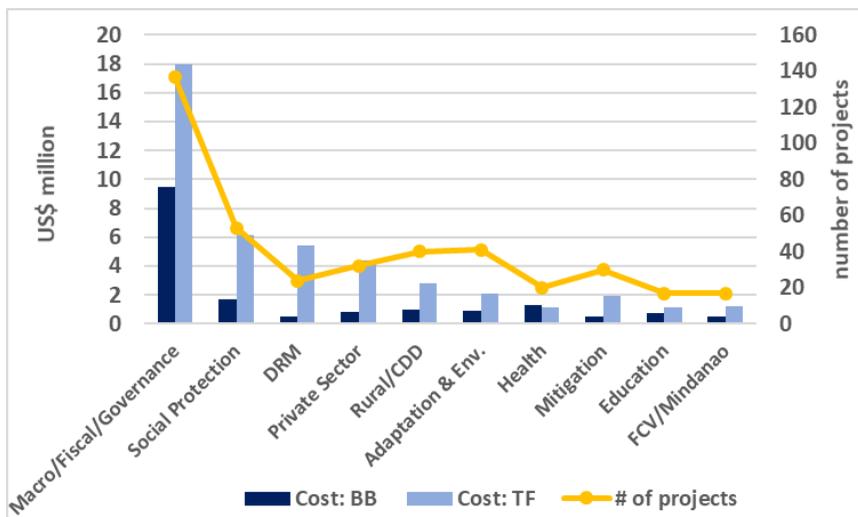
Note: CDD = community-driven development; FCV = fragility, conflict, and violence; IEG = Independent Evaluation Group; MS+ = moderately satisfactory or above.

Figure H.7. Philippines Trust Fund Funding by Engagement Area and Approval Year



World Bank ASA. ASA support was mostly provided to the engagement area of Macro/Fiscal/Governance followed by Social Protection and Disaster Risk Management. Total ASA cost in FY10–18 was \$72.7 million, of which \$48.2 million (66 percent) was financed by TFs and \$24.5 million (34 percent) from the World Bank budget. The pillar with the top cost (\$30 million) and the highest number of ASA (131) is Macro/Fiscal/Governance, where TFs cover 60 percent of the cost. The second largest pillar by cost is Better Services for the Poor: the total is \$19 million (59 percent financed by TFs), covering 119 projects. Resilience pillar was supported by 107 ASA with the cost of \$18 million, 79 percent funded by the TFs; and the smallest pillar is Private Sector, with 31 ASA and \$6 million financing, 79 percent of which came from the TFs (figure H.8 and table H.4).

Figure H.8. Advisory Services and Analytics by Main Engagement Areas



Note: CDD = community-driven development; DRM = disaster risk management; Env. = environment; FCV = fragility, conflict, and violence.

