

JAPAN FUND FOR POVERTY REDUCTION GRANT: RESTORING LIVELIHOODS AND LEARNING IN MARAWI

I. INTRODUCTION

1. On 23 May 2017, Marawi in Mindanao, Philippines was occupied by combined terrorist forces of the Maute Group, the Abu Sayyaf Group, and their supporters.¹ The ensuing armed conflict continued for seven months. The siege resulted in about 369,196 internally displaced persons (IDPs). On 17 October 2017, the government announced the end of the siege and declared the city liberated from terrorist forces.

2. Large numbers of IDPs and host communities will remain vulnerable over the coming years due to destruction and displacement caused by the conflict. In September 2018, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) reported 69,412 IDPs, with 86% being home-based.² The remaining IDPs are either living in evacuation centers or temporary resettlement sites.³ IDPs who have returned continue to have unmet humanitarian needs. It is estimated that up to 40,000 children remain displaced, with many being unable to return to school. Many children remain fearful of renewed fighting and continue to bear the psychological impact of their prolonged displacement. This post-conflict situation with unmet needs for the vulnerable population, together with a prolonged displacement that may last up to five years, unexploded ordnances, tonnage of debris created by the siege, and a continued fragile political situation, requires quick action.

3. On request of the Government of the Philippines, the Asian Development Bank (ADB) is responding to this situation by providing Emergency Assistance for the Reconstruction and Recovery of Marawi (ERRM) composed of a quick disbursing component and infrastructure investments. Complementing this loan are two grants: (i) a grant to be provided by the Urban Climate Change Resilience Trust Fund (UCCRTF) supporting water and health; and (ii) this proposed grant (the JFPR grant) to be provided by the Japan Fund for Poverty Reduction (JFPR).

4. The JFPR grant will support implementation of Output 4 of the ERRM, “social services and livelihood support improved”. The JFPR grant will complement the overall emergency loan by ensuring access to emergency income and livelihood support for the conflict-affected IDPs and host communities in Marawi and its neighboring municipalities. It also focuses on children and youth, who are especially vulnerable to being recruited by extremist groups, by providing peace education and restoring their learning and livelihood opportunities. The JFPR grant will specifically provide support for (i) short-term emergency employment, (ii) longer-term livelihood development for working-age men and women, and (iii) culturally- and age-appropriate, gender- and conflict-sensitive learning opportunities for boys and girls. The JFPR grant activities are aligned with the government’s needs assessment and the Bangon Marawi Comprehensive Rehabilitation and Recovery Program (BMCRPP), managed by the Task Force Bangon Marawi (TFBM).⁴

¹ Marawi is the capital city of Lanao del Sur, which is one of the predominant provinces of the Autonomous Region of Muslim Mindanao. See map in the ERRMs report and recommendation of the President.

² Home-based IDPs refer to those being temporarily accommodated by relatives or friends.

³ “Temporary resettlement sites” is the government used term for the sites where temporary houses are being built by the government. These are set to be there for up to 5 years. “Camps” refer to IDP communities with tent shelters. “Temporary evacuation centers” are the least formal of these IDP communities in open spaces in tight quarters with no divisions between households.

⁴ The BMCRPP reflects the government’s coordinated efforts to reconstruct and restore Marawi. TFBM is the appointed coordination mechanism to lead these efforts in close collaboration with the international community and other actors.

II. THE GRANT

A. Rationale

5. **Disruption of income, livelihoods, and education.** The conflict destroyed not only the city's infrastructure, but also caused massive civilian displacement leading to pronounced disruption of income, livelihoods, and education. With only about one third of workers employed in the formal sector, most Maranao people are vulnerable informal sector workers.⁵ In a November 2017 rapid assessment survey, 100% of the respondents reported facing a lack of income and resources. The majority (85%) were small business traders whose livelihoods had been severely impacted by a lack of access to markets and the destruction of value chains and relationships with other vendors. The conflict also severely affected the education system, heavily damaging 22 schools, disrupting the learning of more than 86,000 children, and displacing more than 1,400 teachers from Marawi city. Schools hosting displaced learners are overburdened and have had to set up temporary learning spaces (TLS).⁶ Children's psycho-social wellbeing has been traumatized, and distress continues with their protracted displacement.

