

World Bank Country Assistance Strategy (CAS) for the Philippines,  
FY 2006-2008

**FEEDBACK REPORT TO PARTICIPANTS OF  
MULTI-STAKEHOLDER MEETINGS**

**Background**

The consultations on the World Bank's Country Assistance Strategy were done through various dialogue and feedback mechanisms which included a CAS Completion Report, a Client Survey, a series of formal and informal meetings with key opinion leaders from various sectors and with government officials from oversight and implementing agencies, including a government CAS counterpart group which was set up specifically for closer coordination, both on the CAS process and substance.

Separate meetings were also held with other development partners, both with bilateral and multilateral agencies. Through small and big meetings, the World Bank was able to listen to the views of its various stakeholders – views on the development needs of the country in the next three years and how the Bank can assist the government and other development partners in addressing these needs.

This report documents the process and results of the more structured and formal multi-stakeholder meetings which complemented the other forms of consultations. It summarizes the key messages and recommendations of the consultations held in connection with the formulation of the Country Assistance Strategy (CAS) for the Fiscal Years 2006-2008. Five consultation meetings took place between August to October 2004 in four areas nationwide: Tuguegarao (August 12, 2004), Davao (September 12, 2004), Cebu (September 22, 2004) and in Manila, at the Asian Institute of Management (October 18, 2004), at Linden Suites (October 22, 2004.)

This report is divided into five sections: (1) the objectives/significance of consultation process/design; (2) the participants; and (3) key messages from the CAS Consultations; (4) implications on World Bank assistance; (5) the evaluation results.

**I. Objectives/Process/Design of the CAS Consultation**

Building on the past CAS consultations in 1999 and 2003 and on its regular outreach and dialogue activities, the World Bank, in its efforts to continue to listen to the views of national (executive, legislative, and judicial) and local government, civil society, business community/private sector, academe, labor groups, and other development partners, organized and conducted multi-stakeholder consultation workshops across the country. The CAS consultation

workshops were aimed at getting the views of the stakeholders on (1) the critical problems of the country and policy options and programs that will lead to better development outcomes in the medium-term; and (2) how the Bank can improve its programs of assistance and operations in the country.

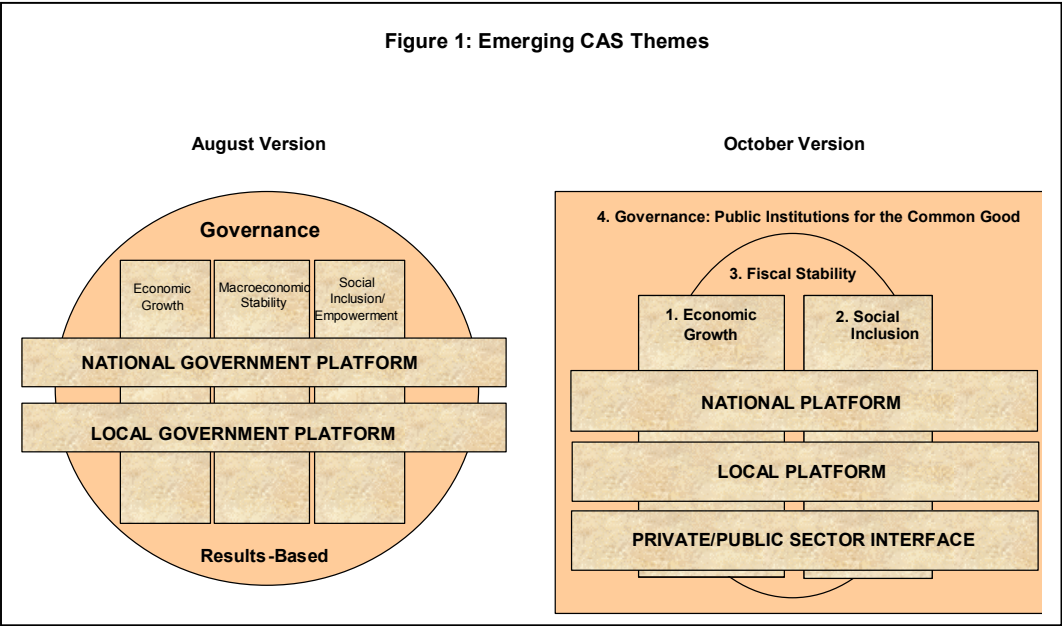
Close to 300 participants attended the workshops held within the period of August to October 2004. The national government representatives comprised the bulk of the participants (38%), followed by representatives from civil society and labor (28%), Local Government Units (16%) and academe (12%). All the consultation meetings were done in partnership with the government's central planning agency, the National Economic Development Authority. As the government's Medium Term Philippine Development Plan (MTPDP) was also being finalized during the period of the CAS consultations, it was an opportune time for Government to present the draft MTPDP to a wider group of stakeholders.

