ADB

Board of Directors

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R7-16
Corrigendum 1
4 February 2016

Corrigendum to Document R7-16
Proposed Loan for Additional Financing and Technical Assistance Grant
Social Protection Support Project (Philippines)

The following corrections have been made in the above document in response to the Board's request for more detailed information and to address a typographical error.

(i)	Page 1, footnote 2	Add "**Program details including conditions are in The Design, Expansion and Impact of Pantawid, available from the list of linked documents in Appendix 2.**"
(ii)	Page 3, para. 10	Replace with "**The impact and outcome of the overall project remain the same, but with minor changes in wording and adjustment of some performance targets to reflect the CCT program's expanded scope and coverage.[14] The additional financing will sustain the current project's gains and support a share of the education and health grants to all Pantawid families nationwide.**"
(iii)	Page 3, footnote 14	Add "**Based on the assessment of progress toward the current project's outcome targets (see Table 1 in the Summary of**

		Project Performance, available from the list of linked documents in Appendix 2), the original baselines have been retained."
(iv)	Page 4, footnote 15, first line	Replace "poverty line for a family of five" with "**per capita poverty line**"
(v)	Page 11, Appendix 1, Revised Design and Monitoring Framework, Performance Indicators with Targets and Baselines column, Overall project by 2019 item	Replace with "**Unchanged, except b. At least 90% each of boys and girls age 3–18 in Pantawid families attend school (2013 baselines: 63% age 3–5, 97% age 6–14, and 60% age 15–18)**"
(vi)	Page 16, Appendix 2, Summary of Project Performance	Replace the linked document on the Board Documents System, which includes a new Section A on progress toward the outcome with a table showing data on the six outcome indicators.

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Board of Directors

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(For consideration by the Board on or about 9 February 2016)

R7-16
19 January 2016

Proposed Loan for Additional Financing and Technical Assistance Grant Social Protection Support Project (Philippines)

1. The Report and Recommendation of the President (RRP: PHI 43407-014) on the proposed loan for additional financing and technical assistance grant to the Philippines for the Social Protection Support Project is circulated herewith.

2. This Report and Recommendation should be read with *Country Operations Business Plan: Philippines, 2016–2018,* which was circulated to the Board on 21 December 2015 (DOC.IN.457-15).

3. This Report and Recommendation is being submitted to the Board for discussion as it does not meet the following criterion for summary procedure: (i) the amount of ADB financial assistance should not exceed $200 million for sovereign and sovereign-guaranteed operations.

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Report and Recommendation of the President to the Board of Directors

Project Number: 43407-014
December 2015

Proposed Loan for Additional Financing and Technical Assistance Grant
Republic of the Philippines: Social Protection Support Project

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Asian Development Bank

CURRENCY EQUIVALENTS
(as of 14 December 2015)

Currency unit	–	peso/s (P)
P1.00	=	$0.021
$1.00	=	P47.42

ABBREVIATIONS

ADB	–	Asian Development Bank
CCT	–	conditional cash transfer
DSWD	–	Department of Social Welfare and Development
LBP	–	Land Bank of the Philippines
NAC	–	national advisory committee
PAM	–	project administration manual
Pantawid	–	*Pantawid Pamilyang Pilipino* Program (Building Bridges for the Filipino Family)
PFM	–	public financial management
TA	–	technical assistance

NOTE

In this report, "$" refers to US dollars.

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PROJECT AT A GLANCE

1. Basic Data

Project Number: 43407-014

Project Name	Social Protection Support Project - Additional Financing	**Department /Division**	SERD/SEHS
Country	Philippines	**Executing Agency**	Department of Social Welfare and Development
Borrower	Philippines		

2. Sector

	Subsector(s)	ADB Financing ($ million)
✓ **Education**	Education sector development - social protection initiatives	225.00
Health	Mother and child health care	175.00
Public sector management	Social protection initiatives	1.00
	Total	**401.00**

3. Strategic Agenda

Strategic Agenda	Subcomponents
Inclusive economic growth (IEG)	Pillar 3: Extreme deprivation prevented and effects of shocks reduced (Social Protection)

Climate Change Information

Climate Change impact on the Project	Low

4. Drivers of Change

Drivers of Change	Components
Governance and capacity development (GCD)	Civil society participation Institutional development
Partnerships (PAR)	International finance institutions (IFI) Official cofinancing

Gender Equity and Mainstreaming

Gender equity (GEN)	✓

5. Poverty Targeting

Project directly targets poverty	Yes
Household targeting (TI-H)	Yes

Location Impact

Nation-wide	High

6. Risk Categorization: Complex

7. Safeguard Categorization

Environment: C **Involuntary Resettlement:** C **Indigenous Peoples:** B

8. Financing

Modality and Sources	Amount ($ million)
ADB	**401.00**
Sovereign Policy and advisory technical assistance: Technical Assistance Special Fund	1.00
Sovereign Project loan: Ordinary capital resources	400.00
Cofinancing	**450.00**
World Bank	450.00
Counterpart	**5,309.40**
Government	5,309.40
Total	**6,160.40**

9. Effective Development Cooperation

Use of country procurement systems	Yes
Use of country public financial management systems	Yes

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Republic of the Philippines for the additional financing of the Social Protection Support Project.[1] The report also describes the proposed technical assistance (TA) for Strengthening Social Protection Reforms, and if the Board approves the proposed loan, I, acting under the authority delegated to me by the Board, approve the TA.

2. The Asian Development Bank (ADB) approved the current project for $400 million on 2 September 2010 to support the government's social protection and inclusive growth agenda through conditional cash transfers (CCTs) under the *Pantawid Pamilyang Pilipino* Program (Pantawid).[2] Pantawid, the cornerstone of the government's social protection efforts, provides regular cash grants to 4.4 million poor households if they send their children to school, visit health centers, and attend family development sessions. The current project has four outputs: support for the national household poverty targeting system, conditional cash grants, capacity development, and monitoring and evaluation. The expected outcome is increased household consumption and increased use of education and health services by Pantawid families, especially mothers and children. The expected impact is reduced income poverty and non-income poverty. The proposed additional financing will finance cash grants under the program's nationwide expansion, which as of 2014 includes high school students aged 15–18 years old. The proposed TA will strengthen operational effectiveness. The current project has a strong implementation record, and most of its performance targets have been achieved or exceeded.

