

Project Name PHILIPPINES-ARMM Social Fund Project  
 Region East Asia and Pacific Region  
 Sector Other social services (100%)  
 Project ID P073488  
 Borrower(s) GOVERNMENT OF PHILIPPINES  
 Implementing Agency

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#### 1. Country and Sector Background

The proposed Autonomous Region in Muslim Mindanao Social Fund for Peace and Development Project, herein after known as the ARMM Social Fund (ASF) Project, is an integral part of the Bank's response to the Government's "peace and development" policy for addressing the continuing armed conflict in Mindanao between Government forces and Muslim separatist groups, namely, the Moro National Liberation Front (MNLF), and the Moro Islamic Liberation Front (MILF). Given the complex historical roots of the conflict, the Government strongly believes that peace and development must be pursued simultaneously.

The Government's comprehensive approach includes: (a) effective implementation of the Government's 1996 Peace Agreement with the MNLF (an

agreement that experienced some stress in 2001 because of fragmentation in the MNLF leadership that was overcome by the election of a new ARMM Governor; (b) reactivation and speedy conclusion of peace negotiations with the leadership of the Moro Islamic Liberation Front (MILF), which resumed in 2001 following the all-out war policy of the previous Administration in 2000 and subsequent change of Administration; and (c) effectively targeting strategic development programs to Mindanao's conflict-affected areas (with a special focus on the ARMM area).

To implement its comprehensive strategy, the Government is seeking a consensus on institutional arrangements for coordinating the formulation and implementation of an updated development plan that is "Mindanao-driven." These arrangements are intended to strengthen and expand the role of the new ARMM administration as part of the national government's commitment to promote greater autonomy and enhanced development in the ARMM area and to restructure and strengthen the Southern Philippines Development Authority (SPDA) to enable it to coordinate development activities in Mindanao's non-ARMM areas. The Bank is assisting the Government in developing this strategy for Mindanao, and will also assist the newly elected ARMM Governor in updating the ARMM Framework Plan. The escalation of the armed conflict between the GOP and the MILF in 2000 caused the peak displacement of about 900,000 people in the central parts of Mindanao and the displacement of an additional 100,000 in the island provinces of Basilan and Sulu. While the number of displaced persons has now decreased to about 100,000, large numbers of the displaced are unwilling to return to their communities of origin because the peace remains fragile and much of the basic infrastructure and livelihood/income sources have been destroyed (including homes that were bombed). Many have died, entire families and communities have been uprooted, and ethnic and religious animosities persist among Mindanao's Moros, Christians, and indigenous peoples.

Initial assessments indicate that 18 of Mindanao's 24 Provinces have been seriously affected by the conflict. Many of these provinces are the areas of the Philippines with the lowest levels of public services in the country, particularly in the ARMM area and in Regions 9 and 12. The recently completed Filipino Report Card Report (Bank study issued in June, 2001) found the highest levels of dissatisfaction with Government services in Mindanao, especially in the conflict-affected areas. Various indicators of the standard of living indicators show significantly worse results in the ARMM areas than the national averages (e.g., numbers and rates of out-of school youth, literacy rates, unemployment rates, income levels, infant and maternal mortality levels, rural poverty incidence, and access to basic social services such as potable water supply, sanitation, and health services). Moreover, the disparities between Mindanao and the rest of the country appear to be worsening.

To jump-start the rehabilitation of the island's conflict-affected communities and the recovery of its damaged economy, the Government conceived the framework of a strategic and integrated development plan and program for Mindanao (as a key chapter of the updated Medium Term Philippines Development Plan for 2001-2004). This Mindanao Plan framework strongly underscores the importance of the Government's ongoing peace negotiations with the MILF and the concrete steps being planned to create

a favorable environment to sustain the peace initiative. A critical component of the effort is the rehabilitation of communities damaged by the conflict and the return of affected populations to their communities. The framework plan include: (a) demobilization of evacuation centers and immediate return of evacuees to their homes; (b) repair of damaged houses and facilities; (c) psychosocial healing among vulnerable groups, such as children, youth and women; and (d) demobilization of combatants with the aim of reintegrating them into the country's economic and social life. The establishment of a clear Mindanao institutional structure and arrangements for coordinating the Mindanao agenda will greatly facilitate the updating and consensus-building of its own Development Plan and prioritized investment program; this is a high priority for Government.