Two meetings were held in Manila, and one meeting each was held in Tuguegarao, Cebu and Davao. The active participation of high-level local chief executives from Mindanao and the Visayas was quite impressive. Except for one meeting in Manila, all the CAS consultations were organized in partnership with the Bank's Knowledge for Development Centers: St. Paul University, University of Southeastern Philippines, University of San Carlos, Silliman University, and the Asian Institute of Management.

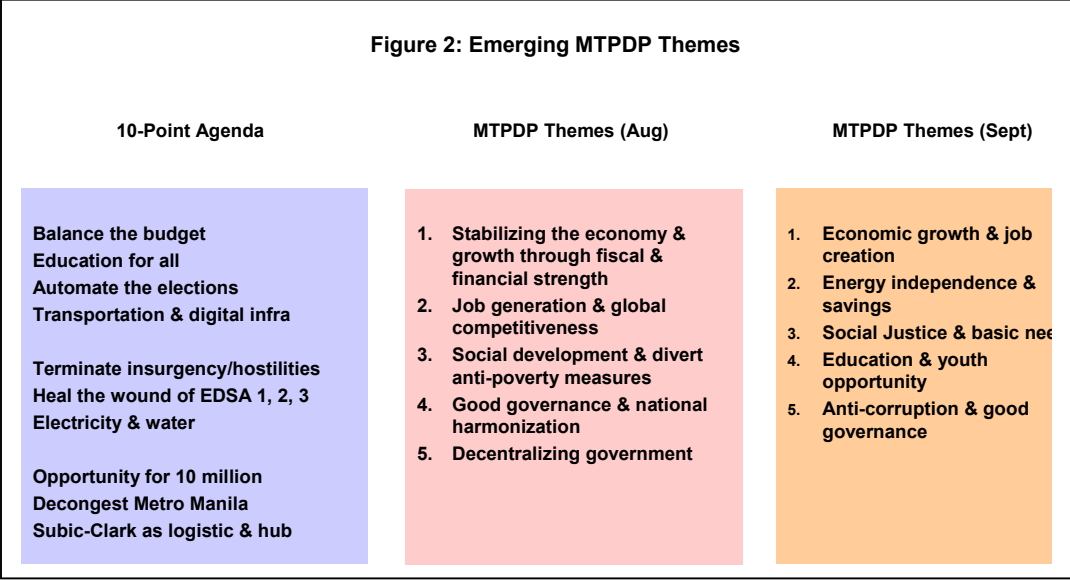
Consistent with the thrust towards making the CAS more thematic (i.e. focusing on cross-sectoral rather than purely sectoral issues) and results-oriented with clear targets and timetables, the consultation also followed a process that (1) validated the broad themes and the critical measures that would comprise a strategic action agenda for the country initially formulated by the Bank; (2) identified key players (e.g. national, LGU and private sector) and their roles in the implementation of the action agenda; and (3) the role of the World Bank in the reform process.

In general, the consultations validated the importance of the emerging CAS themes which identified: (1) two critical areas for improving development outcomes (i.e. growth and social inclusion); (2) two levers (i.e. fiscal stability and good governance); and (3) three platforms (national and local levels and the public-private sector linkage). Refer to Figure 1.