II. THE PROJECT

A. Rationale

3. **Strong project performance**. Project performance has been consistently rated *on track*.[3] Many output targets have been surpassed before the scheduled closing date of 31 March 2016. The national poverty targeting system is used by the CCT and by 24 other national social programs, exceeding the target of three programs. More than 637,700 poor households receive ADB-financed cash grants, well above the target of 580,000. Among the grant recipients, 92% are women, surpassing the 90% target. More than 93% of households regularly meet the CCT program's education, health, and family development session conditions, exceeding the target of 80%. Impact evaluation confirms that the outcome is likely to be achieved (para. 7). Benefit incidence analysis shows that Pantawid's targeting accuracy to the poorest 20% of the population is among the best in the world and compares very favorably with the more established large-scale CCT programs in Latin America.[4]

4. As of 11 December 2015, when 94.6% of the scheduled implementation period had elapsed, cumulative contract awards had reached $387.7 million, or 97% of the loan amount,

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[1] ADB. 2010. *Report and Recommendation of the President to the Board of Directors: Proposed Loan, Technical Assistance Grant, and Administration of Technical Assistance Grant to the Republic of the Philippines for the Social Protection Support Project.* Manila.

[2] Building Bridges for the Filipino Family. Program details including conditions are in The Design, Expansion, and Impact of Pantawid, available from the list of linked documents in Appendix 2.

[3] Performance toward these output targets is based on data provided by the Department of Social Welfare and Development (DSWD) from the poverty targeting database and the Pantawid management information systems, including the beneficiary update system and the compliance verification system.

[4] World Bank. 2015. *State of Social Safety Nets 2015.* Washington, DC.

and disbursements had reached $382.1 million, or 96%. Safeguard compliance has been satisfactory; there are many positive measures to include indigenous peoples, such as tailored family development sessions and a modified CCT program in remote areas. The current project has no resettlement or environmental impacts. It has a gender equity theme, and a vast majority of the grantees are women. Implementation of the gender action plan has been satisfactory. The project has made significant efforts to manage risks, but country and CCT program level risks remain high. Risk mitigation measures are being strengthened (paras. 19–20 and 24).

5. **Pantawid's expansion**. Implemented by the Department for Social Welfare and Development (DSWD), the Pantawid program has expanded rapidly since it enrolled about 340,000 of the country's poorest households (known as set 1) in 2008. ADB's current project partially finances grants to 637,700 households added in 2009 (set 2) and in 2010 (set 3).[5] More than 1.2 million households were added as set 4 in 2011. By the end of 2014, with the addition of sets 5–7 and the households covered under the modified CCT, it delivered benefits to more than 4.4 million households nationwide and had become the world's third largest CCT program.

6. **Technical enhancements**. Technical enhancements to the CCT program, supported in part by ADB TA under the current project, have included (i) a modified CCT for remote areas and homeless street families, (ii) a higher grant amount for high school students to reduce dropouts, (iii) new monthly youth development sessions, and (iv) an expansion of eligibility to children aged 15–18 years old.[6] The expanded eligibility introduced in 2014 aims to support children through high school graduation and thus improve their future employment and earning potential. High school students must maintain a passing grade average and be promoted to the next grade level to continue receiving benefits. The CCT program is a demand-side intervention that complements the Department of Education's kindergarten-to-grade-12 reforms supported by ADB's results-based Senior High School Support Program.[7]

7. **Impact evaluation results**. Two rounds of rigorous impact evaluation in 2011 and 2013 demonstrate that Pantawid is achieving its objectives of beneficiaries' greater use of health services, including maternal care, and higher school enrollment and attendance rates.[8] Pantawid households increased their spending on education and health. The cash grants helped raise the enrollment rate of children 6–11 years old to 98%. After the grant increase for high school students, the enrollment rate for children aged 12–15 in poor households receiving the CCTs was 6 percentage points higher than for those in nonprogram households just above the poverty line. More Pantawid program mothers were seeking pre- and post-natal care and delivering babies in health facilities than mothers in nonprogram households. Child labor in program households was lower than in nonprogram households by an average of 7 days per month. Another significant finding was that the grants do not encourage dependency. There is no evidence that the CCTs are a work disincentive for the adults in program households. Self-rated poverty was lower by 7 percentage points among Pantawid households than non-

[5] Sets are not equivalent to geographic areas. One municipality may have beneficiaries from different sets, added in different years. Sets are an indicator of length of participation in the program. Design, Expansion, and Impact Evaluation of Pantawid contains the detailed poverty criteria used to determine sets (accessible from the list of linked documents in Appendix 2).

[6] ADB. 2010. *Technical Assistance to the Republic of the Philippines for Support for Social Protection Reform*. Manila.

[7] ADB. 2014. *Report and Recommendation of the President to the Board of Directors: Proposed Results-Based Loan to the Republic of the Philippines for the Senior High School Support Program.* Manila.

[8] The 2012 and 2014 impact evaluation reports produced by DSWD in partnership with ADB, Australia, the Philippine Institute for Development Studies, Social Weather Stations, and the World Bank are available at http://www.dswd.gov.ph.

Pantawid households just above the poverty line, and Pantawid parents were more optimistic about their children's future than non-Pantawid parents.

