

World Bank Group Country Assistance Strategy (CAS) for the Philippines 2009-12

CAS Multistakeholder Consultations

September 24, 2008
Davao

Philippines CAS Team

Outline of Presentation

- Overview of the World Bank Group (WBG)
- What is a CAS?
- The World Bank in the Philippines
- New World Bank Strategy for the Philippines

Overview of the World Bank Group

- The Beginning of the WB Group
- WBG and its Members Today
- WBG Shareholders and Borrowers
- WBG Governance Structure
- WBG Products and Instruments

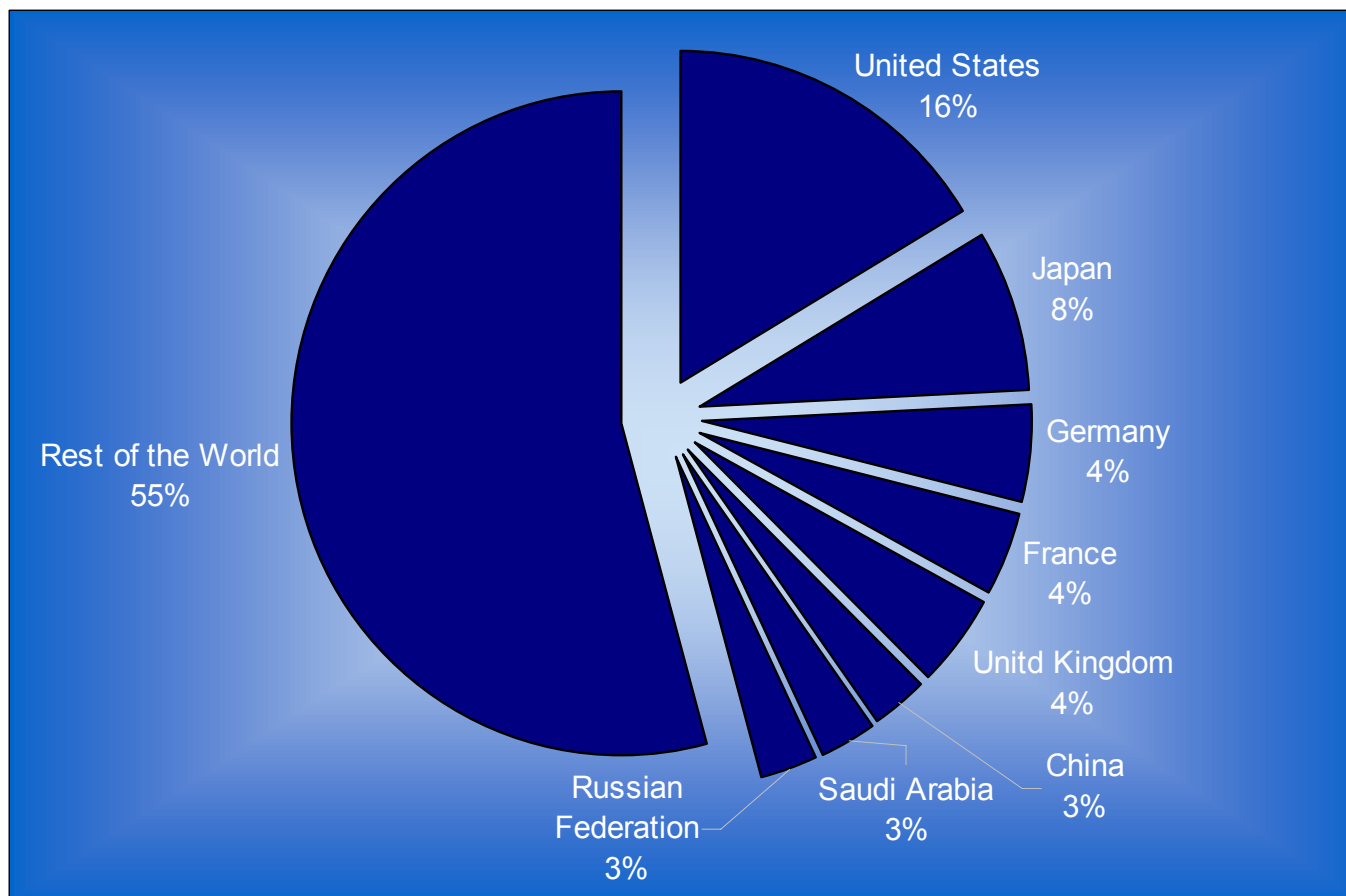
The Beginning of the WBG

- In July 1944, at the **Bretton Woods conference** to address post World War II needs of the international economy, two institutions were established
 - **International Monetary Fund** to focus on the stability of the international financial system
 - **International Bank for Reconstruction and Development** to foster long term economic development and poverty reduction