Table H.4. World Bank Advisory Services and Analytics by Engagement Area

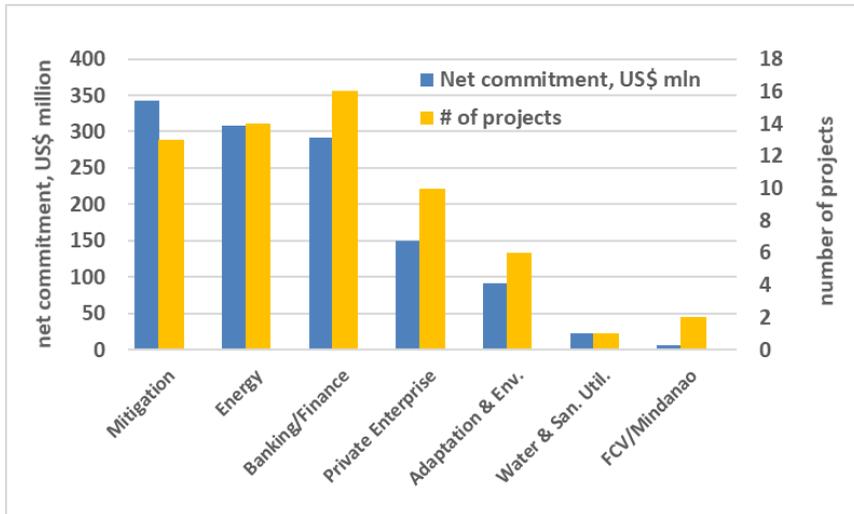
Engagement Area	Projects (no.)	Cost (\$, millions)	Projects (no.)		Cost (\$, millions)	
			EW	TA	EW	TA
Macro/Fiscal/Governance	131	29.9	51	80	8.3	21.6
Private Sector	31	5.7	8	23	0.6	5.1
Rural/CDD	37	4.4	15	22	1.6	2.8
Social Protection	49	9.4	23	26	2.6	6.8
Health	18	2.6	8	10	0.3	2.3
Education	15	2.7	11	4	1.9	0.8
Mitigation	29	2.6	11	18	0.5	2.1
Adaptation and Environment	39	5.4	16	23	2.8	2.6
Disaster Risk Management	23	6.1	11	12	0.5	5.6
FCV/Mindanao	16	4.0	7	9	2.5	1.5
Total in the portfolio	201	72.7	76	125	21.5	51.2

Note: CDD = community-driven development; EW = economic work; FCV = fragility, conflict, and violence TA = technical assistance.

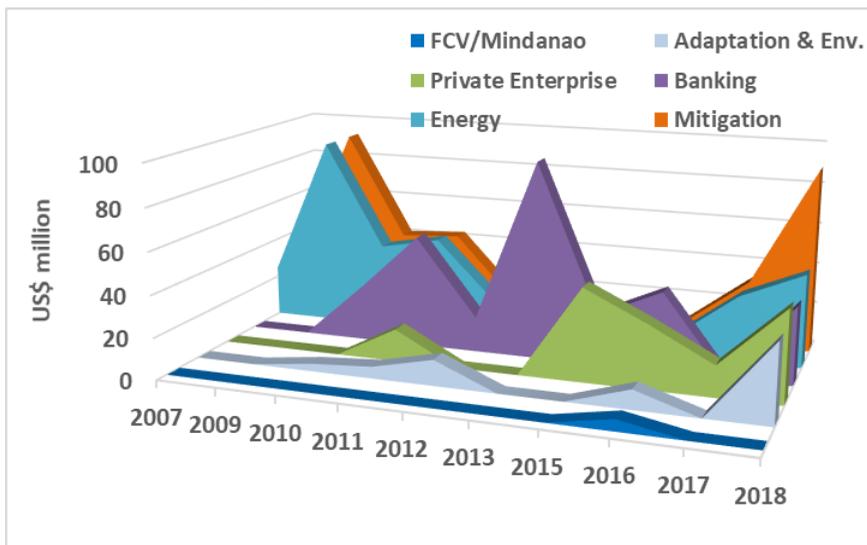
IFC investment. IFC's total net commitment in FY10–18 was \$1,212 million. The largest areas of support were Mitigation with \$343 (28 percent of the total), followed by Energy (\$308 million or 25 percent) and Banking/Finance (\$292 million or 24 percent). All closed projects have received an MS rating or above. Ratings by engagement area range from the highest in Energy (5.3) to the lowest in Banking/Finance (4.2; figure H.9, panel a, and table H.5). The net commitment peaked in FY09, FY11, and FY18 and was significantly lower in the rest of the reviewed period. The top years in terms of total net commitment are FY18 and FY09, explained by larger projects. Engagement in terms of number of projects is maintained throughout the period, with the exception of FY08 and FY14 when no projects were approved (figure H.9, panel b).

Figure H.9. IFC Lending by Engagement Area and Approval Year

a. Net commitment and project number by engagement area



b. Net commitment by engagement area and approval year



Note: CDD = community-driven development; DRM = disaster risk management; Env. = environment; FCV = fragility, conflict, and violence.