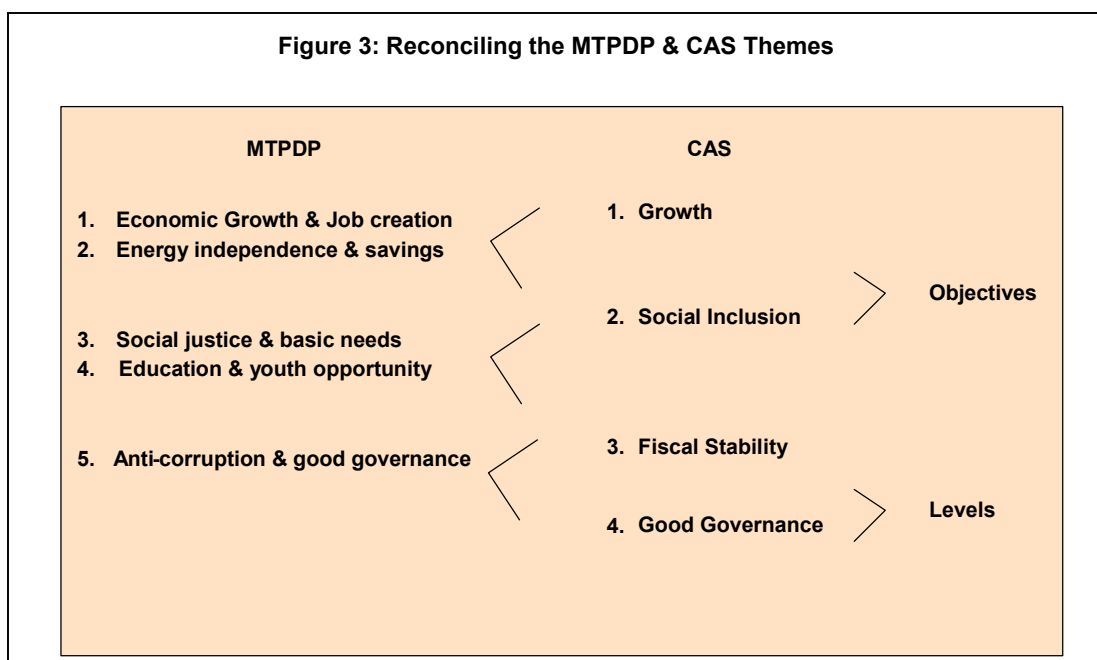
The CAS consultation workshops revolved around the Bank's emerging development framework, which was further refined after each consultation meeting.



At the time of the consultations, the emerging MTPDP was also being reviewed and revised. The ten-point agenda, however, remained the basis of the MTPDP, and most of the major themes at the start of the consultation process were retained in the final version the MTPDP (refer to Figure 2). There was a conscious desire to align the CAS priority themes with those of the MTPDP. Hence, the CAS framework hues closely with the MTPDP themes (Figure 3).



**Figure 3: Reconciling the MTPDP & CAS Themes**



Consistent with the thrust towards making the CAS more thematic (i.e. focusing on cross-sectoral rather than purely sectoral issues) and results-oriented with clear targets and timetables, the consultation also followed a process that (1) validated the broad themes and the critical measures that would comprise a strategic action agenda for the country initially formulated by the Bank; (2) identified key players (e.g. national, LGU and private sector) and their roles in the implementation of the action agenda; and (3) the role of the World Bank in the reform process. These concerns became the three key results of the initial consultations held in Tuguegarao, Davao and Cebu, serving as a template for the workshops.

However, after each consultation, the design and process were reviewed and adjusted. Hence, the first set of multi-stakeholder consultations which were held in Tuguegarao, Davao and Cebu followed a more structured process, as described above while the second set of CAS consultations in Manila followed a less structured process which was in the nature of focused group discussions, with a set of guide questions. The questions aimed at addressing specific national issues on growth, social inclusion and governance.

## **II. The Participants**

A total of 274 participants attended the five CAS consultation workshops.<sup>1</sup> The national government representatives comprised the bulk of the participants (38%), followed by representatives from civil society and labor (28%), LGUs (16%) and academe (12%). The active participation of high-level Local Chief Executives from Mindanao and the Visayas was quite impressive. Interesting insights on local governance were gathered during these workshops.

<sup>1</sup> The number of participants excludes the Bank staff and the facilitators' team.