8. **Eligibility criteria for additional financing.** The additional financing will scale up a successful national flagship social assistance program that has strong government ownership and robust implementation and monitoring and evaluation systems. The overall project is consistent with the original development objective, and the outcome will remain the same. The project remains technically feasible, economically viable, and financially sound. The project is aligned with the government's priority to expand social protection services, as reconfirmed in the 2014 midterm update of the Philippine Development Plan for 2011–2016.[9] It is consistent with ADB's country partnership strategy for the Philippines for 2011–2016, under which ADB seeks to support high economic growth that is both sustainable and inclusive. The strategy aims to complement interventions to improve the supply of social services with other interventions to increase the demand for those services. This is to be achieved through medium-term support for social protection.[10] A majority of CCT program beneficiaries (59%) are in the Visayas and Mindanao regions of the Philippines, which aligns with ADB's geographic focus. Efficiency gains and strong links with the original project design and implementation arrangements confirm the suitability of the additional financing modality.

9. **Policy and operational challenges**. The proposed additional financing and TA will address a number of policy and operational challenges. While evaluation shows that the CCTs continue to add value, benefit levels have not been adjusted for inflation.[11] When the CCT was piloted in 2007, the average transfer was about 23% of beneficiaries' average annual household income. This was similar to the levels under successful Latin American CCT programs that set benefits high enough to provide a sufficient incentive to access services but low enough to avoid distorting the labor market. By 2013, average transfers—about $16 per household per month—represented about 7% of the average beneficiary household income.[12] The additional financing and TA will support analytical work and policy dialogue to help determine new benefit levels and the timing of an increase that will ensure achievement of the program objectives and avoid politicization. Other policy and operational challenges identified and being addressed by the DSWD include (i) unavailable or poor quality education and health services in some areas; (ii) coordination among the Pantawid partner agencies that deliver social services; (iii) targeting errors of inclusion and exclusion (para. 11); (iv) possible local political capture or interference; and (v) payment delivery challenges, especially in remote areas (para. 24).[13]

B. Impact and Outcome

10. The impact and outcome of the overall project remain the same, but with minor changes in wording and adjustment of some performance targets to reflect the CCT program's expanded scope and coverage.[14] The additional financing will sustain the current project's gains and support a share of the education and health grants to all Pantawid families nationwide.

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[9] National Economic and Development Authority. 2014. *Philippines Development Plan 2011–2016 Update*. Manila.

[10] This lending proposal was not included in ADB. 2014. *Country Operations Business Plan: Philippines: 2015–2017.* Manila. The government requested ADB's financial assistance in a letter dated 16 February 2015 as an addition to the country operations business plan. Concept clearance was obtained on 31 March 2015.

[11] The consumer price index (base year 2005) was 85.39 in 2007 and 115.80 in 2013 (iresearch.worldbank.org).

[12] World Bank. Pantawid Benefit Incidence Analysis. PowerPoint Presentation, 17 November 2014. Unpublished.

[13] These are identified in the DSWD's 2013 governance and anticorruption risk review of the Pantawid program.

[14] The revised design and monitoring framework is in Appendix 1. Based on the assessment of progress toward the current project's outcome targets (see Table 1 in the Summary of Project Performance, available from the list of linked documents in Appendix 2), the original baselines have been retained.

C. Outputs

11. **Output 1: National targeting system to select poor families implemented efficiently.** The current project supported the implementation of the national household targeting system. By 2011, the system had assessed 10.9 million households and determined 5.2 million to be poor. A 2010 presidential executive order requires all government agencies to use the system's database to target poor households. As of September 2015, 25 national programs use the database, as do 1,095 of the country's 1,715 local government units. Under the second round of targeting, for completion by early 2016, the DSWD is assessing 15.3 million households to identify poor and vulnerable families based on provincial poverty lines.[15] The proxy means test model has been refined to reduce the targeting errors common to any targeting system. The additional financing will provide TA support for DSWD's efforts to reduce exclusion error—which occurs when poor families who should be eligible for the program are excluded— through special validation of inclusion requests submitted through the program's grievance redress system. The design and monitoring framework indicator for errors of exclusion and inclusion—when nonpoor ineligible families are erroneously included—now distinguishes between Metro Manila and the rest of the country, given the particular poverty targeting challenges in the National Capital Region.[16]

12. **Output 2: Conditional health and education cash grants provided to poor families.** The current project finances a share of the conditional health and education grants for families in sets 2 and 3. Households can receive (i) a health grant of P500 a month for 12 months of the year, and (ii) an education grant for the 10 months of the school year for up to three children, currently set at P300 per month for preschool and elementary students and P500 per month for high school students. The health conditions include that children visit health centers for services including growth monitoring and immunizations; that pregnant women receive prenatal and postnatal care, and their deliveries are attended by skilled personnel; and that grantees attend monthly family development sessions. Upon verification that conditions have been met, transfers are paid directly into grantees' Land Bank of the Philippines (LBP) accounts, accessible via ATMs. In areas without ATMs, LBP contracts other payment service providers. These include rural banks, cooperatives, money couriers and postal companies.[17] Compliance with conditions has been consistently very high and stood at 93% for health, 96% for family development sessions, and 98% for education as of August 2015.[18] The additional financing will finance a share of the conditional health and education grants for households in all sets. The conditions are the same, but the eligibility age has been raised from 14 to 18 (para. 6), and there is no longer a 5-year limit on program participation.

13. **Output 3: Capacity for conditional cash transfer program operations strengthened.** The current project supported capacity development for the Pantawid program's national and local management activities. These include household registration, organization of community assemblies, compliance verification, and payment management. The additional

[15] The national per capita poverty line was P1,756 per month in 2014. A new policy defines the near poor as those families with income less than 10% higher than the poverty line. In 2016 DSWD aims to switch the primary beneficiary unit from household to family, since extended households often comprise multiple nuclear families.

[16] Inclusion errors are a product of the statistical model that predicts household income based on the proxy means test, which collects easily observable household characteristics that are correlated with welfare (e.g. housing quality, ownership of assets, education levels).