The WBG and Its Members Today

- **International Bank for Reconstruction and Development (IBRD)** – extends loans and development assistance to middle-income countries and creditworthy poorer countries
- **International Development Association (IDA)** – provides interest-free loans and other services focused on the poorest countries
- **International Finance Corporation (IFC)** – extends financing for private sector investments and technical assistance and advice to governments and businesses
- **Multilateral Investment Guarantee Agency (MIGA)** – provides guarantees to foreign investors against loss caused by non-commercial risks
- **International Center for Settlement of Investment Disputes (ICSID)** – provides facilities for settlement (by conciliation or arbitration) of investment disputes between foreign investors and their host countries

The World Bank Shareholders



The World Bank Borrowers

Early Borrowers

- France first to borrow \$250 million to finance post-war reconstruction in 1947
- Many donor nations of today, including Austria, Japan, Denmark, Italy, Australia, Korea and Greece started out as IBRD borrowers

Current Top Five Borrowers

- India
- Argentina
- China
- Indonesia
- Turkey

Governance of the World Bank

Member Countries

Board of Governors

Board of Executive Directors

President

Bank Staff

- 185 member countries appoint their Governors to the Board
- The Governors delegate specific duties to 24 Executive Directors
- The President of the World Bank reports to the Board of Executive Directors
- 10,000 staff members, 70% in Washington DC and 30% in more than 100 country offices

Philippine Representation at the World Bank Group Board

- **Governor** - Finance Sec. Margarito Teves
- **Alternate Governor** - BSP Gov. Amando Tetangco Jr
- **Executive Director (ED)** for the group of countries where the Philippines belongs - Rogério Studart
- **Philippine representative** in ED's office - Soledad Emilia Cruz, Advisor to the ED

Where does IBRD get money to lend?

- IBRD relies on its AAA bond rating to raise funds on international capital markets for loans to developing countries at reasonable rates.
- IDA credits and grants to the world's poorest countries come from donor contributions, with additional funds from profits of IBRD and IFC and IDA borrowers' repayments.

IBRD Lending Instruments

- **Investment Lending**

- To finance goods, works, services in support of economic and social development projects in a broad range of sectors
- From hardware, engineering services and civil works to institution building, social development and public policy infrastructure

- **Development Policy Lending**

- Quick disbursing external financing to support policy and institutional reforms
- From macro, trade policy & agricultural reforms to structural, financial sector, social policy reform and public sector resource management (governance)

IBRD Analytic and Advisory Activities

- Poverty assessments
- Social and structural reviews
- Public expenditure reviews
- Sector reports
- Country economic memoranda
- Knowledge sharing
- Capacity building
- Non-lending technical assistance