6. The post-conflict damage and needs assessment, completed in December 2017, presented infrastructure damages due to the armed conflict. The subsequent BMCRRP estimated the total cost of rehabilitating and reconstructing public and private assets and the needs for social and economic recovery at ₱47.2 billion (\$882 million equivalent). This includes work related to emergency employment, livelihoods and education, towards which the JFPR grant will contribute. During the fact-finding mission in July 2018, the justification for the project components and costs were reconfirmed through close consultation with government authorities, development partners and TFBM. In September 2018, Department of Finance (DOF) organized the 1st Technical Meeting with Development Partners, where the financing requirements for the rehabilitation of affected areas of Marawi City were discussed. DOF concluded that current commitments were not enough and asked the development community for further contributions as the needs exceed the available resources, including the areas to be supported by the JFPR grant.

7. **Extreme poverty in Mindanao.** Poverty and social exclusion are among the root causes of violent extremism, and Lanao del Sur is the country's poorest province. In 2015, around 72% of the population lived below the provincial annual per capita poverty line. Household targeting systems have assessed 57% of Marawi city households as being poor, with average poverty incidence of 36.2% in Mindanao in 2015, compared to the national average of 21.6%.⁷

8. **Vulnerable population.** While the government's priority remains to rehome or relocate IDPs from evacuation centers and camps to temporary resettlement sites, for most IDPs returning to the most affected parts of Marawi city (24 barangays) remains uncertain pending clearing of unexploded devices and rehabilitation of the destroyed infrastructure. It is likely that the former residents of these barangays may remain displaced for a protracted period. Of the over 59,000 households that have returned to the other 67 barangays of Marawi city, many continue to be vulnerable and marginalized. Current social assistance support remains insufficient and families without livelihoods are unable to meet household expenses. Unemployed out of school youth are at particular risk of being influenced by violent extremist ideologies and are vulnerable to

⁵ The Maranao people are the indigenous/ethnic minority group dominant in this area of Mindanao.

⁶ Temporary learning spaces are spaces serving as classrooms in semi-permanent structures, tents, or without structured shelter. These may be in place up to 5 years in line with the temporary resettlement site timeline.

⁷ According the 2015 census, population in Lanao del Sur was 1,045,429.

recruitment by armed groups present in the area. Without sufficient social protection measures or regular household income, displaced families in poverty commonly resort to harmful practices of encouraging child labor to meet basic needs, and increased household economic tension often results in domestic violence. Both immediate and long-term interventions are needed to mitigate these social and livelihood concerns.

B. Components and Key Activities

9. The JFPR grant will contribute to Output 4 under the ERRM: “social services and livelihood support improved.” The JFPR grant activities are aligned with the BMCRRP, focusing on the rapid delivery of social service programs modeled on existing government programs and targeting IDPs and persons in the host communities in Marawi, as well as neighboring municipalities Marantao, Piagapo and Saguiran. The JFPR contributions to Output 4 will support the following components:

10. **Component 1: Emergency employment provided.** This component will deliver a program patterned on the Department of Labor and Employment (DOLE) Emergency Employment Program, known as Tulong Panghanapbuhay sa ating Disadvantaged/Displaced Workers (TUPAD), in Marawi, as well as in neighboring municipalities Marantao, Piagapo, and Saguiran, reaching 2,400 beneficiaries.⁸ This is a community-based (barangay or municipal level) package of cash-for-work assistance that provides emergency employment at 100% of the prevailing minimum wage for up to 30 days.⁹ This immediate income will provide much-needed temporary relief to reduce household-level financial barriers to continued education and needed nutrition while medium- and long-term livelihood activities are restarting. Key activities under this component include (i) appropriate selection of workers and identification of employment projects following the existing eligibility criteria set by DOLE (see Appendix 7 for government program details), coordinating registration with TFBM and the Department of Social Welfare and Development, targeting an equal number of men and women, and focusing on IDPs and working-aged youth in the host communities; (ii) design and establishment of a robust and transparent monitoring system for cash payments with use of a blockchain-powered platform and aligned with TUPAD reporting; (iii) identification of employment activities with local government units on social community projects; (iv) provision of basic orientation on occupational safety and health, personal protective equipment, and skills training appropriate to the employment assignment; and (v) enrolment and covering the premium of group micro-insurance to beneficiaries while engaged.