	<b>Tuguegarao</b>	<b>Mindanao (Davao)</b>	<b>Visayas (Cebu)</b>	<b>Manila (AIM)</b>	<b>Manila (Linden)</b>	<b>Total</b>
National Government/ Legislature	7	17	21	37	21	103
Local Government Units	14	19	9	3	-	45
Civil Society Organizations inc. labor	1	34	18	14	11	78
Business	-	4	3	2	1	10
Academe	9	7	7	5	4	32
Donors		6	-	-	-	6
<b>TOTAL</b>	<b>31</b>	<b>87</b>	<b>58</b>	<b>61</b>	<b>37</b>	<b>274</b>

### **III. Key Messages and Recommendations from the CAS Consultations**

A summary of the key messages consistent with the framework is described below. (Detailed recommendations are posted in the website.) The discussion of the results follows the CAS framework which is divided into the: (A) goals, the (B) levers and the (C) platforms of development.

#### **A. Goals of the Philippine Development Agenda**

- Pursuit of Economic Growth

While the Philippines has been able to grow at a modest rate in the last three years, the growing population requires a more accelerated economic growth performance in order to significantly reduce poverty. There was consensus that economic growth will be difficult to achieve if the current fiscal and governance issues will not be addressed. There was a very strong clamor for the government (1) to show political will in pursuing revenue measures to avert a possible economic crisis; and (2) to rally the people towards supporting necessary measures which may be painful to implement but which may be more bearable than a full-blown economic crisis.

Based on the consultations, the attainment of economic growth in the medium-term will hinge on (1) addressing infrastructure bottlenecks; (2) raising investments particularly in identified priority sectors where the country has comparative advantage; (3) developing further the financial market; (4) arresting the declining competitiveness of the country; (5) developing a globally competitive labor force; and (6) promoting the sustainable use of natural resources. There was a strong clamor to localize economic growth and to institute policies that would promote a more balanced rural-urban growth through increased investments outside Metro Manila for the development of community-based industries.

- Addressing Social Inclusion

Consistent with the pursuit of growth is the need to work towards greater social inclusion and more equitable distribution of income in the country. The consultations highlighted (1) the importance of promoting sectors that can generate employment and improving the productivity of workers; (2) the need to improve access of the people to productive assets (e.g. land) and to services like education and health; (3) the necessity of empowering marginalized and vulnerable groups through social protection and safety net programs to prevent them from being poor or from falling deeper into poverty, especially with the vulnerability of the Philippines to crisis situations; (4) the consequences of addressing population issues; (5) providing programs for the youth; and (6) enjoining civil society groups, the community and the private sector in general to participate more actively in the planning, implementation and monitoring of social sector projects.

The consultations also discussed the increasing role of local government units (LGUs) in the delivery of basic social services at the community level. More efficient service delivery to poor communities, which is partly dependent on the convergence of poverty-related services at the local level, however, requires improving the coordination between the national government and the LGUs. At the same time, the consultations also called for more participatory governance through the implementation of more community-driven development projects, replicable in other poverty areas in the country.

## **B. Development Levers**

- Addressing the Fiscal Stability

In general, the participants expressed general impatience with the pace of government's response to the fiscal problem arising partly from the slow action of the legislative branch, perhaps traced to the lack of appreciation of the gravity and urgency of the fiscal situation, as well as the perceived need for a stronger leadership role of the executive branch. The consultations called on government to recognize the seriousness of the problem and to rally the people towards supporting solutions. It was also suggested that individuals/academic groups be enjoined to be policy champions, giving briefings to the public on the implications of a possible economic crisis and of the proposed revenue measures to the lives of ordinary Filipinos.

Recognizing the difficulty of legislating the needed revenue measures proposed by the Executive, the consultations suggested: (1) the formulation of a contingency measures consisting of a “second best” reform agenda in case Congress fails to pass the revenue measures which can include temporarily closing sources of revenue leakages such as duty free shops and alternative tax measures used in countries with similar problems (e.g. financial sector withdrawal tax); (2) pursuing expenditure management reforms, such as the reorganization of government, focusing on cash-strapped government-owned and controlled corporations (e.g. National Power Corporation and National Food Authority) and oversight agencies (e.g. Department of Finance, National Economic Development Authority and Commission on Audit), and the implementation of procurement reforms, especially at the local levels.