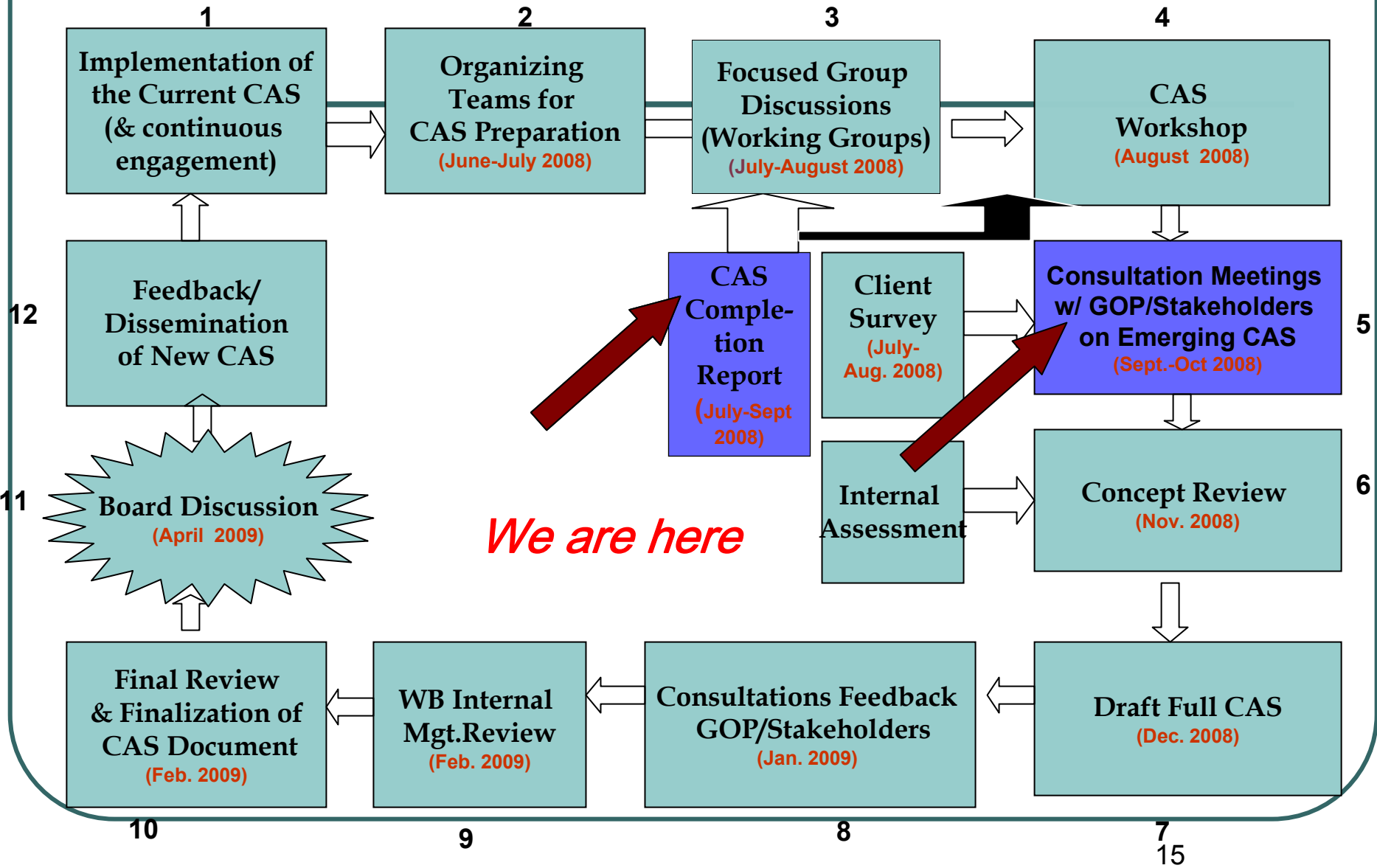
What is a CAS?

