

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

## **CAS Multistakeholder Consultations**

**September 26, 2008**  
Iloilo City

Philippines CAS Team

# Outline of Presentation

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- 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

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- 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

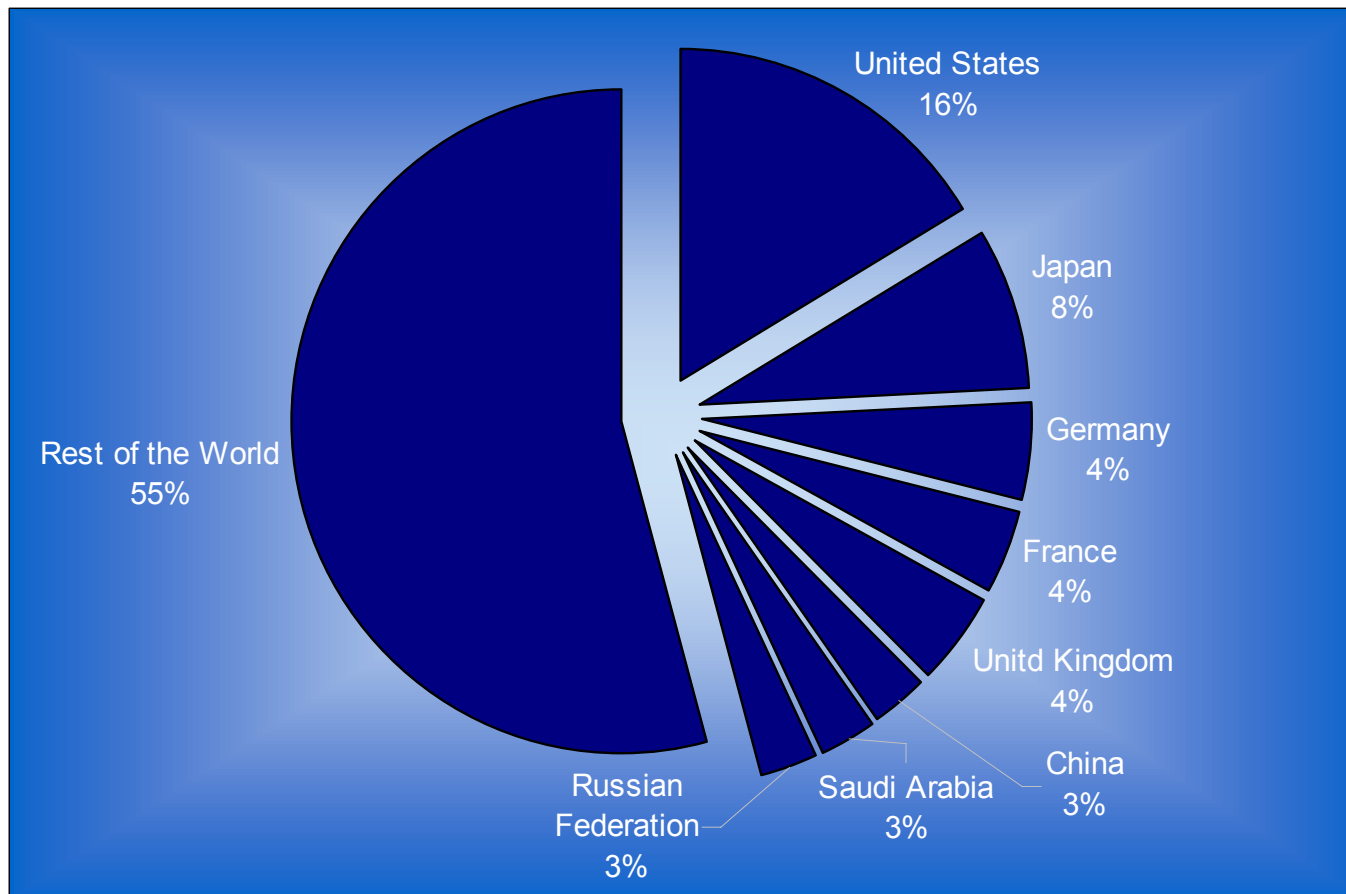
# The WBG and Its Members Today

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- **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

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# The World Bank Borrowers

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## 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

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## 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

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- **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?