Table H.5. International Finance Corporation Lending by Engagement Area

Engagement Areas	Projects* (no.)	Net Commitment (\$, millions)	Share of MS+ IEG Rating (percent)	Average IEG Rating
Private Enterprise	10	150	100	4.3
Banking/Finance	16	292	100	4.2
Energy	14	308	100	5.3
Water and Sanitation Utilities	1	22	100	n.a.
Mitigation	13	343	100	5.0
Adaptation and Environment	6	91	100	4.5
FCV/Mindanao	2	6	100	n.a.
Total in the portfolio	31	1,212	100	4.6

IFC AS. The largest area of IFC’s Advisory Services support in terms of net commitment is Banking/Finance, followed by Private Enterprise and Mitigation. The Advisory Services projects have received mixed ratings, and only 55 percent of the evaluated ones have MS rating or above. The ratings range from the highest in Mitigation (4.2) to the lowest in Private Enterprise and Banking/Finance (both equal to 3.5; figure H.10 and table H.7).

Figure H.10. International Finance Corporation Advisory Services by Engagement Area

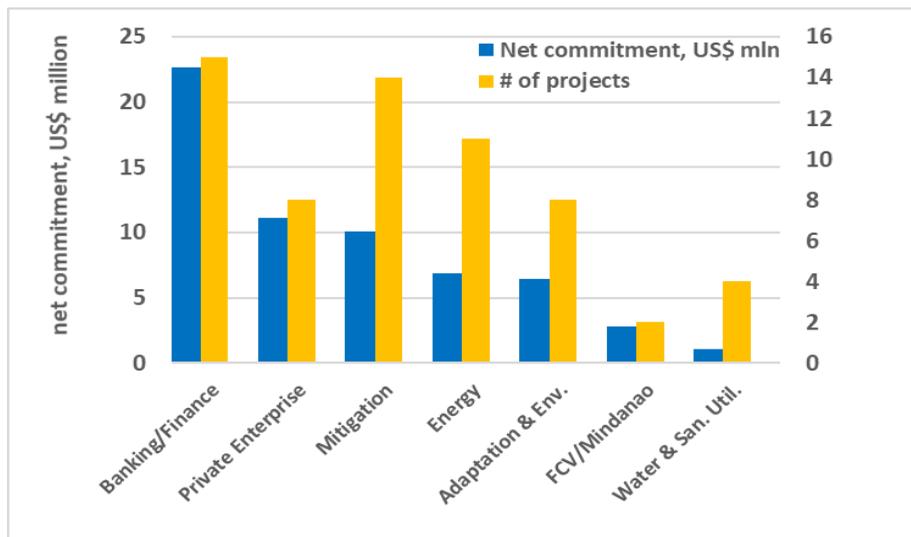


Table H.7. International Finance Corporation Advisory Services by Engagement Area

Engagement Area	Projects (no.)	Net Commitment (\$, millions)	MS+ IEG Rating (percent)	Average IEG Rating
Private Enterprise	8	11.1	50	3.5
Banking/Finance	15	22.7	50	3.5
Energy	11	6.9	50	4.0
Water and Sanitation Utilities	4	1.1	n.a.	n.a.
Mitigation	14	10.1	60	4.2
Adaptation and Environment	8	6.5	n.a.	n.a.
FCV/Mindanao	2	2.8	100	4.0
Total in the portfolio	34	61	55	3.7

Note: IEG = Independent Evaluation Group; MS+ = moderately satisfactory or above; n.a. – not available.