[17] DSWD and LBP periodically invite institutions involved in money remittances to submit proposals to serve as payment conduits in the distribution of cash grants. In 2014, the top three payment modes were LBP cash cards (42% of grants), rural banks (17%), and Globe G-Cash and Smart eMoney (10% each).

[18] DSWD. Social Protection Support Project Progress Report for the 1st Semester of 2015. Unpublished.

financing will provide TA support for capacity development for the 120,000 volunteer parent leaders who liaise between parent groups and the program's field facilitators. This will complement planned further capacity development for the field facilitators. The overall project will continue to pay close attention to gender issues and to maximizing access to program benefits by indigenous people.[19]

14. **Output 4: Systems for monitoring and evaluation of social protection programs improved**. The current project has supported (i) strengthening management information systems for Pantawid operations; (ii) independent spot checks to monitor program implementation; (iii) qualitative and quantitative monitoring and evaluation studies, including the third wave of a joint impact evaluation series undertaken in partnership with the DSWD and development partners; and (iv) regular monitoring and reporting. The additional financing will provide TA support for the DSWD's internal operational spot checks that will complement continued annual independent spot checks to be financed with counterpart funds.

D. Investment and Financing Plans

15. The government has requested additional financing of $400 million from ADB's ordinary capital resources with a 4-year implementation period ($100 million per year) to support the Pantawid program. The loan will have a 25-year term, including a grace period of 5 years, an annuity method with 10% discount factor, an annual interest rate determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility, a commitment charge of 0.15% per year, and such other terms and conditions set forth in the draft loan agreement. The average loan maturity will be 18.31 years, and the maturity premium payable to ADB is 0.20% per annum. The cost of the Pantawid program during 2016–2019 is estimated to be $6.16 billion, of which the government will finance 86.2% (including taxes, duties, and financing charges). ADB's additional financing will represent 6.5%. The government has requested the World Bank to finance $450 million or 7.3% of the total. The $400 million ADB loan will finance conditional health and education cash grants to poor families under output 2, with TA support for outputs 1, 3, and 4. The project investment plan is in Table 1. The financing plan is in Table 2.

Table 1: Project Investment Plan ($ million)

Item	Current Amount[a]	Additional Financing[b]	Total
A. Base Cost[c]			
1. National targeting system implemented efficiently	13.7	0.0	13.7
2. Conditional health and education grants provided	798.5	5,554.8	6,353.3
3. Capacity for CCT operations strengthened	38.3	21.6	59.9
4. Systems for monitoring and evaluation	5.2	41.7	46.9
5. Advocacy	(…)	5.9	5.9
6. Administration and personnel services	(…)	468.9	468.9
Subtotal (A)	**855.7**	**6,092.9**	**6,948.6**
B. Contingencies	**7.7**	**0.0**	**7.7**
C. Financing Charges During Implementation[d]	**20.8**	**66.5**	**87.3**
Total (A+B+C)	**884.2**	**6,159.4**	**7,043.6**

Note: Numbers may not add up due to rounding.
(…)= not available, CCT = conditional cash transfer
[a] Refers to the original amount. Includes taxes and duties of $1.84 million financed from government resources.
[b] Includes taxes and duties of $66.5 million to be financed from government resources.
[c] In mid-2015 prices.
[d] Includes interest and commitment charges. Interest during implementation for the Asian Development Bank loan has been computed at the 5-year forward London interbank offered rate (LIBOR) plus a spread of 0.60% less a

[19] Gender Action Plan, and Indigenous Peoples Plan (accessible from the list of linked documents in Appendix 2).

credit of 0.1%. Commitment charges for an Asian Development Bank loan are 0.15% per year to be charged on the undisbursed loan amount.
Source: Asian Development Bank estimates.

Table 2: Financing Plan

	Current[a]		Additional Financing		Total	
Source	**Amount** ($ million)	**Share of Total** (%)	**Amount** ($ million)	**Share of Total** (%)	**Amount** ($ million)	**Share of Total** (%)
Asian Development Bank	400.0	45.2	400.0	6.5	800.0	11.4
World Bank[b]	0.0	0.0	450.0	7.3	450.0	6.4
Government	484.2	54.8	5,309.4	86.2	5,793.6	82.3
Total	**884.2**	**100.0**	**6,159.4**	**100.0**	**7,043.6**	**100.0**

[a] Refers to the original loan and any previous additional financing.
[b] The World Bank provided a loan of $405 million in 2009, but this did not appear in the original financing plan. In December 2012, the World Bank approved additional financing of $100 million. The proposed new World Bank loan of $450 million is under discussion with the government.
Sources: Asian Development Bank and Department of Social Welfare and Development of the Philippines.

E. Implementation Arrangements

16. The additional financing will be implemented from January 2016 to December 2019. The DSWD will be the executing agency. The implementation unit will be the Pantawid National Program Management Office, which has 333 approved positions as of the third quarter of 2015. A high-level interagency national advisory committee (NAC) guides the DSWD and its 17 regional program management offices. As of the third quarter of 2015, the regional program management offices had more than 13,240 approved positions, most of which are for the Pantawid program field facilitators who work directly with the 4.4 million CCT households. Parent groups of 25–30 families are coordinated by about 120,000 volunteer parent leaders. Local government units have assigned full-time staff members to the program. The implementation arrangements are summarized in Table 3 and described in detail in the updated project administration manual (PAM)[20] and the DSWD's Pantawid operations manual.[21] Implementation arrangements for the overall project no longer involve consulting services or procurement. Disbursement will follow reimbursement procedures.