The Government's strategy also includes capacity-building to provide emergency and rehabilitative services for LGUs, qualified and locally-based NGOs, and affected communities in the ARMM. The Government has provided substantial assistance to address the above needs, but its assistance is constrained by its limited resources. Parallel to the peace-building efforts are socioeconomic strategies, such as the Kalahi (Kapit-bisig Laban sa Kahirapan) program aimed at providing basic social services and infrastructure facilities to promote economic development on Mindanao. The Kalahi program is being expanded with Bank-financed assistance. It will cover non-ARMM conflict-affected areas where ASF Project will cover the ARMM area. The program and the project, however, will be closely coordinated.

## 2. Objectives

The development goals of the proposed five-year ARMM Social Fund Project are to reduce poverty and support mechanisms for the promotion of a peaceful and safe environment in the conflict-affected areas in the ARMM area. Specific project objectives are to: (a) provide and/or improve sustained access to social and economic infrastructure and services by the poor and conflict-affected poor communities; (b) provide capacity building for women, youth and other community groups for improving food security, employment opportunities and household incomes; (c) strengthen social cohesion and partnerships between and within communities in the ARMM region; and (d) improve local governance and institutional capacities for implementation in the ARMM Region, with a focus on improved transparency and accountability in the allocation and management of public resources by the participating communities, local government units (LGU) and ARMM Regional Government.

## 3. Rationale for Bank's Involvement

(a) To build on and expand the successful experiences of the on-going SZOPAD Social Fund Project, and to meet the huge demand for basic infrastructure and social services on the part of conflict-affected communities, which are among the poorest communities in the country (based on various indicators); (b) to introduce innovations on more effective ways of delivering basic services to conflict-affected communities by empowering them to take the main role in planning, implementation and sustained O&M, with appropriate support from LGUs and the ARMM Government; (c) to address governance needs in helping ARMM re-establish its credibility and capacity in providing basic services responsive to the

needs of the population, through supporting reforms/improvements in planning, budgeting, and implementation of development activities. The experiences gained can be used to replicate community-driven approaches in other low income and conflict affected communities.

#### 4. Description

The project is designed according to the following principles:

Community-driven development (CDD), through: (i) improved partnerships involving ARMM Government, LGUs, NGOs, and the private sector; and (ii) multiple implementation mechanisms (e.g., quick response methods/QRM and catalytic development methods/CDM) to fast track funds and resources to meet sustainable development objectives;  
Social capital strengthening of participating communities;  
Transparent and accountable management of criteria and priorities for community and stakeholder participation;  
Adaptation of relevant lessons from international and national experiences;  
Complementarities with other projects; and  
Management and coordination through a semi-autonomous Project Management System, focusing on sustainable mechanisms and arrangements.

#### Components:

**Community Development Assistance:** This component aims to empower target communities and create opportunities for increased community participation in reducing poverty and promoting a durable peace. Community-driven development (CDD) mechanisms will be implemented and adapted to ARMM conditions. Community/peoples organizations (POs) from qualified barangays will receive on a demand basis technical and financial assistance so they may efficiently implement and manage subprojects addressing their priority socio-economic needs. The subprojects will be selected from a menu derived from a social assessment of community needs in Mindanao, and will be formulated within the framework of a prioritized community plan and an allocation ceiling to be phased in tranches. The proposed approach will involve community contracting and various accountability mechanisms to ensure efficient and transparent use of funds, to empower and benefit vulnerable target groups.

**Proposed Pilots:** Prior to project launching in early 2003, pilot activities will be undertaken to test the design and implementation arrangements for the CDA component. One municipality in each province, with five target barangays in each municipality (for a total of 20 barangays) will be covered during the pilot stage.

**Strategic Regional Infrastructure:** This component will: (a) improve access and provision of services by rehabilitating critical infrastructure damaged during the war in 2000; (b) use regional infrastructure projects to strengthen ARMM's processes in procuring, managing, and monitoring infrastructure investments.

**Institutional Strengthening and Governance:** This component supports project management, and institutional strengthening, and enhanced governance of ARMM, LGUs and other partner institutions portion, and enhanced social capital at various levels to help ensure sustainable development. In addition to a smooth implementation of the social fund itself, this component will initiate processes towards improving performance delivery, transparency and accountability of the ARMM and

local government units to their respective constituencies, especially in conflict-affected communities. Similarly, the component will support the cross-cutting theme of good governance in all sub-project components.