ASA Assessment

The ASA assessment is based on a semistructured review of selected ASA projects (25 projects, over 10 percent of the total) conducted by IEG Philippines Country Program Evaluation team. The outcomes of the review are aggregated at the pillar/area of engagement level (see table H.2) and presented by evaluation dimensions (relevance, technical quality, results, and sustainability). Percentages in this note show the average score of each pillar by evaluation dimension. The scores are calculated based on 24 quantitative indicators (structured “yes-no” questions answered during the review; table H.8). The number of such indicators ranges from three to nine by dimension. The review also included three general structured questions, several open-ended questions, and comments to the structured questions.

Table H.8. ASA Assessment by Pillar and Evaluative Question
(percentage of positive answers)

Evaluative Question	Macro/ Fiscal/ Governance	Private Sector ^a	Better Services for the Poor	Resilience	Total
A. General					
Was the activity part of a programmatic ASA/TA series?	29	29	67	22	30
Was the activity prepared in support of lending operations?	29	25	67	44	33
B. Relevance					
B.1. Were the issues addressed by the ASA/TA identified as a	86	50	100	100	70

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Evaluative Question	Macro/ Fiscal/ Governance	Private Sector^a	Better Services for the Poor	Resilience	Total
development constraint or opportunity in the Country Partnership Strategy or other work?					
B.2. Was the ASA/TA product designed as complementary to other activities (lending or nonlending) in the Country Partnership Strategy?	86	42	100	44	55
B3. Were the outputs of the activity used to					
B3a. inform policy dialogue	100	17	100	11	52
B3b. raise stakeholder awareness	100	50	100	78	70
B3c. contribute to the design of lending products	67	17	56	0	29
B3d. contribute to the design of country partnership	57	0	67	22	22
B4. The activity was conducted					
B4a. jointly with government counterparts	43	96	33	67	80
B4b. essentially by the World Bank	57	13	100	33	30
B4c. jointly with other development partners	43	8	67	44	27
C. Technical quality					
C.1. Did the activity convey best practice?	86	65	100	100	79
C.2. Did the activity generate new evidence or data that inform analysis and decision making?	100	13	100	71	49
C.3. Did the ASA/TA provide actionable recommendations consistent with the findings and the conclusions?	100	71	100	100	84
C.4. Was the activity team staffed with appropriate experts from inside and outside the World Bank?	71	67	100	100	78

Evaluative Question	Macro/ Fiscal/ Governance	Private Sector^a	Better Services for the Poor	Resilience	Total
C.5. Did the activity identify and make use of local expertise? (local organizations, south to south learning) in the planning/design, results analysis, report writing, dissemination.	43	56	100	100	67
D. Results					
D.1. Were the activity's outputs delivered timely to inform important decisions?	100	63	67	89	77
D2. Were the outputs of the activity used to					
D2a. inform policy	100	8	67	89	45
D2b. design/reform government programs	86	17	67	100	50
D2c. build recipient capacity	0	71	33	89	65
D2d. support the design of World Bank operations/strategy	29	4	100	89	34
D.3. Did the activity include clearly measurable result indicators?	29	100	0	44	72
D.4. Was the product of the activity discussed with the key counterparts in the government of the Philippines and presented / disclosed externally?	100	42	33	100	65
E. Sustainability					
E.1. Are the outcomes of the activity likely to be lasting?	71	54	67	78	65
E.2. Did the outcomes of the activity contribute to strengthening/developing institutions?	57	60	33	78	64
E.3. Did the activity contribute to strengthening analytical and policy formulation capacity of the recipients?	0	17	33	89	35