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- 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

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- **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**

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- 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

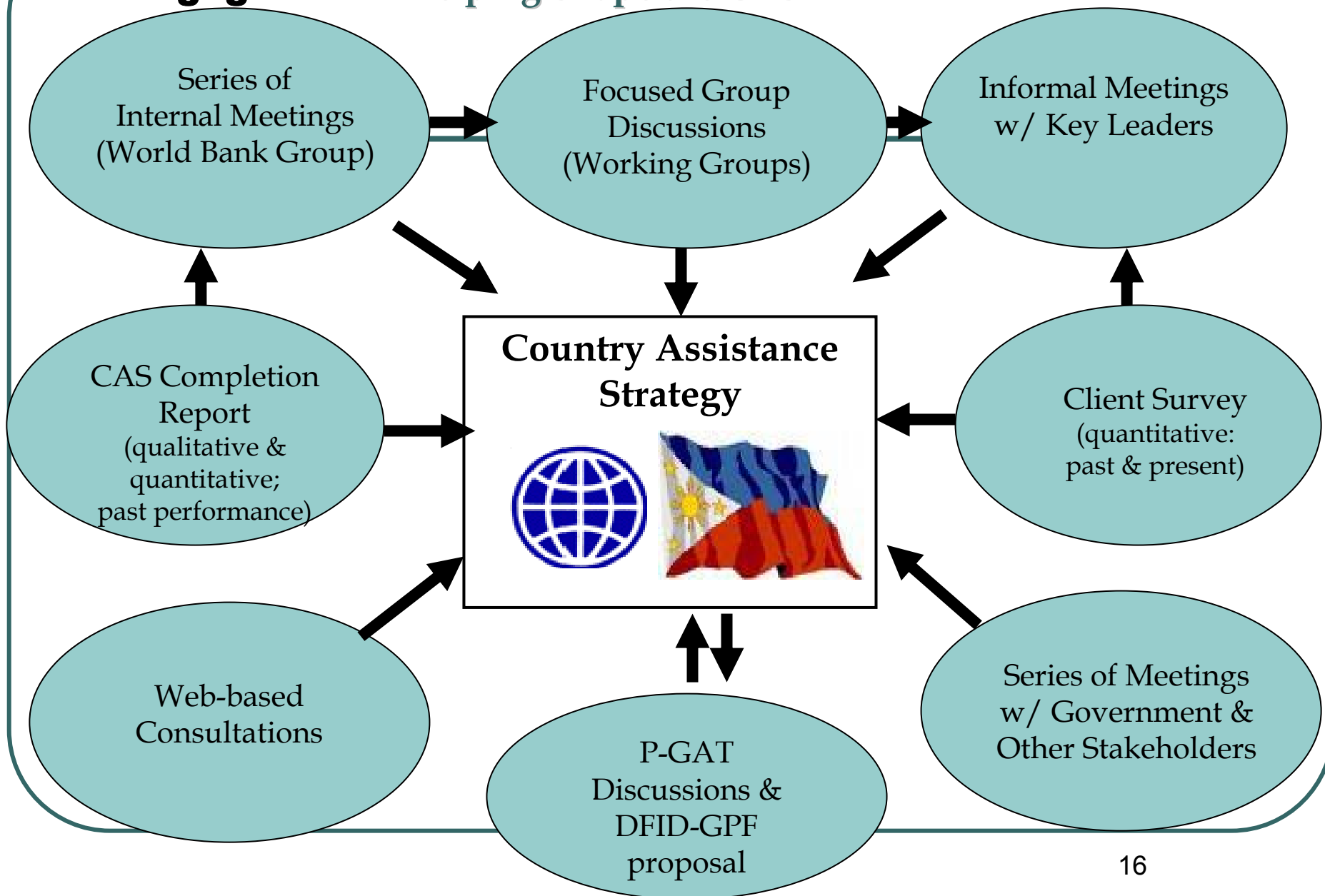
# What is a CAS?