11. **Component 2: Sustainable livelihoods restored.** This component will support 1,200 beneficiaries in accessing livelihood programs, patterned on the DOLE Integrated Livelihood Program (DILP) and Department of Trade and Industry’s (DTI) Shared Services Facility Program (SSFP) (see Appendix 7 for government program details).¹⁰ DILP will be implemented to provide livelihood assistance for individual undertakings. Key activities under this component include (i) training on business planning, basic entrepreneurship development, productivity and workers safety and health, and production skills; (ii) providing livelihood starter kits comprised of raw materials, equipment, and tools; (iii) providing technical and business advisory services specific to the livelihood¹¹; and (iv) enrolment and covering the premium of group micro-insurance to beneficiaries while engaged. Delivery of the SSFP will support micro- and small enterprises by

⁸ In early 2018, TUPAD was implemented on a small scale in Lanao del Sur, supported by the governor’s office. These activities stopped due to limited funding.

⁹ The minimum wage for the Autonomous Region of Muslim Mindanao is ₱285 per day for non-agricultural labor and ₱270 per day for agricultural labor, as of July 2018.

¹⁰ Beneficiaries will be targeted based on TFBM Subcommittee on Business and Livelihood monitoring and registration.

¹¹ Examples of livelihoods could be tailoring where fabric and a sewing machine would be procured, or running a convenient store where bulk grocery goods would be procured.

providing energy-efficient equipment for increasing productivity and sustainability of beneficiary livelihoods. The activities will also include business advisory training and link beneficiaries closely with local business associations and external markets (see Appendix 7). The combination of the DILP and SSFP will generate sustainable income on an individual and community level during and beyond this protracted period of displacement. Female beneficiaries looking to further scale up their livelihood business will have access to micro-finance options through ADB's Fostering Women's Empowerment Through Financial Inclusion in Conflict-Impacted and Lagging Provinces Project.¹²

12. Component 3: Quality education opportunities restored. This component will increase access to culturally and age appropriate, inclusive, gender- and conflict-sensitive learning opportunities in safe and protective learning spaces,¹³ minimizing disruption of quality education. Key activities under this component include (i) providing needed school furniture in affected schools and temporary learning spaces; (ii) rehabilitating a catchment school;¹⁴ (iii) providing capacity development for teachers to offer gender-responsive psycho-social support for children, youth, and their families; (iv) providing capacity development to the Lanao del Sur education management staff to adhere to minimum standards of education in emergencies and planning for the recovery process; (v) creating a youth multi-stakeholder network for peace in Marawi City;¹⁵ and (vi) support to the DepEd to identify and integrate core competencies and messages on peace education in the kindergarten to grade 12 curriculum and provide related teacher trainings.

13. Project management support provided. To support components 1 to 3 for effective monitoring and financial management, additional support is needed by the executing agency. As the common executing agency across all ERRM components and as an added assurance that documentation from the JFPR-financed components are quality assured, Department of Public Works and Highways (DPWH) will engage the following individual consultants: (i) a monitoring and evaluation specialist; (ii) a gender specialist; and (iii) a financial management specialist. These specialists will liaise between Save the Children Philippines (SCP) as implementing consultant, DPWH and ADB (para. 19).

C. Cost Estimates and Financing Plan

¹² ADB. Republic of the Philippines: Fostering Women's Empowerment Through Financial Inclusion in Conflict-Impacted and Lagging Provinces Project.