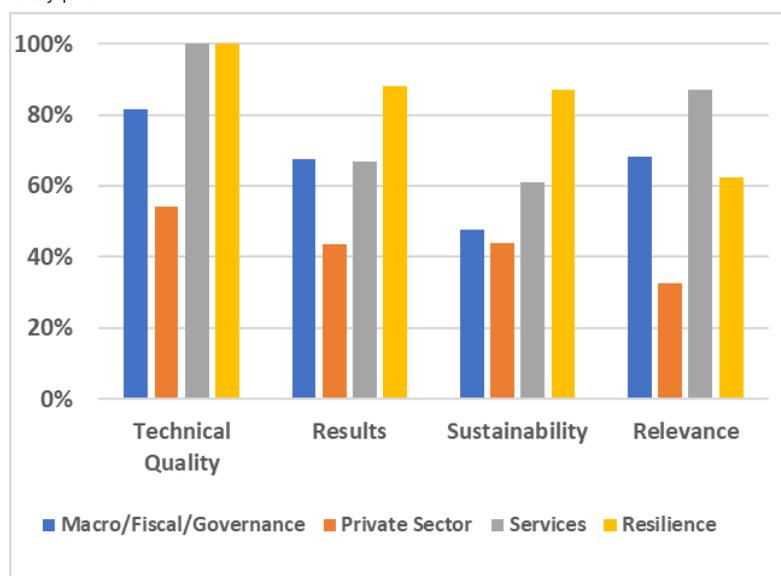
Note: ASA = Advisory Services and Analytics; TA = technical assistance.
a. Mainly International Finance Corporation Advisory Services.

Appendix H Portfolio Review

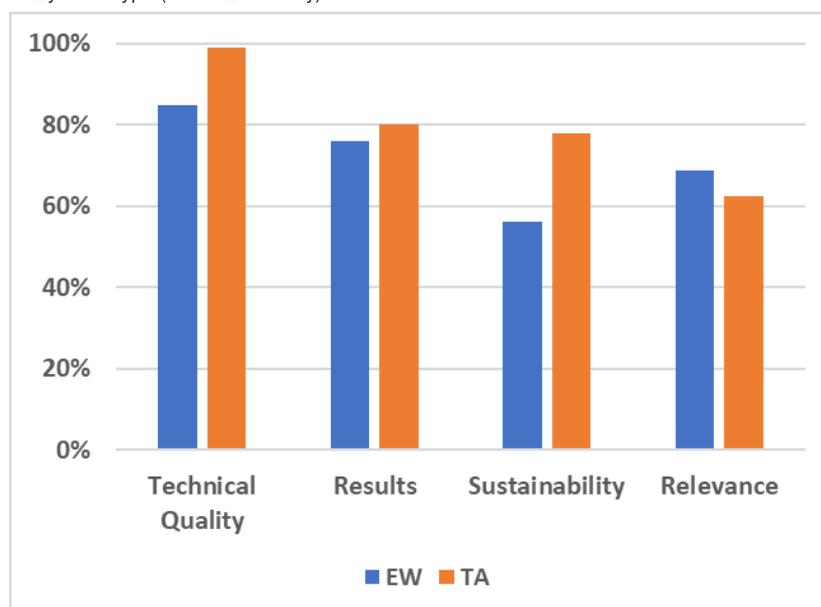
Almost all the ASA reviewed (93 percent) have high technical quality, three-quarters are characterized by high level of results, two-thirds are considered sustainable and relevant (figure H.11 and table H.9). While technical quality earned top rating across pillars, the rest differs by pillar. In particular, relevance is highest (87 percent) in Better Services for the Poor, and ranges between 32 percent and 68 percent in other pillars. Sustainability is high in Resilience (87 percent) but lower in Macro/Fiscal/Governance and Better Services for the Poor (48 and 61 percent, respectively). The same is observed on results: higher scores in Resilience (88 percent), and lower in Macro/Fiscal/Governance and Better Services for the Poor (both at 67 percent).

Figure H.11. Average Share of Positive Answers by Evaluation Dimension

a. By pillar



b. By ASA Type (World Bank only)



Note: ASA = Advisory Services and Analytics; EW = economic work; TA = technical assistance.