Table 3: Implementation Arrangements

Aspects	**Arrangements**
Implementation period	January 2016–December 2019
Estimated completion date	31 December 2019 (loan closing date 30 June 2020)
Management (i) Oversight body	National Advisory Committee Secretaries of the Department of Social Welfare and Development (chair), Department of Health, Department of Education, Department of the Interior and Local Government, Department of Labor and Employment, National Economic and Development Authority, National Anti-Poverty Commission, and Department of Budget and Management; executive directors of the Council for the Welfare of Children, Philippine Commission on Women, National Nutrition Council, and Population Commission; and chair of the National Council for Indigenous People
(ii) Executing agency	Department of Social Welfare and Development
(iii) Implementation unit	Pantawid National Program Management Office, 333 staff
Procurement	Not applicable
Consulting services	Not applicable
Retroactive financing	Retroactive financing can be used for up to 20% of the loan balance and for cash grants up to 12 months before loan signing.

[20] Project Administration Manual (accessible from the list of linked documents in Appendix 2).
[21] The DSWD is updating the operations manual in 2015 to reflect program enhancements.

Aspects	Arrangements
Disbursement	The loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2015, as amended from time to time) and detailed arrangements agreed between the government and ADB.

ADB = Asian Development Bank.
Sources: Asian Development Bank and Department of Social Welfare and Development of the Philippines.

III. TECHNICAL ASSISTANCE

17. The DSWD has requested policy and advisory TA to strengthen social protection reforms (para. 1). The DSWD will be the executing agency. The 2016–2019 implementation period is synchronized with the additional financing. The TA will provide timely and demand-driven advice in important policy and operational areas. The TA will deliver three outputs: (i) the identification of social protection policy gaps and the development of options to address them, (ii) the identification of operational gaps and governance risks in social protection service delivery and the preparation of action plans to deal with them, and (iii) the preparation and dissemination of knowledge products on best practices in social protection. The DSWD has indicated a need for TA support in areas such as (i) adjusting the level of Pantawid benefits to account for inflation; (ii) exploring the feasibility of using CCT and community-driven development mechanisms in disaster response; (iii) redefining staff roles under the DSWD's three core programs to achieve greater efficiency in the delivery of services; and (iv) developing social protection interventions for the near-poor, for former combatants, and for farming communities affected by natural calamities.[22] Operational areas for TA support include independent audit, special validation of inclusion requests, capacity development for parent leaders, social marketing, and internal spot checks. The TA will coordinate closely with other development partners. The TA is estimated to cost $1,200,000, of which $1,000,000 will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-Others). The government counterpart contribution will account for the remaining 20% of the total TA cost.[23]

IV. DUE DILIGENCE

A. Economic and Financial

18. Based on the 2011 and 2013 impact evaluation results (para. 7), the potential private and social returns from investing in CCTs remain substantial. Inclusive growth and poverty reduction in the Philippines continue to be constrained by inadequate investment in human capital. The gap between the high school completion rates of children in the poorest income quintile and those in the richest is large. The potential economic yield from high school graduation is three times that from graduating from only the elementary level. CCTs are making children healthier, keeping them in school, and reducing child labor. Benefit incidence analysis has verified that benefits reach the poorest (para. 5). The payment of grants to women is expected to add to the multiplier effect of cash inflows on local economic activity, since women typically spend more on locally produced goods and services for their families than men. The poverty targeting system, now adopted by 25 national programs, has increased the efficiency of government investments. The Pantawid program benefits are considered financially viable, efficient, and sustainable due to (i) strong government commitment to social protection, (ii) a likely continued expansion of the government's fiscal space, (iii) the reduction in inclusion and exclusion errors as a result of improved targeting, and (iv) the positive impact of improved

[22] The DSWD's three core programs are Pantawid, the National Community-Driven Development Program, and the Sustainable Livelihoods Program.
[23] Attached Technical Assistance (accessible from the list of linked documents in Appendix 2).

human capital on returns to labor and taxable income that will raise future government revenues and further expand fiscal space for social spending.[24]

B. Governance

19. The government has demonstrated a commitment to improving country systems for public financial management (PFM), procurement, and good governance.[25] The PFM system has been enhanced at the national level, but its overall performance remains relatively weak. The associated fiduciary risks are substantial. The public procurement framework is well-developed. It generally functions soundly and presents only moderate risks. Anticorruption policies are in place, and the government's resolve to fight corruption has helped improve the investment climate. Despite many positive developments, however, the overall governance environment has substantial risks at the technical level, weak institutional capacities, and inadequate accountability mechanisms.

20. At the Pantawid program level, the pre-mitigation PFM fiduciary risk is high. The 2011–2014 reports by the country's Commission on Audit find fairness in the presentation of financial statements but indicate systemic weaknesses in internal control. Before loan disbursement, ADB and the DSWD will agree on a time-bound risk management action plan to address the recurrent audit findings of duplicate names in the Pantawid payroll, unclaimed or unpaid grants, and delayed liquidation of payroll advances by payment service providers. DSWD is implementing a number of risk mitigation measures, such as piloting biometric systems. The DSWD is well-governed, highly competent, and has many years of experience in effectively managing the Pantawid program and other foreign-assisted programs. The DSWD leadership is considered sincere in its efforts to fight corruption, and systems are in place to minimize corruption risks.[26] The department engages with civil society, particularly through the Pantawid program's family development sessions and grievance redress system. The DSWD is implementing measures to address the policy and operational challenges identified in its 2013 governance and anticorruption risk review of the program (para. 9). ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and the DSWD. The specific policy requirements and supplementary measures are described in the PAM (footnote 21).