- Promoting Good Governance

Weak governance at the national and local levels was generally perceived as derailing the country’s development. The discussions went beyond the usual concerns on corruption towards means of making public institutions work better for the common good with greater accountability and quality of service being required from public servants.

There was also a strong clamor for promoting good governance at the local level, where there has been exemplary models of effective service delivery or “islands of good governance” in recent years, which were proposed to be replicated. It was generally believed that the effective implementation of the Local Government Code offers potential opportunities for improving public service delivery at the sub-national levels.

Promoting just and sustainable peace especially in Mindanao was, likewise, identified as a critical factor for the country’s development. A combination of peace-keeping efforts and social development interventions is important in the pursuit of lasting peace in the country.

### **C. Implementation Platforms**

- Strengthening the National Government

The attainment of the country’s development agenda is premised on the national government’s ability to exercise strong political will and leadership to implement needed economic and political reforms. The consultations highlighted the politics of policy making as an

important consideration in the pursuit of growth particularly (1) consistent implementation of policies even with changes in administration; (2) participatory policy making which calls for constant consultation with stakeholders, including local government officials; and (3) improved coordination among branches of government, and between the national and local governments, in policy formulation, implementation and monitoring.

The necessity of closer coordination is more crucial between the national government and the LGUs in the effort to make decentralization work better through greater responsibility being given to LGUs in the delivery of basic services. In relation to this, the consultations called for transformation of the national government's role vis-à-vis the LGUs, where the former focuses on standard or performance benchmarking, incentive setting and performance monitoring rather than the traditional project implementation even for devolved functions. To assist the national government in the implementation of the MTPDP at the local level, the LGUs are proposing a "burden-sharing," scheme based on a two-way arrangement where LGUs will be tasked with more responsibilities and accountability for implementation of critical MTPDP-related projects which are to be matched with resources from the national government for project implementation.

In line with the objective of improving good governance is the importance of streamlining government operations involving the whole public sector from the executive to the judicial branches as means of improving the efficiency and effectiveness of service delivery. Specifically, the consultations pinpointed the importance of (1) addressing graft and corruption in "high profile" agencies like the tax collecting agencies; (2) making agencies accountable to the public; (3) focusing efforts on the agencies that are critical to the attainment of economic growth such as the peace-keeping agencies (e.g. Philippine National Police) and the judicial system. The consultations identified examples of "islands of good governance" both at the national and local agencies which need to be more systematically scaled-up nationwide.

- Building LGU Capacity

To make decentralization work better, LGUs should be assisted through capacity-building measures in planning including poverty planning, income generation, project programming, budgeting and monitoring. Recognizing that many LGUs are dependent on central government transfers through the Internal Revenue Allotment (IRA), the consultations recognized the importance of assisting LGUs to be

financially independent of the national government by improving their capability to raise revenues and other capital resources. In line with this, the LGUs have appealed to both the national government and the donors to review existing financing mechanisms available to LGUs in order to increase their access to both grants and direct loans and/or to facilitate the processing of their loan requirements through existing windows like the Municipal Development Fund.

Part of LGU strengthening is the promotion of participatory governance, which partly entails enjoining communities to have a stronger role in planning and implementing local projects most beneficial to them. This will be implemented partly by strengthening civil society's partnership with local governments in all aspects of governance.

- Increasing private sector role in economic development

While the private sector remains to be the engine of growth in the country, the government has called on the sector to play even greater roles in assisting the government to attain its social development goals, especially given the present fiscal problems. On service delivery, the private sector can partner with government in its poverty reduction programs. To improve governance, the private sector is encouraged to set up systems for monitoring public sector performance in public works, procurement, among others.

In line with participatory governance, the consultations affirmed the importance of greater involvement of civil society organizations not only in monitoring public sector performance but also in the planning and implementation of projects and programs. Increasing involvement by civil society organizations, however, would entail not only their participation in meetings and conferences but also increasing their capacity to understand, analyze, advocate and monitor policies as well as programs and projects.

#### **IV. Implications on the Bank's Role in the Proposed Development Framework**

##### **A. On Pursuing Economic Growth**

- The Bank (International Bank for Reconstruction and Development and the International Finance Corporation) can provide financing for infrastructure projects and for the capital projects of the government and the business sector in areas, such as housing, where long-term sources of credit are necessary.