¹³ "Safe and protective learning spaces" is a term used in the context of education in emergencies. It refers to the provision of quality education opportunities that meet the physical protection, psychosocial, developmental, and cognitive needs of people affected by emergencies, which can be both life-sustaining and life-saving. "Conflict-sensitive education" means "understanding the context in which the education policy/programme takes place, analyzing the two-way interaction between the context and the education policy/programme, and acting to minimize negative impacts and maximize positive impacts of education policies and programming on conflict. (INEE)

¹⁴ A catchment school is a school that serves students from barangays that no longer have open schools. This school, targeted for support under the grant, is serving many students from schools that closed after the conflict, is in Marawi division near ground zero, and is staffed by IDP teachers. It was identified by DepEd as a school that has low environmental safeguard risk and will serve as a model school for others. Other schools will receive support through teacher trainings, furniture, and teaching and learning materials. "Ground zero" or the "most affected area" comprises the 24 barangays of Marawi that were heavily bombed during the siege.

¹⁵ The network will strengthen commitment for the declaration of schools as Zones of Peace and deepen understanding of the role of education in building and sustaining a culture of peace. Members will include DepEd, local government, local civil society organizations and nongovernment organizations, including women, youth, and persons with disabilities organizations, as well as religious leaders, private sector, academe, peace advocates to maintain dialogue on peace and the role of education.

14. The grant components are estimated to cost \$3 million (Table 1). The JFPR will provide grant co-financing equivalent to \$3 million, to be administered by ADB. It will finance goods, minor works, consulting services and contingencies.

Table 1: Cost Estimates

Item	Amount (\$ million) ^a	Share of Total (%)
A. Base Cost^b		
1. Component 1: Emergency employment provided (training, and cash assistance)	0.69	23
2. Component 2: Sustainable livelihood restored (goods, small to medium equipment/machinery, and trainings)	1.29	43
3. Component 3: Quality education opportunities restored (trainings, curriculum development, school furniture, learning and teaching materials, and minor repairs)	0.90	30
Subtotal (A)	2.88	96
B. Contingencies^c	0.12	4
Total (A+B)	3.00	100
Administrative Budget Support^d	0.15	

^a Includes taxes and duties of about \$0.21 million to be financed by JFPR grant. Such amount does not represent an excessive share of the project cost.

^b In end-2018 prices.

^c Physical Contingencies are calculated at 5% of the base cost for Goods (Equipment, Materials and Furniture). Price contingencies computed at average of 3.9% on local currency costs and 1.5% on foreign currency costs from 2019 onwards; includes provision for potential exchange rate fluctuation under the assumption of a purchasing power parity exchange rate.

^d This additional budget support provided by JFPR for grant implementation is exclusive of the grant amount. It will be used for piloting a block-chain enabled monitoring and evaluation system to better manage implementation of the JFPR components.

Source: Asian Development Bank.

15. The financing plan is in Table 2. The government will provide counterpart support in the form of counterpart staff, office accommodation, and other in-kind contributions.

Table 2: Financing Plan^a

Source	Amount (\$ million)	Share of Total (%)
Japan Fund for Poverty Reduction ^b	3.0	100.0
Total	3.0	100.0

^a In end 2018 prices.

^b Administered by the Asian Development Bank.

Source: Asian Development Bank.

D. Implementation Arrangements

16. The executing agency is the DPWH. DPWH will engage Save the Children Philippines (SCP) as an implementing consultant firm through direct contracting. Procurement, including consulting services, will follow ADB's Procurement Policy (2017, amended from time to time), the Procurement Regulations for ADB Borrowers (2017, as amended from time to time) and disbursement will be in line with Loan Disbursement Handbook (2017, as amended from time to time). SCP will become a DOLE accredited co-partner for TUPAD and DILP.¹⁶

¹⁶ DOLE guidelines indicate that DILP and TUPAD are to be implemented by registered NGOs or local government units as accredited co-partners. This will further facilitate coordination between DOLE and SCP.