**Table H.9. Answers by Pillar and Evaluation Dimensions
(percentage positive answers)**

Question	Pillar				Total
	Macro/Fiscal/ Governance	Private Sector	Better Services for the Poor	Resilience	
Technical quality	81	54	100	100	71
Results	67	43	67	88	58
Sustainability	48	44	61	87	55
Relevance	68	32	87	62	48

Relevance. The overall relevance score is a combination of low and high scores for nine indicators. In almost all cases, the ASA address development constraints identified in the Country Partnership Strategy, inform policy dialogue, and raise stakeholder awareness. Only one-third of reviewed ASA contributed to the design of the lending products, and 22 percent added value to the design of the Country Partnership (within the World Bank, 75 percent of the economic work and 11 percent of technical assistance). The overall relevance score is negatively affected by low incidence of joint economic work production with the government and other development partners and by rare cases when IFC ASAs are done jointly with other development partners or contribute to the design of country partnership. The qualitative assessment demonstrates that the ASA program was designed strategically, with mutual complementarity of products—forming platforms for diagnostic and policy advice, and that it provided useful evidence-based analysis, and brought stakeholders together. However, some highly technical ASA were considered hard to apply at the current reform stage and considering existing capacity.

Technical quality. Technical quality earned top ratings across pillars. This includes very high scores for conveying best practice, generating new evidence to inform analysis and decision making, and providing actionable recommendations. World Bank ASA used best practice tools and advanced methodologies and involved local counterparts.

Results and sustainability. On results and sustainability, the ASA were assessed to be lasting and informative for policy design, but less so for impact on government capacity and the quality of institutions (except in Resilience). The assessment demonstrated that the ASA influenced government decisions and delivered clear advice and recommendations, although in some cases were unable to generate high interest from the government. Some ASA led to a high level of government ownership through capacity building tasks (in particular, in the areas of climate change and power sector reform), thus increasing sustainability of the outcomes. Technical assistance contributed to sustainability of developmental efforts by bringing together and helping achieve consensus among stakeholders (for example in Disaster Risk Management). In other cases, efforts to convene various stakeholders did not succeed due to the specifics of the sectors (transport), or lack of a champion, or when highly technical/sophisticated advice/strategy did not provide sufficient entry points for long-term

engagement or was discounted considering the immediate priorities. ASA production involved collaboration with the client, but there were also cases of missed opportunities in utilizing local expertise.

Other observations. The average length of the ASA implementation or preparation was 1,159 days. Within the World Bank only, the length was 798 days—almost twice as high for technical assistance projects as for EWs (838 days and 497 days, respectively). By pillar, the preparation length was 417 days in Macro/Fiscal/Governance; 1,445 in Private Sector; 1,460 in Better Services for the Poor; and 874 days in Resilience. One-third of the ASA were programmatic, which is a high number explained by the strategic approach to ASA in the Philippines. Most of the World Bank ASA (63 percent) are funded by both World Bank budget and TF.

Main Conclusions

World Bank lending and TF project financing. World Bank lending by project number is three times smaller than the TF, but the volume of financing is more than 20 times higher. The growing TF volume can compensate for (recently observed) drop in the World Bank lending only within engagement areas where it provides comparable funding – mostly FCV/Mindanao and Mitigation. With only one World Bank lending project (\$61 million) on FCV/Mindanao, 12 TF projects with a comparable total funding of \$22.6 million could be critical to increase the impact. Similarly, in the Mitigation area, with only four Bank projects and comparable financing from the World Bank and the TFs (\$141 million and \$82.3 million respectively), TF involvement makes a big difference. On the other hand, when six World Bank loans with Private Sector actions and volume of financing of \$315 million are supported by seven TFs totaling \$11.5 million in funding, TF's transaction costs might be too high considering the impact. The situation is similar in Macro/Fiscal/Governance (table H.10).