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- 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: Helping Shape the CAS



# ***The World Bank (WB) Group in the Philippines***

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

# The 2006-09 Country Assistance Strategy

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- **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

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- **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

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## ● 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

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- **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

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- **Development Partner Cooperation**

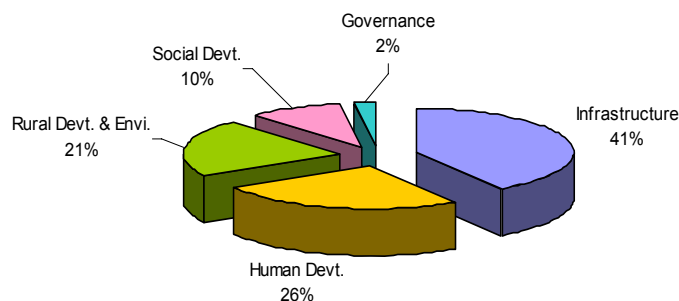
- Active in the Philippines Development Forum, working with the Government and other development partners to increase development effectiveness
- Support for harmonization agenda

- **“Panibagong Paraan”**

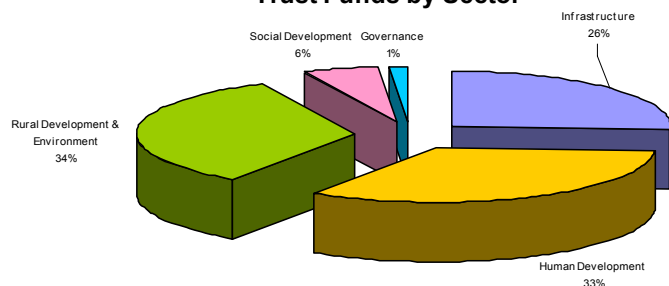
Development Market Place: a competition open to civil society for grant projects to address local development challenges

# 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

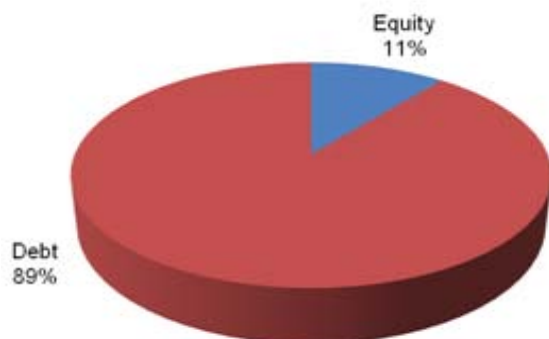
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- \$214 million lent to small, rural enterprises, creating an estimated 17,000 new jobs (Rural Finance 3)
- Agrarian Reform Communities report 21% increase in real income after 3 years (ARCDP 2)
- 382 km of national roads improved; 721 km of preventive 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.

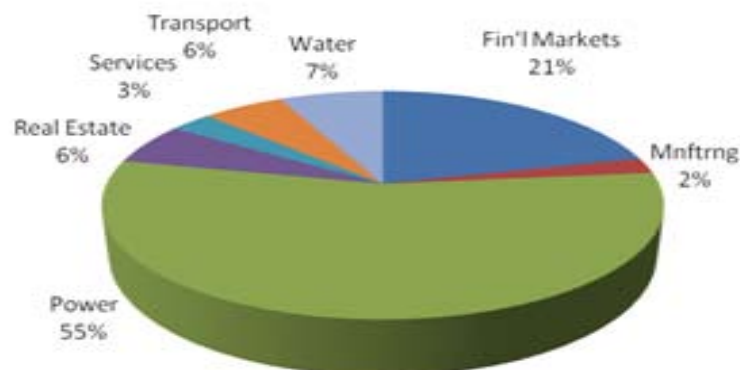
# Philippines: IFC Investments

- 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.*

# ***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?

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- 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

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- 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

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- 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

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- 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

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- 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?