17. A JFPR grant steering committee (GSC) composed of the DPWH, DepEd, DOLE, DTI, and TFBM, and with ADB as an observer, will be set up to provide oversight and ensure alignment with the BMCRRP.¹⁷ DPWH will chair the committee, which shall meet biannually, or as needed, to review grant progress, agree on workplans and budgets, discuss policy actions and other concerns relevant to the components under the grant. SCP will report to the GSC biannually with narrative and financial reports, together with an updated workplan and projected disbursements for the next 6 months. SCP will submit key documentation 2 weeks in advance of the GSC meeting. For the biannual meeting, SCP will prepare the agenda, take minutes, and organize other meetings as required. DOLE through the Bureau of Workers with Special Concerns and Regional Office 10 will oversee Component 1 (emergency employment). DOLE and DTI will oversee Component 2 (livelihoods), while DepEd will oversee Component 3 (education). The Recipient will authorize DTI, DOLE and DepEd to endorse the withdrawal applications for their respective components for which they are responsible. Prior to the submission of such withdrawal applications to ADB, DPWH (PIU) will review and verify that there are no overlapping claims. ADB will make direct payments to SCP and PIU consultants. Direct payment to SCP will cover all costs for implementation of JFPR grant components 1, 2 and 3. SCP will provide information to any of the GSC members as required. These proceedings will be reported at the ERRM steering committee.

18. DPWH has an established project implementation unit (PIU) that will be further supported by individual consultants including a financial management specialist, a gender specialist and a monitoring and evaluation specialist. The consultants will be employed by the executing agency and ADB will support in the recruitment process. The DPWH will report on the performance of and management of these individual consultants for oversight support.

19. For SCP, an output-based contract will be used where payments are based on the achievement of clear deliverables. Contracting SCP for all three components will ensure consistency, quality, and sustainability of the investments. SCP has the relevant experience for undertaking this assignment in a fragile and conflict-affected situation for the following reasons: (i) SCP is well-established in the region, and the Philippines, working in post-conflict and disaster situations, and especially trusted in the Autonomous Region of Muslim Mindanao (ARMM); (ii) SCP brings international best practices and knowledge in education and livelihood support, as well as cash for work programs tailored to post-conflict areas; (iii) SCP is the only institution that has substantive operational experience in all three grant components in Mindanao; and (iv) SCP has a proven track record for successfully implementing projects in Mindanao by actively collaborating with a wide range of partners including other international organizations, government agencies, nongovernment organizations, and the private sector.

20. Due diligence was conducted in terms of SCP's capacity to ensure compliance with the Procurement Regulations for ADB Borrowers (2017, as amended from time to time). An OAI institutional due diligence was undertaken of SCP, and it concluded that the potential integrity and reputational risk arising from ADB's association with SCP and its related entities is *low*.

21. The implementation arrangements are described in detail in the PAM.¹⁸

¹⁷ The line agencies and TFBM are in close coordination with the ARMM counterparts. SCP will also directly liaise with ARMM agency offices.

¹⁸ Project Administration Manual (accessible from the list of linked documents in Appendix 2 of the report and recommendation of the President).

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	January 2019-January 2021		
Estimated completion date	31 January 2021		
Estimated closing date	30 June 2021		
Management			
(i) Oversight body	ERRM Steering Committee Grant Steering Committee - DPWH Chair - DOLE, DTI, DepEd, TFBM		
(ii) Executing agency	DPWH		
(iii) Implementing consultant	Save the Children Philippines		
(iv) Implementation unit	The PIU for the JFPR grant will be responsible for the oversight of the grant. The PIU will be in DPWH, and staffed by, a financial management specialist, a gender specialist and a monitoring & evaluation specialist. The PIU will assure quality of project reports, provide training on ADB disbursement processes and set up project performance monitoring system.		
Consulting services	Direct Contracting	24 person-months	\$2,780,000
	Individual Consultants	24 national person-months	\$150,000
Retroactive financing and advance contracting	Advance contracting may be considered under the grant.		
Disbursement ^a	The grant proceeds will be disbursed in accordance with ADB's Loan Disbursement Handbook (2017, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, DepEd = Department of Education; DOLE = Department of Labor and Employment; DPWH = Department of Public Works and Highways; DTI = Department of Trade and Industry; PIU = project implementation unit, TFBM = Task Force Bangon Marawi.