- What is a CAS?
- CAS Engagement
- Helping Shape the CAS

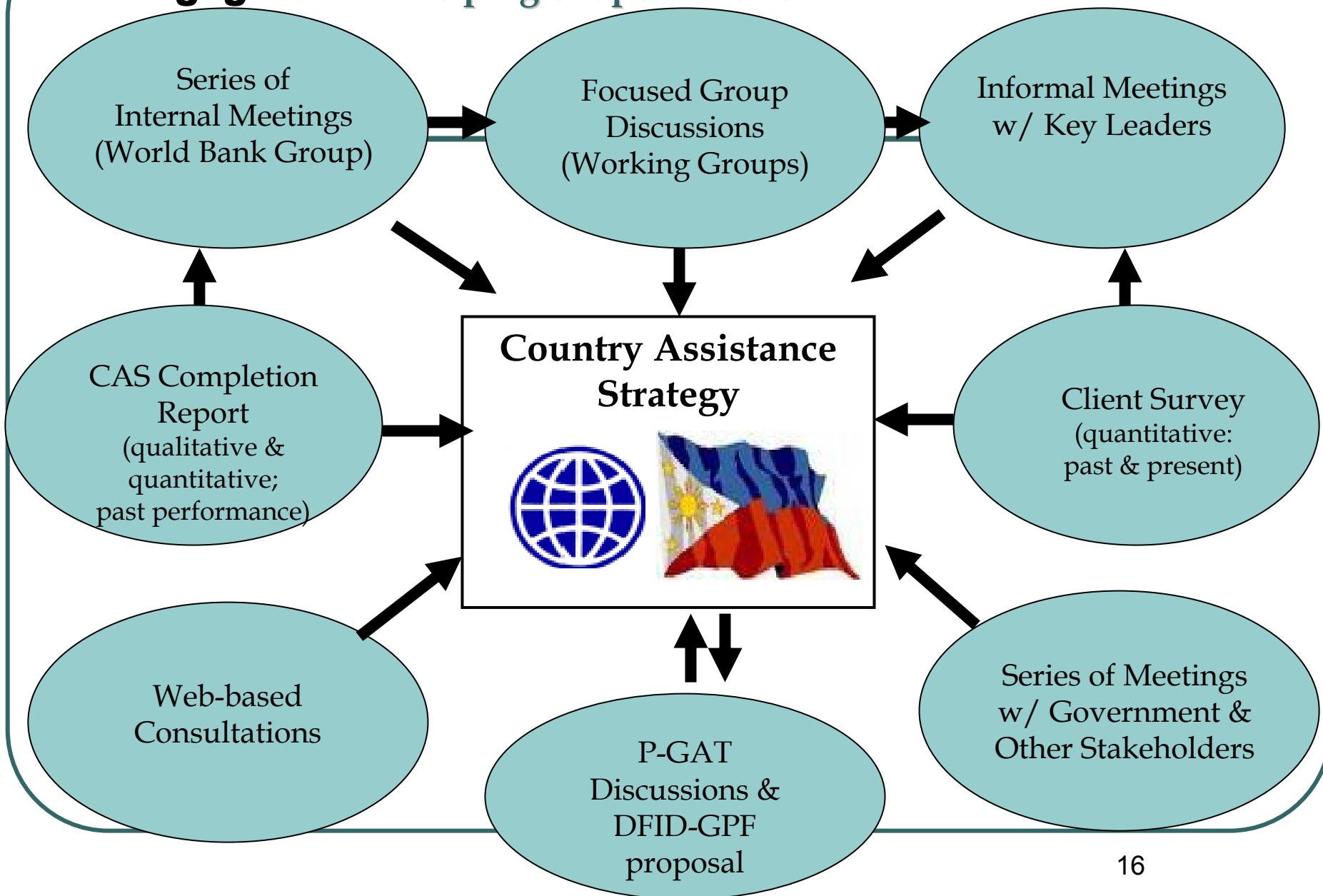
What is a CAS?

- World Bank's framework of partnership with the country
- Opportunity for building consensus on framework of partnership & align with country priorities
- Agreement with the Government on the Bank's work
- Vehicle for consultations with partners and stakeholders
- Internal covenant to manage creditworthiness and exposure
- Accountability tool to measure if results have been achieved
- Summary assessment and diagnostic of the country
- Instrument for communicating the Bank's role

CAS Engagement: A Dynamic Process



CAS Engagement: Helping Shape the CAS



The World Bank (WB) in the Philippines

- 2006-09 World Bank Strategy
- Main Country Outcomes
- Bank's Contribution
- Examples of Results to Date
- Bank Group Portfolio in Mindanao

The 2006-09 Country Assistance Strategy

- **CAS Objectives**

- Achieving fiscal stability
- Generating economic growth
- Ensuring social inclusion and improved delivery of basic services
- Improving governance

- **Three Platforms**

- national
- local
- private

- **Focus on “Islands of Good Governance”**

- Areas where governance arrangements are sufficiently sound to provide a reasonable chance of success

Main Country Outcomes

- **Fiscal Stability**

- Significant progress in turning the fiscal situation around; tax revenues increased; national govt. fiscal situation goes from deficit to surplus
- *But can this be sustained?*

- **Economic Growth**

- The economy continues to grow at 5%+ per annum
- *But driven primarily by consumption. Need to increase investment*

- **Social Inclusion**

- Poverty increased despite economic growth
- *Need to ensure the poor benefit from growth*

- **Governance**

- Govt continues to strengthen procurement, improve budgeting
- *But civil service reform is lagging, government corruption continues to be a concern*

=> Conclusion: Improvements in public sector finances and management and higher economic growth, but these efforts need to be sustained and accelerated with measures to ensure that the poor benefit more

Bank's Contribution to Philippines Development

● Transfer of Knowledge

- **International experience** applicable to the Philippines: e.g. conditional cash transfers
- **Conducts diagnostics:** e.g. Development Policy Updates, Doing Business in the Philippines, Environmental Monitors, Agricultural Public Expenditure Review, etc.
- **“Cutting edge” operations:** e.g. carbon emissions reduction
- **KDCs:** 11 “Knowledge for Development Centers” in partnership with leading private and state universities