C. Poverty and Social

21. **Poverty and social impacts.** CCTs are results-based financing at the household level.[27] They provide financial support to poor households after the conditions for health center visits, school enrollment and attendance, and participation in family development sessions have been met. Attaching these conditions to the cash grants promotes safe motherhood and guarantees investments in the human capital of children to prevent the next generation from inheriting its parents' poverty. The financial support helps poor families make ends meet and alleviates the extent of their impoverishment in the short term, but the benefits are not necessarily enough to immediately reduce the national poverty incidence. The real poverty reduction impact is expected over the long term when children who are healthier and better educated as a result of the CCTs complete their schooling, join the labor force, and earn higher

[24] Economic Analysis and Updated Financial Analysis (available from the list of linked documents in Appendix 2)
[25] ADB. 2015. Country Governance Risk Assessment, Philippines. Manila (revised draft, p. 32).
[26] Social Weather Stations. 2014. *Survey of Enterprises on Corruption* http://www.sws.org.ph/pr20140115b.htm
[27] ADB. 2013. *Piloting Results-Based Lending for Programs.* Manila (policy paper).

returns to their labor.[28] Pantawid program benefits are reaching the poor (para. 5) and the grants at their current level reduce the income gap by nearly a quarter.[29]

22. **Gender impacts.** The overall project will retain the original gender equity theme. Mothers and children are the main Pantawid program target groups, and more than 90% of the registered grant recipients are women. The Pantawid grants will continue to address (i) women's low use of health care services, particularly reproductive health services; (ii) high maternal and infant mortality, (iii) intra-household gender inequalities, and (iv) poor women's limited access economic resources. The program's family development sessions train mothers on issues such as citizenship and rights, leadership and teamwork, responsible parenthood, nutrition, healthy family and community relationships, and disaster preparedness. A 2014 resolution by the program's NAC requires that men participate in a specially designed session that covers reproductive rights and gender-based violence. Minor updates to the original gender action plan reflect recent program adjustments (footnote 20).

D. Safeguards

23. The overall project retains the original safeguards classification of category B for indigenous people and category C for environment and involuntary resettlement. The Pantawid program aims to significantly improve the health, education, and income status of indigenous people, who currently make up 13.3% of the 4.4 million beneficiary households. The National Council for Indigenous People is a member of the NAC. The DSWD designed and adopted a modified CCT in geographically isolated and disadvantaged areas in 2013 after a series of regional participatory consultations involving indigenous cultural communities. Tailored family development session modules are delivered in indigenous areas. Implementation of the existing plan for indigenous peoples has been consistently satisfactory. It is supervised by the DSWD's modified conditional cash transfer unit with the support of regional focal points. The plan ensures that indigenous cultural communities continue to be meaningfully consulted by and participate in the program and has been disclosed on the ADB website.

E. Risks and Mitigating Measures

24. Implementation risks and measures to mitigate them are described in the risk assessment and management plan and summarized in Table 4.[30] Overall pre-mitigation risks are high. The integrated benefits and impacts are expected to outweigh the costs.

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Weaknesses in internal control indicated by recurrent audit findings may increase fiduciary risk.	The DSWD and ADB will agree on a time-bound risk management action plan with clearly defined deliverables and responsibilities to address recurrent audit findings including duplicate entries in the payroll, unclaimed grants, and delays in payroll liquidation.
Program integrity and success could suffer from political capture or interference.	Beneficiary selection is based on an objective poverty targeting system with protocols for public validation. Public information campaigns disseminate information, guidelines, entitlements, and GRS procedures. The DSWD has a good track record in mitigating the risk of political capture during elections.
Fraud or error may result in	Grants are transferred directly to the Land Bank of the Philippines beneficiary

[28] Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).
[29] The income gap is the average amount required for a poor person to reach the poverty line.
[30] Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

Risks	Mitigating Measures
ineligible households receiving CCT grants.	accounts. The beneficiary update system and the GRS delist ineligible households. The DSWD is piloting biometric systems for payouts.
Political and financial support for the program may not be maintained.	The additional financing for the SPSP is based on a multiyear financing plan and is included in the DSWD's medium-term expenditure plan.
Benefit levels may not be adjusted for inflation.	Policy dialogue on the level and timing of an increase in benefit levels is under way. ADB TA will provide support.
Social services may be unavailable or of low quality.	Coordination and feedback mechanisms with the Department of Education and the Department of Health will be strengthened to ensure that quality services are available. ADB TA will support refinement of the Pantawid supply-side assessment as part of this feedback mechanism.
Transitory movements in and out of poverty may not be fully captured by the targeting system.	The national household targeting system to identify poor households is updated every 4 years and will also begin identifying near-poor households in 2015. TA will support the validation of inclusion requests via the GRS.
Payment windows may be far from beneficiaries' homes, and therefore either inaccessible or expensive to access.	Cash cards can now be used at nearly 10,000 ATMs nationwide in the Philippines. Other payment service providers (conduits) are used in rural and remote areas. Local government units are encouraged to support transport costs for remote beneficiaries. The GRS is fully operational, and regular spot checks include verification of whether payment systems are appropriate.
The targeting system may result in inclusion and exclusion errors.	The new proxy means test model reduces inclusion and exclusion errors. The national household targeting system includes public validation of draft lists of poor households. The DSWD processes inclusion requests via the GRS.

ADB = Asian Development Bank, DSWD = Department of Social Welfare and Development. GRS = grievance redress system, TA = technical assistance.
Source: Asian Development Bank.

V. ASSURANCES AND CONDITIONS

25. The government and the DSWD have assured ADB that implementation of the project shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan documents. The government and the DSWD have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement. As a condition to the initial disbursement of the loan, DSWD and ADB must agree to a time-bound risk management action plan to address financial management and internal control issues with respect to the Pantawid program (para. 20).