This component activity will introduce open, transparent and accountability processes and mechanisms into the ARMM administration, especially in at least one unit of the ARMM regional government; and initiate accountability in the ARMM by piloting open and transparent procedures. LGUs will also receive capacity building assistance in improving local governance. The component will organize cross-visits to expose ARMM and LGU officials to best practices in local governance and public service delivery in other regions.

A package of assistance to mainstream community-based informal education system, which currently is primarily linked to religious education, into the national education system/curriculum. The activities will enhance the quality of education at such religious schools, and therefore enhance their education standards and the future employment prospects of such students.

Summary of Target Groups and Project Benefits: The Project prioritizes groups most affected by deprivation and displacement caused by armed conflict. These include the poorest community members; farm workers without assets, the elderly, widowed women, IDPs, IPs, children and out-of-school youth. Youth are especially vulnerable to recruitment by MNLF/MILF rebel forces and lawless elements, such as New Peoples' Army (NPA) or Abu Sayyaf. Following the CDD strategy of the Project, the poorest sector of the community will participate side by side with other members, and benefit not only financially but also in social capital strengthening.

A comprehensive assessment has been carried out of the Project's expected benefits. Benefits are organized by each of the three project components, broken down by major activities. Benefits may also be subdivided into those that are social in nature (e.g., access to potable water or improved quality of health services); and purely economic, such as reduced cost of transporting passengers and cargo resulting from the rehabilitation of access infrastructure. Project benefits may be classified by expected timelines, in accordance with the implementation schedule outlined above (See Annex 6, Table 1 for a summary of these benefits):

(i) Immediate benefits are realized soon after the project is completed or even initiated, (e.g., immediate employment in infrastructure rehabilitation).

(ii) Additional, long-term impact is also expected, taking into account the "gestation period" not only for infrastructure subprojects, but also for non-infra subprojects such as capacity-building. Classic examples of such impact are increases in income, labor productivity, long-term employment-generation, generation of backward and forward economic linkages (such as more vibrant transport and marketing activities due to a rice or corn mill subproject), and private sector investments. Improvement in social capital and cohesion is a benefit that may take the longest time to be realized, but help sustains peace and development.

A project benefit analysis outlines quantitative and qualitative benefits. Quantifiable economic benefits are derived mainly from: Community Development Assistance (especially access infrastructure, potable water supply and post-harvest facilities); Strategic Rural Infrastructure; and Institutional Strengthening and Governance.

Finally, project benefits either accrue directly to the community level, or (initially) at intermediate and higher levels. All benefits, such as increased incomes and employment and greater labor and natural (local) resource productivity, should eventually accrue directly to communities. However, many of immediate benefits will accrue to "intermediary institutions" particularly LGUs and NGOs - to enable these institutions to provide socio-economic benefits to the communities. Examples of benefits accruing to intermediary institutions are enhanced governance capabilities of LGUs and the ARMM government and improved implementation capacities of both government agencies and NGOs.

#### 5. Financing

Total ( US\$m)

BORROWER \$7.00

IBRD \$33.60

IDA

Total Project Cost \$40.60

#### 6. Implementation

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#### 7. Sustainability

The project is being designed to address sustainability issues up-front, and as integral part of project design and implementation. Participating communities are being empowered to take the primary lead in the O&M of subprojects, within the framework of a community plan. Efforts will be made to reform/strengthen the developmental role of the new ARMM Government and LGUs.

#### 8. Lessons learned from past operations in the country/sector

An independent impact assessment of the SZOPAD Social Fund Project highlighted the following lessons: (a) an emergency, quick-response mechanism for post-conflict areas is necessary, but is insufficient to

promote lasting peace and development; and (b) the sustainability of subprojects is dependent on a number of factors, including the responsiveness of the subprojects to community demands, the active participation of LGUs, national government agencies, NGOs, and other groups, linkage with other livelihood, financing, and technical assistance projects, and a workable O&M plan.

These lessons and the experiences of other Social Funds and community-driven projects are being integrated into the over-all design of the ASF Project. They are operationalized in both site and beneficiary targeting criteria as well as in the development of participatory planning mechanisms and approaches to implementation. Some of the relevant lessons learned from other Social Fund projects include the following:

9. Environment Aspects (including any public consultation)

Issues : Steps are being taken to ensure the relevant Bank and GOP environmental safeguards are adequately addressed during implementation.

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Note: This is information on an evolving project. Certain components may not be necessarily included in the final project.

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