Bank's Contribution to Philippines Development

- **Transfer of Funds**

- Committed \$1.05 billion of new funds for education, health, natural resource management, roads, rural development and local government development in FY06-08
- At the national government level, move to support government programs (rather than specific investments)
- As of June 2008, 27 ongoing projects (incl GEF and stand-along TFs) for a total of \$1.4 billion
- Value-added grants thru Japan Social Development Fund, Institutional Development Fund, Mindanao Multi-Donor Trust Fund and others

Bank's Contribution to Philippines Development

- **Development Partner Cooperation**

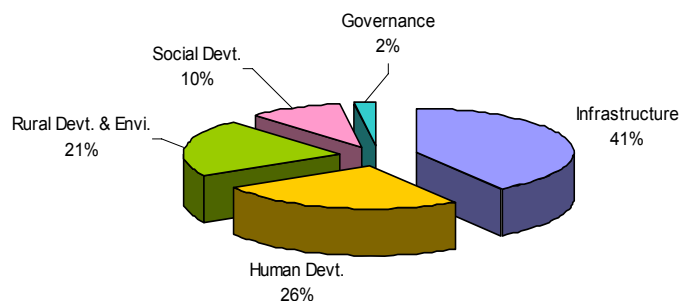
- Active in the Philippines Development Forum, working with the Government and other development partners to increase development effectiveness
- Support for harmonization agenda

- **“Panibagong Paraan”**

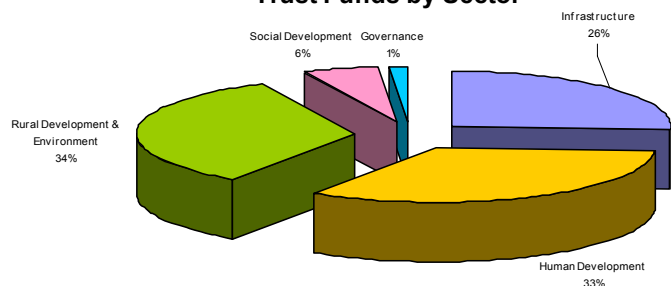
Development Market Place: a competition open to civil society for grant projects to address local development challenges

The WB Philippine Portfolio

Loans by Sector



Trust Funds by Sector



- 27 Active projects - \$1.4 bln commitment
 - 22 loans
 - three stand-alone trust funds
 - two stand-alone and two supplemental GEF grants
- 72 active trust funds - \$137 mln

Examples of Results to Date

- \$214 million lent to small, rural enterprises, creating an estimated 17,000 new jobs (Rural Finance 3)
- Agrarian Reform Communities report 21% increase in real income after 3 years (ARCDP 2)
- 382 km of national roads improved; 721 km of preventive maintenance carried out (NRIMP 1)
- 383 LGUs receive funding; 643,896 gain access to local infrastructure and services; staff of 979 LGUs receive training (LOGOFIND)
- Other: increased access to electricity in rural communities; greater community participation in local investment planning, etc.

The WB Philippine Portfolio (Specifically in Mindanao)

Exclusively in Mindanao:

- Mindanao Rural Development Project 2 - \$83.75 M
- ARMM Social Fund - \$33.6 M
- Mindanao Trust Fund for Reconstruction and Development - \$7 M in total grants

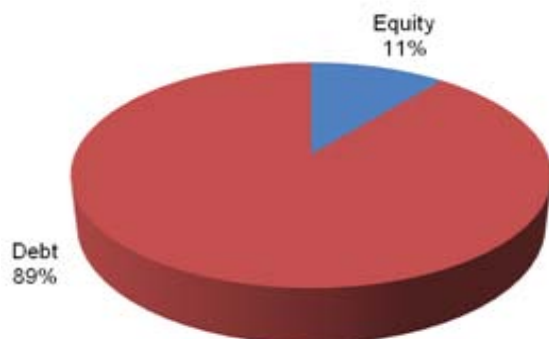
Other Nationwide Projects with Mindanao Coverage:

- Second Women's Health and Safe Motherhood Project
- Second Agrarian Reform Communities Development (ARCDP)
- Diversified Farm Income and Market Development Project
- Local Government Finance and Dev. Project (LOGOFIND)
- LGU Urban Water and Sanitation Project – APL2
- Rural Power Project
- National Roads Improvement and Management Project (NRIMP)
- KALAHI-CIDSS)
- Judicial Reform Support Project