- The Bank can facilitate the implementation of infrastructure projects in the light of high regulatory risks at this time through its guarantee mechanisms, among others.
- The IFC can also channel resources in areas where there it is difficult to bring private sector participation and where potential for progress is present (e.g. ICT and infrastructure, palm oil industry)
- In terms of project/program loans, the Bank can continue its involvement in (a) pension reform; (b) the Mindanao Regional Development Program (MRDP); (c) the development of agriculture-related projects; and (d) environment related loans
- The Bank may consider technical assistance in the following areas: (a) studies aimed at raising investments (or private sector financial flows) in the rural areas to address the uneven development in the Philippines; (b) strategic studies on improving the competitiveness of Philippine industries; and (c) encouraging microfinancing at the local levels including the setting up of an accreditation body for SMEs.

## **B. On Addressing Social Inclusion**

- The Bank may wish to expand the KALAHI-CIDSS project but with more LGU involvement as part of the package of reforms on promoting good governance at the LGU level.
- As explained below under the section on governance, the Bank can package a governance project or program loan that will aim at improving the capability of LGUs in planning especially in anti-poverty planning, targeting and implementation [refer to governance section].
- As possible technical assistance to LGUs, the Bank can assist LGUs in formulating safety net programs that will mitigate the impact of the economic crises, natural disasters on vulnerable groups and improve the present social protection programs in the country. The Bank can push for the preservation of expenditures for basic social services (e.g. education and health) in the light of austerity measures being implemented by the government. Given this direct intervention, and with the localization of the MDGs, disparities and inequalities across population groups, areas, vulnerable groups are expected to be reduced.

- Include in the LGUs package of reforms, assistance to Local School Boards in expenditure management so that the expenditures under the Local School Fund will reflect the priorities of the community.

### **C. On Addressing Fiscal Stability**

- The Bank can take the lead role in coordinating with other multilateral and bilateral donors in the packaging of a \$2 billion program loan which will be linked to the implementation of the needed reforms for the country. The package can assure funding for (a) long-term/critical expenditures of government (e.g. education, land reform); (b) re-engineering of the government bureaucracy.
- The Bank can also provide credit enhancements to government's capital market operations which again can be linked to policy reforms.
- In relation to the problem of revenue collection, the Bank can provide technical assistance/studies that would (a) improve the tax collection processes in the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC) through computerization of data possibly at the regional offices; (b) assist in showcasing model regional offices which will be targeted to qualify for ISO certificates of excellence; (c) identify alternative tax measures based on experiences of other countries in Latin America
- In relation to expenditure management, the Bank, as part of a comprehensive public sector reform package assist the government implement the reorganization of the government geared towards improving performance management.
- The Bank can provide technical assistance in the form of (a) forum for discussing the fiscal problem; (b) studies on the implications of the proposed fiscal reform measures and the implications on the economy and on the social sector of the economic crises; (c) advocacy for fiscal reforms among the different sectors starting from academic and research institutions

### **D. On Promoting Good Governance**

- The World Bank can support several governance reform packages:

**Making Decentralization Work Better.** This will aim at improving the operations of public institutions both at the national and local levels to ensure more effective and efficient delivery of basic

services. This package can have an LGU and a national government component.

LGU component can have the following elements:

- ✧ Capacity building at all LGU levels (i.e. barangays, municipalities, cities, provinces) in planning (including anti-poverty planning and targeting), management, implementation & M & E but identify the right level to whom capacity building will be directed (e.g. project preparation for municipal/provincial staffs not Local Chief executives); capacity building to include the members of the local Sanggunian.
- ✧ Assisting in “localizing” national goals of the government including MDGs where targets are set at the local level consistent with national outcomes, which operationally will align resources both at the national and local levels through a system of “burden sharing”. The proposal entails (1) providing resources where the national government agencies puts up a share of the total cost of interventions to be matched by counterpart from the LGU and from project beneficiaries; and (2) exacting accountability where LGUs will be taking the role of project implementers, accountable for delivering the service, while the NG agencies will become performance evaluators. The package should include the improvement in income generation capabilities of LGUs to reduce dependency on IRA (e.g. higher shares of LGUs in natural resource utilization) through support to improving processes for revenue collection.
- ✧ Promoting transparency and accountability by identifying a set of minimum performance benchmark in each of key action areas of local government operation (city, a municipality or province) based on documented best practice, requiring all cities municipalities and provinces to reach these benchmarks, and imposing sanctions to LGUs which are not able to meet the grade.
- ✧ Setting up a system of incentives and disincentive (side by side with performance measurement and evaluation) possibly through a “Performance Incentive Fund” which will be awarded to LGUs which are able to demonstrate good working relationships with national line agencies and communities resulting in exceptional outputs and effective outcomes.