Table H.10. Comparison of IBRD Lending and TF Portfolios by Engagement Area

Engagement Area	Projects (no.)			Commitment or Lending (\$, millions)		
	IBRD	TFs: project financing	Ratio: TF/IBRD	IBRD	TFs: project financing	Ratio: IBRD/TF
Macro/Fiscal/Governance	14	35	2.5	1,143	26.0	44.1
Private Sector	6	7	1.1	315	11.5	27.3
Social Protection	9	28	3.1	1,639	52.9	31.0
Rural/CDD	11	7	0.6	1,199	14.7	81.8
Health	4	4	1.1	194	14.0	13.9
Education	5	3	0.5	599	31.7	18.9
Mitigation	4	24	6.0	141	82.3	1.7
Adaptation and Environment	10	22	2.2	510	36.8	13.9
Disaster Risk Management	4	8	1.9	1,232	6.5	189.9
FCV/Mindanao	1	12	12.1	61	22.6	2.7
Total in the portfolio	32	85	2.7	7,034	299	23.5

Note: CDD = community-driven development; FCV = fragility, conflict, and violence; IBRD = International Bank for Reconstruction and Development; TF = trust fund.

World Bank portfolio focus. World Bank lending was geared toward particular engagement areas (Social Protection, Disaster Risk Management, Rural/CDD, and Macro/Fiscal/Governance) where the volume of lending was highest and project performance has been more successful (table H.11). It would be important to maintain lending in those areas, while using TFs to fill the gaps in others. Within both Social Protection and Rural/CDD, the World Bank has had a stable engagement over the years, with project approvals and significant volume of lending throughout the reviewed period. The Disaster Risk Management engagement has also been stable since 2012. At the other end of the scale of the volume of World Bank lending are areas such as FCV/Mindanao, Mitigation, and Adaptation and Environment, which benefited from significant TF funding, which is likely to continue to be available.

Table H.11. Average Independent Evaluation Group Ratings by Engagement Area

Engagement Area	Average Independent Evaluation Group Rating
Social Protection	5.7
Private Sector	5.0
Education	4.5
Disaster Risk Management	4.5
Rural/CDD	4.3
Macro/Fiscal/Governance	4.1
FCV/Mindanao	4.0
Adaptation and Environment	3.7
Mitigation	3.5
Health	3.0

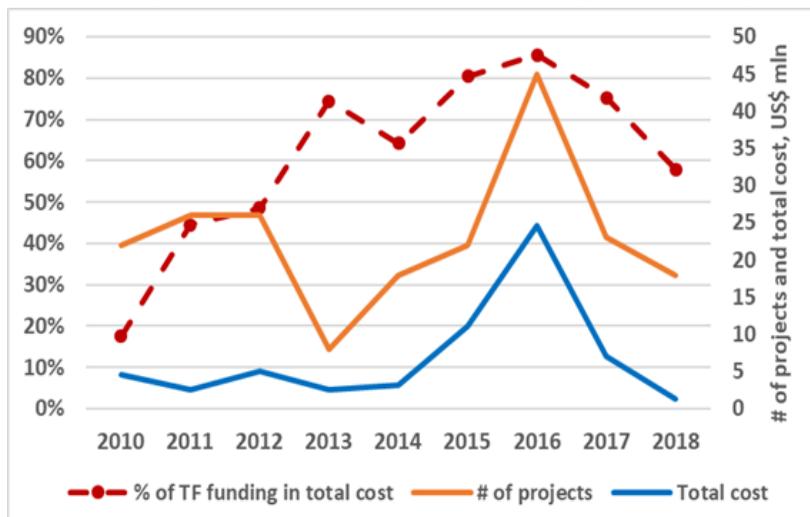
Note: CDD = community-driven development; FCV = fragility, conflict, and violence.

World Bank ASA program. The expansion of the ASA support to the Philippines from FY13 to FY16 was fueled by the availability of TF financing, especially in Mitigation, Rural/CDD, and Adaptation and Environment. The ASA program adequately supported operations both in terms of the number of products by engagement area and coverage of topics within engagement areas. The share of TF funding in total cost has been increasing through the review period until FY16. All engagement areas received significant ASA support: there is at least three times more ASA than lending projects by engagement area. The engagement areas with the top ASA to loan ratio (from 10 to 17) are FCV/Mindanao and Macro/Fiscal/Governance. However, when TFs are considered, the difference among areas of engagement in this respect drops (figure H.12, panel b).