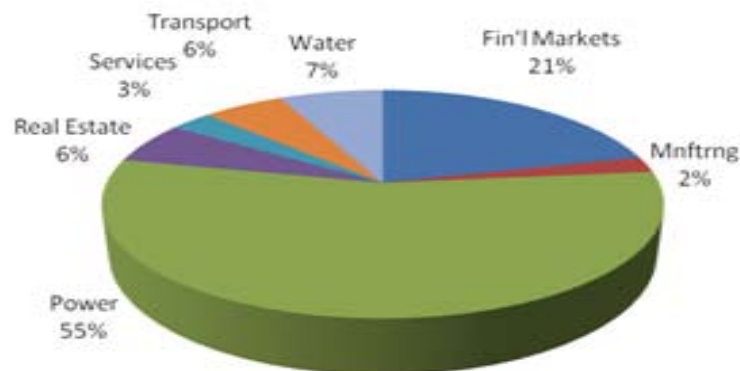
Philippines: IFC Investments

- Manila field office since 1977
- Davao office in 2006
- Committed US\$ 2+ billion since 1963
- New commitments in FY 08: US\$ 564m
- September 2008 exposure: US\$ 986m, (including US\$ 5m in syndication)

IFC Portfolio by Product



IFC Portfolio by Sector



Outstanding + Undisbursed Commitment. Includes syndication participants.

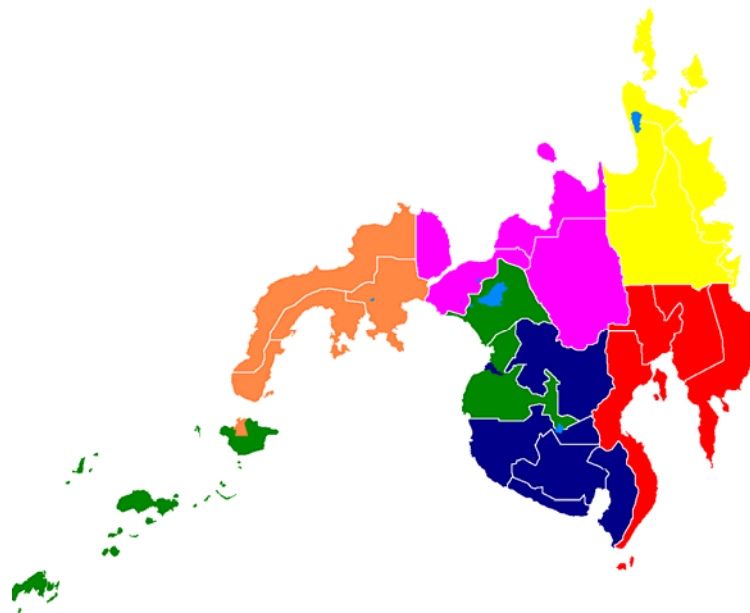
Philippines: IFC Mindanao Focus

Investment

- Cement Plant
- Banana Company
- Microfinance Bank
- Power generation and distribution

Advisory

- Mindanao Banana Chain
- Rural Electrification
- SPUG (Small Power Utilities Group) Basilan



New World Bank CAS for the Philippines

- Why a new CAS?
- Emerging Strategic Shifts
- Perceived Operational Needs
- CAS Selectivity Filters
- Questions for Discussion

Why a New CAS?

- Strengthen client orientation
- Ensure alignment with country priorities
- Increase focus on development outcomes
- Establish new agreement with Government
- Re-confirm partnership with all stakeholders
- Reshape and invigorate Bank program

Emerging Strategic Shifts

- Increase focus on direct poverty alleviation
- Operationalize the focus on governance
- Expand and re-focus knowledge agenda
- Strengthen linkages to global issues – climate change, disaster risk management

Perceived Operational Needs

- Increase focus on results
- Speed up implementation
- Reduce preparation costs and time
- Critically review ongoing program and pipeline
- Strengthen partnerships
- Consider innovations and entry points of reform
- Improve integration of available instruments

CAS Selectivity Filters

- Priority for the country
- Relevance for poverty and governance
- Operational feasibility
- Comparative advantage/partnerships
- Support for Bank strategic themes
- “Humility” filter – acknowledge MIC reality

Questions for Discussion

- Do the emerging strategic shifts resonate with you?
- Are there specific interventions the Bank should support to more directly alleviate poverty?
- What specific interventions could the Bank support to help improve governance?
- How can we better prioritize?