VI. RECOMMENDATION

26. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan of $400,000,000 to the Republic of the Philippines for the additional financing of the Social Protection Support Project, from ADB's ordinary capital resources, with interest to be determined in accordance with ADB's London interbank offered rate (LIBOR)-based lending facility; for a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

18 December 2015

REVISED DESIGN AND MONITORING FRAMEWORK[a]

Impacts the Project is Aligned with

Current project: Income poverty and non-income poverty reduced

Overall project: Unchanged (Philippine Development Plan 2011–2016 Midterm Update)[b]

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
Outcome **Current project** Increased consumption and utilization of education and health services among poor households and women beneficiaries of the 4Ps **Overall project** Household consumption and the use of education and health services by Pantawid[a] families (especially mothers and children) are increased	**Current project by 2015:** a. At least 10% increase in average per capita consumption of beneficiaries in target communities (2008 baseline: $211 per capita per year) b. At least 90% each of boys and girls 6–14 years old in poor beneficiary households attend school (2008–2009 baseline: 85.1%) c. At least 70% of pregnant women deliver in a health facility (2008 baseline: 44.5%) d. At least 80% of births are delivered by skilled health personnel (2008 baseline: 62.2%) e. At least 85% of children are fully immunized before 1 year old (2008 baseline: 70%) f. Decrease in the share of children 6–14 years old who are working in project areas (2008 baseline: 4.6%) **Overall project by 2019:** Unchanged, except b. At least 90% each of boys and girls age 3–18 in Pantawid families attend school (2013 baselines: 63% age 3–5, 97% age 6–14, and 60% age 15–18)	a–f. Regular impact evaluation surveys (DSWD) b–e. Quarterly program MIS reports (DSWD) a, f. Annual poverty indicators survey (PSA)	Benefit levels are not adjusted for inflation Social services may be unavailable or of low quality Political and financial support for the program may not be maintained
Outputs **Output 1** **Current project** National targeting system to select poor households implemented efficiently **Overall project** National targeting	1a. **Current project:** By 2015, 20% of poor households nationwide registered in the NHTS-PR **Overall project:** By 2019, 85% of poor families nationwide registered in the Listahanan[a] database (2008 baseline: 0) 1b. **Current project:** By 2015, the NHTS-PR has less than 8% exclusion and 20% inclusion	1a. Listahanan[a] database (DSWD) and annual poverty indicators survey (PSA) 1b, c, d. Listahanan[a]	Transitory movements in and out of poverty may not be fully captured by the targeting system. The targeting system may

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
system to select poor families implemented efficiently	error **Overall project:** By 2019, the Listahanan[a] exclusion error is less than 20% (NCR) and 7% (non-NCR) and inclusion error is less than 11% (NCR) and 14% (non-NCR) (2008 baseline: Not applicable) 1c. **Current project:** By 2015, at least three national programs use the NHTS-PR as targeting mechanism **Overall project:** By 2019, at least 25 national programs use the Listahanan[a] targeting mechanism (2008 baseline: Not applicable) 1d. **Current project:** By 2015, at least 60% of poor households registered in the database receive benefits of social protection programs **Overall project:** By 2019,at least 60% of poor families registered in the Listahanan[a] database receive benefits of social protection programs (2008 baseline: Not applicable)	database (DSWD)	result in inclusion and exclusion errors
Output 2 **Current project** Conditional health and education cash grants provided to poor households **Overall project** Conditional health and education cash grants provided to poor families	2a. **Current project:** By 2015, at least 580,000 poor households receive cash grants, in which at least 90% of grant recipients are women **Overall project:** By 2019, at least 4 million poor families receive cash grants and at least 90% of grant recipients are women (2008 baselines: Not applicable) 2b. **Current project:** By 2015, at least 80% of mothers in beneficiary households receive Pantawid[a] grants regularly and on time **Overall project:** By 2019, at least 80% of mothers in beneficiary families receive Pantawid[a] grants in at least five of the six reporting periods per year (2008 baseline: Not applicable) 2c. **Current project:** By 2015, at least 80% of households meet education conditions regularly **Overall project:** By 2019, at least 80% of families meet education conditions regularly (2008 baseline: Not applicable) 2d. **Current project:** By 2015, at least 80% of	2a, b, c, d, e. Pantawid[a] MIS (DSWD)	Payment windows may be far from beneficiaries' homes and therefore either inaccessible or expensive to access Errors may result in ineligible households receiving CCT grants Weaknesses in internal control may increase fiduciary risk

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	households meet health conditions regularly **Overall project:** By 2019, at least 80% of families meet health conditions regularly (2008 baseline: Not applicable) 2e. **Current project:** By 2015, at least 80% of grantees attend monthly family development sessions **Overall project:** By 2019, at least 80% of families meet the family development session conditions (2008 baseline—families: Not applicable; males: Not applicable) 2f. **Current project:** Local area maps are produced, with data down to at least the barangay level, showing distributions of (i) target households; (ii) health facilities, day-care centers, and schools; (iii) preschools and daycare centers, (iv) schools, and (v) payment windows **Overall project:** Unchanged (target date: 2015)	2f. DSWD Information Management Bureau mapping service	
Output 3 **Current project** Strengthened capacity for CCT program operations **Overall project** Capacity for CCT program operations strengthened	3a. **Current project:** By 2011, central and local project management structures established **Overall project:** Unchanged (2008 baseline: Not applicable) 3b. **Current project:** By end of 2013, at least 200 central and local staff acquire knowledge on gender analysis, indigenous people sensitivity, and prevention of sexual harassment by 2011. **Overall project:** At least 1,400 central and local staff acquire knowledge on gender analysis, indigenous people sensitivity, and prevention of gender-based violence by 2017 (2008 baseline: Not applicable) 3c. **Current project:** Gender action plan implemented throughout 2011–2015 **Overall project:** Gender action plan implemented to 2019 (2008 baseline: Not applicable) 3d. **Current project:** By end of 2013, participatory gender audits and community-driven municipality gender action plans piloted in	3a. Pantawid[a] operations manual (DSWD) 3b. Training and workshop records (DSWD) 3c–d. Gender action plan updates by the gender and development unit (DSWD)	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	10 municipalities **Overall project:** By end of 2014, participatory gender audits and community-driven municipality gender action plans piloted in 10 municipalities (2008 baseline: Not applicable)		
Output 4 **Current project** Improved systems for monitoring and evaluation of social protection programs **Overall project** Systems for monitoring and evaluation of social protection programs improved	4a. **Current project:** By 2011, MIS is established and functioning to support payments, verification, updates, and grievance system. **Overall project:** Unchanged (2008 baseline: established: Not applicable, functioning: Not applicable) 4b. **Current project:** By 2015, 90% of grievances received are resolved within established time protocol **Overall project, by 2019:** Unchanged (2008 baseline: Not applicable) 4c. **Current project:** At least two rounds of independent spot checks (for the 4Ps) of schools, clinics, municipal links, and beneficiary households completed in each of 2012, 2013, and 2014, with at least one further round in 2015 **Overall project:** At least 7 rounds of independent spot checks of Pantawid[a] conducted by 2016 (2008 baseline: Not applicable) 4d. **Current project:** By 2016, final impact evaluation report based on third wave impact evaluation survey in late 2015 **Overall project:** Unchanged (2008 baseline: Not applicable)	4a, c. Spot check reports (Social Weather Stations) 4b. Pantawid[a] MIS (grievance redress system) (DSWD) 4d. Impact evaluation reports (DSWD)	Program integrity and success could suffer from political capture or interference