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

22. The grant will consider introducing low-cost and high-impact green technology, such as solar panels, in the selected school for rehabilitation. Such technology must be locally accepted and understood if introduced. Key capacity for operation and maintenance of the technology will be developed. A pilot blockchain-powered platform will be considered as part of the project's monitoring and evaluation activities. The platform will create digital identities for beneficiaries, assign eligible benefits, and track delivery of receipt of services and payments. Sensitization workshops and training will be organized for government officials, beneficiaries, other partners, and the team implementing the grant. The platform will be introduced in close partnership with TFBM for possible transfer and upscale.

B. Economic and Other Impacts, Financial Viability, and Sustainability

23. The JFPR grant is expected to bring economic and social benefits, both short- and long-term. The emergency employment component will provide income to displaced workers, and address the immediate economic needs of their families. This is in addition to the economic value of the jobs such as the repair and maintenance of schools and other public facilities for which the IDPs will be employed. Through related training and access to working capital, and by linking with local businesses and external markets, the grant will provide sustainable income to IDPs and affected households. By restoring quality education opportunities for children and youth, the grant will reduce the probability of future conflict and acts of violent extremism. This has benefits, both economic and non-economic, that are large though difficult to quantify.

24. Financial sustainability will be ensured by strengthening stakeholder partnerships, developing livelihood opportunities, and building capacity of the affected population. The grant will support livelihood plans supported by the local government units, focusing on employment-generating and growing industries. Beneficiaries of the livelihood support will be given: (i) training on business development and related technical areas; (ii) group micro-insurance; (iii) assets to ensure efficiency, productivity, and sustainability of the business; and (iv) energy-efficient tools and equipment for increasing productivity and sustainability of beneficiary livelihoods.

25. Incremental recurrent cost analysis for Component 3 which includes the provision of teaching and learning materials, furniture for schools and rehabilitation of a catchment school, will be conducted to assess the capacity of DepEd to absorb the additional operating and maintenance costs required.¹⁹ A provision in the grant agreement is included to obligate the Borrower to provide sufficient funds to DepEd for operating and maintenance costs.

C. Governance

26. Given DPWH's stretched capacity to monitor performance and ensure compliance with ADB policies and procedures, procurement, accounting, reporting and auditing, individual consultants (see Table 3) will be recruited to act as the PIU and will provide support to the executing agency overseeing the grant performance. The PIU functions will be coordinated and synergized with the emergency loan and the UCCRTF grant. The grant procurement classification is *B*. SCP has been assessed to have a robust business system with appropriate oversight functions. Appropriate action plans will be implemented to mitigate the risks. As SCP is not yet familiar with ADB's procurement procedures, they will participate in ADB financial management and procurement training, facilitated by the relevant ADB departments and ADB's NGO Center-SDCC. The procurement risk is considered *low*, based on ADB's assessment. The financial management risk for the grant is rated *substantial*. The detailed financial management assessment is in Appendix 10.

27. ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the executing and implementing agencies. The specific policy requirements and supplementary measures are described in the PAM.

D. Poverty and Social Impacts

28. The proposed grant will protect the dignity, human rights, livelihood systems and culture of indigenous peoples/ethnic minorities who reside in the areas to be covered by the grant. It will increase indigenous peoples (IP) opportunities for poverty alleviation effort by increasing livelihood and employment opportunities. Moreover, the project will increase IP access to culturally- and age-appropriate, conflict-sensitive learning opportunities. The concerns, problems, and issues of IP communities are mainstreamed in the overall project. The project will promote economic empowerment of women by ensuring that both, emergency employment and sustainable livelihood programs, provide men and women equal opportunities for capacity-building. It will ensure women's meaningful participation and leadership in post-conflict development and transformation by involving them in consultations, and in the peace networks to be created under the project. The project will also integrate a gender perspective in conflict-sensitive education interventions.