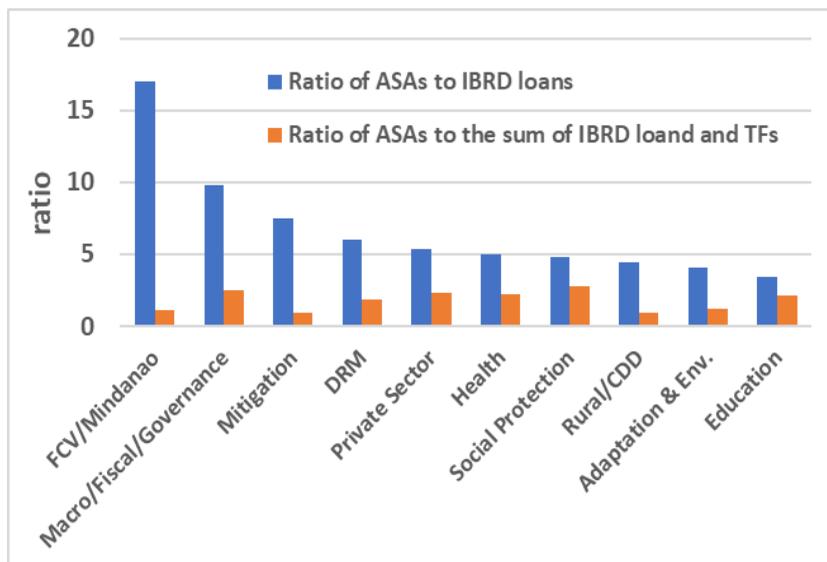
ASA assessment. Assessment of selected ASA demonstrated that the knowledge products had high technical quality, were often based on best Global Practice, generated new evidence relevant for decision making, and typically had impact on stakeholder awareness. They addressed pivotal country program issues and included discussions with counterparts. However, some knowledge products were often produced essentially by the World Bank, and their impact on government capacity, institution strengthening, and the ability of the government to formulate policies was limited. In some cases, the highly technical knowledge products were hard to apply to the ongoing policy processes and the sophisticated advice/strategy did not provide sufficient entry points for long-term engagement or was discounted considering the current priorities.

Figure H.12. Comparison of ASA and IBRD lending/TF financing

a. Trend in ASA production its cost, and the share of TF funding over the review period



b. Ratio of ASA to loans and to the sum of loans and TFs (by project number)



Note: ASA = Advisory Services and Analytics; CDD = community-driven development; DRM = disaster risk management; FCV = fragility, conflict, and violence; TF = trust fund.

World Bank and IFC programs. Although the structure of the two programs by main engagement areas differs and therefore their direct comparison is not possible, one pillar —Resilience—is identical in both programs (has the same list of engagement areas). Within that pillar, the volume of IFC investment in Mitigation is 2.4 times above that of the World Bank (\$343 million and \$141 million, respectively). At the same time, the World Bank invests 5.6 times more in Adaptation and Environment than IFC (\$510 million and \$91 million, respectively). The knowledge programs of the World Bank and

IFC have almost identical costs of slightly above 61 million. The IFC's projects are significantly larger on average, and the ratio of the knowledge support cost to the lending volume is much higher. Even when compared with the World Bank's technical assistance support only (which would be a more correct comparison considering that the nature of the Advisory Services work), the conclusions stay the same. This outcome is even more impressive considering that IFC Advisory Services are paid for by the clients while World Bank ASA are supported financially by the World Bank budget and TFs.

¹ If these nine additional financing projects and the two projects approved during the review period and then canceled were counted here, the total number of International Bank for Reconstruction and Development loans would be 43.



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