- ✧ Replicating best practices (“islands of good governance”) through exchange programs or national/regional sharing programs.

#### NG Component

- ✧ Improving the capability of oversight agencies like DILG, DBM, DOF and NEDA in coordinating planning, budgeting and revenue generation at the national and local levels. This will also entail setting up of performance standards for government entities (both NGAs and LGUs) and system of rewards for model LGUs.
- ✧ Improving coordination between national government agencies whose services have been devolved (e.g. health) and their counterparts at the local level so that national agencies can effectively bring down national projects for implementation at the local levels and they are also informed of activities at the local levels which will ensure the attainment of national outcomes.

#### **Public Sector Reorganization/ Streamlining**

- ✧ This will focus initially on the cash-strapped GOCCs aimed at reducing their dependence on the national government.
- ✧ The Government financial institutions (GFIs) including the pension fund agencies should be the target of the program loan focusing on (a) setting performance standards for GFIs; (b) setting the qualifications of Board members; (c) improving the investment processes of pensions systems; among others.
- ✧ Strengthening the regulatory framework of government operations, focusing of oversight agencies like COA, SEC, ERC, among others.
- The World Bank together with the oversight agencies like the DOF can review alternative modalities for financing LGU projects such as (a) direct financing assistance to LGUs; (b) graduated financing for a broad spectrum of LGUs (i.e. smaller/weaker LGUs focus on capacity building; middle LGUs on investment prioritization and larger stronger LGUs on market-based loans; (c) creation of a structure/facility solely for the preparation of feasibility studies for LGUs, (e.g. loan window for the preparation of feasibility studies wherein loan is payable only after the project commences); (d) creation of different instruments for different types of projects (e.g.

loans for revenue generating projects and loans-grant mix for social and environmental projects.); and (e) setting up of performance-based criteria for determining the type of assistance to be provided to LGUs.

- The Bank can initiate studies to improve local governance such as the changing local politics at the local level and how accountability can be exacted from Local Chief Executives.
- Bank assistance can also be provided directly to civil society organizations (CSOs) in improving their capacities to engage national and local governments in planning, project implementation and monitoring.

## **V. Evaluation Results**

The evaluation of the meetings was undertaken both by the participants, through the evaluation survey as well as the conference organizers, through the debriefing session held after each meeting.

The general perception of the participants was favorable based on the survey results (see table). They particularly appreciated the discussion of the country's problems and needs and the participatory approach adopted by the Bank in formulating the CAS which gave them the opportunity to share experiences. The mix of participants were also commended and the overall design of the workshop was generally found interesting by the group. The areas for improving future conferences include allowing more time for discussion, the need to give a background on past CAS assessment, among others.

### **Assessment**

	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>	<b>X</b>
<b>Morning Plenary</b>						
1. The topics during the plenary were relevant to the workshop discussions.	63	41	2	2	0	6
2. The speakers presented their ideas clearly.	56	52	3	1	0	3
3. The plenary discussions and presentations were interesting and substantive.	47	55	6	2	0	5
4. The documents distributed before the workshop were relevant to the discussions.	54	47	8	1	0	5
<b>Workshop Discussions General</b>						
1. The workshop discussions were well organized and effective.	33	47	14	2	0	0
2. The workshop topics were relevant to the situation in the region.	44	41	9	1	0	1
3. The participants were all able to input to the discussions.	24	58	9	4	1	0
4. The time for discussions was appropriate.	18	36	16	19	2	4
5. The process followed in the workshop was effective.	25	44	13	3	0	11

Legend:

SA- Strongly Agree

A- Agree N

N- Neutral

D- Disagree

SD- Strongly Disagree

X- No Answer