Key Activities with Milestones

1. National targeting system to select poor families implemented efficiently
1.1 Assess households in set three areas, and register poor households in the Listahanan[a] database (Q3 2010; updates through Q2 2015) (completed)
1.2 Complete the list of potential Pantawid[a] beneficiaries, using the Listahanan[a] PMT, for all sets (Q3 2010) (completed)
1.3 Apply the Listahanan[a] PMT targeting mechanism in 25 other national programs (by Q2 2019) (changed)
1.4 Process special validation requests on an annual basis (by Q2 2019) (added)

2. Conditional health and education cash grants provided to poor families
2.1 Undertake set 2 and set 3 beneficiary household validation, Land Bank enrollment, and identification card

distribution (by Q3 2010) (completed)
2.2 Distribute cash cards to new beneficiaries (initiated in Q3 2010) (changed)
2.3 Ensure computerized compliance verification system operating by Q1 2011 and used as basis for all subsequent grant payments (changed)
2.4 Prepare and transmit to Land Bank the beneficiary payrolls for every pay period (changed)
2.5 Make bimonthly payments of CCT grants to beneficiaries until 2019 (changed)

3. Capacity for CCT program operations strengthened
3.1 Mobilize additional staff per staffing plan under approved reorganization, including hiring contractual staff for the national program management office and regional program management offices (by Q2 2019) (changed)
3.2 Complete supply-side assessment and analysis (by Q2 2011) (completed)
3.3 Implement training and capacity building (periodic to 2019) (changed)
3.4 Disseminate information in public fora (periodic to 2019) (changed)
3.5 Ensure that more efficient institutional mechanisms for providing grants to remote beneficiaries are in place by Q4 2012 (completed)
3.6 Pilot participatory gender audits and community-driven gender action plans (Q3 2010–Q4 2014) (changed; completed)
3.7 Train Pantawid[a] parent leaders in regional clusters (Q1 2017–Q2 2019) (added)

4. Systems for monitoring and evaluation of social protection programs improved
4.1 By Q4 2010, launch core modules of computerized MIS: (i) household information, (ii) registration, (iii) verification, (iv) payments, (v) updates, and (vi) grievance redress system (completed)
4.2 Ensure that a fully integrated computer-based MIS is operating by Q2 2011 (completed)
4.3 Develop and test spot-checking methodology (Q3 2010) (completed)
4.4 Undertake ADB-financed independent spot checks and reporting at least seven times through 2016 and at least annual counterpart financed independent thereafter (changed)
4.5 Undertake monitoring and evaluation studies (2014–2016) (changed)

Inputs ($ million)

Asian Development Bank		World Bank	Government
Loan	**Technical Assistance Grant**		
$400.0 (current)	$1.1 (current)	$ 0.0 (current)	$ 484.2 (current)
$400.0 (additional)	$1.0 (additional)	$450.0 (additional)	$5,309.4 (additional)
$800.0 (overall)	$2.1 (overall)	$450.0 (overall)	$5,793.6 (overall)

Assumptions for Partner Financing

World Bank financing of $450 million will be approved in 2016 and the loan proceeds will be available for implementation of the overall program.

4Ps = *Pantawid Pamilyang Pilipino* Program, CCT = conditional cash transfer, DSWD = Department of Social Welfare and Development, Listahanan = the national household targeting system for poverty reduction, MIS = management information system, NCR = National Capital Region, NHTS-PR = national household targeting system for poverty reduction (now Listahanan[a]), Pantawid = *Pantawid Pamilyang Pilipino* Program, PIDS = Philippine Institute for Development Studies, PMT = proxy means test, PSA = Philippine Statistics Authority, Q = quarter.

[a] The design and monitoring framework has been updated to reflect the current program names, e.g. "4Ps" (the former abbreviation for Pantawid Pamilyang Pilipino Program) has been changed to "Pantawid," and NHTS-PR (national household targeting system for poverty reduction) has been changed to "Listahanan." The meaning is the same. The primary beneficiary unit has been changed from household to family, in anticipation of the planned change after the 2015 update of Listahanan. Extended households often comprise multiple nuclear families. The maximum number of children who may be enrolled in the CCT program will change from three per household to three per family.

[b] National Economic and Development Authority. 2014. *Philippine Development Plan 2011–2016. Midterm Update with Revalidated Results Matrices*. Manila.

Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

http://www.adb.org/Documents/RRPs/?id=43407-014-3

1. Loan Agreement
2. Sector Assessment (Summary): Public Sector Management (Social Protection)
3. Project Administration Manual
4. Summary of Project Performance
5. Contribution to the ADB Results Framework
6. Development Coordination
7. Attached Technical Assistance
8. Financial Analysis
9. Economic Analysis
10. Country Economic Indicators
11. Summary Poverty Reduction and Social Strategy
12. Gender Action Plan
13. Indigenous Peoples Plan
14. Risk Assessment and Risk Management Plan

Supplementary Documents

15. The Design, Expansion, and Impact of Pantawid
16. Financial Management Assessment