¹⁹ Due to the urgency of this project, financial analysis of Component 3 will be completed before project approval.

E. Participatory Approach

29. During project design, ADB consulted government officials of central and local offices, women's groups, religious leaders (ulama), school and camp managers, business associations, and IDPs. Throughout the process, IDPs, host community members, and community leaders recognized the need for the proposed interventions. Under a technical assistance, ADB solicited background knowledge on the sociopolitical situation, culture, and political relationships in ARMM to ensure effective design and implementation. Consultations with local and international actors operating in Marawi were held to understand the specific nature of implementing a project in this fragile and conflict affected situation. United Nations (UN) agencies and international nongovernment organizations also shared vital information on common operational challenges and IDP migration patterns, which have been addressed in the project design.

F. Development Coordination

30. The JFPR grant has been designed in consultation with the main development partners involved in the recovery efforts for Marawi including the Japan International Cooperation Agency (JICA), Embassy of Japan (EOJ), World Bank, United States Agency for International Development, Australian Department of Foreign Affairs and Trade, UN Development Programme, and UN World Food Programme. The ADB team met with counterparts from the EOJ and JICA to discuss the proposed grant and coordination needs in the sector. EOJ and JICA appreciated the interventions proposed under the JFPR grant and asked to be updated throughout the implementation. To avoid duplication and increase synergies, continued coordination will also be supported through TFBM and monitoring and updating of the BMCRRP, financed by both the Government and partners. The ADB team participated in various cluster meetings under TFBM to ensure complementarity and value addition of the proposed grant. Further details are included in the ERRM linked document, Development Coordination.

G. Safeguards

31. The JFPR grant is categorized as *C* for environment and involuntary resettlement, and *B* for indigenous peoples safeguards. The JFPR grant has no significant social and environmental impacts in accordance with ADB' SPS 2009. The grant will support minor civil works and will not require land acquisition. All beneficiaries participating in emergency employment activities will receive training to safely operate any necessary equipment. The interventions targeted by the project are in Marawi City and surrounding areas where majority of the people are of the Maranao ethnic minority (EM) group.²⁰ An Indigenous Peoples Plan/ Ethnic Minority Development Plan is appended as Appendix 8. The project will provide indigenous people (IP) and EM access to short-term emergency employment and to long-term livelihood development measures. Teaching and learning materials and trainings will be adapted and culturally relevant. Meaningful consultations were carried out with women, residents of the target areas, and other IDPs. The concerns, problems, and issues of IP and EM communities are mainstreamed in the overall project design and implementation arrangements.

32. **Gender and development.** This project is categorized as effective gender mainstreaming. It will deliver tangible benefits to the internally displaced women, girls, and vulnerable youth by improving their access to economic and financial resources and opportunities; enhancing their voices and reflecting their perspectives in post-conflict development; and

²⁰ The Maranao people do not self-identify as minorities within ARMM and are the dominant ethnic group in Marawi and surrounding areas.

improving gender relations in the community to prevent outbreak of violence and promote peace. It will address the following gender issues: (i) fewer opportunities for women to gain from cash-for-work programs since the job menu consists primarily of traditionally male jobs (i.e, civil works); (ii) livelihood programs, while dominated by women, being inadequate and not sustainable; (iii) school curriculum, including in peace-education, lacking a critical examination of the ways in which gender roles and all forms of human inequality contribute to a culture of violence; and (iv) boys dropping out of school to be recruited into child labor or violent extremist groups.

33. The project will address these issues through proactive gender actions that: (i) ensure equal opportunity for women and men in emergency employment; (ii) provide meaningful and sustainable livelihood opportunities for women IDPs to support their long-term recovery; and (iii) incorporate the gender perspective in peace education in school curriculum to foster new attitudes in gender and social relations and in dispute resolution, and empower women in the community.

H. Risks and Mitigating Measures

34. The main risks relate to the post-conflict situation in Marawi and its surrounding areas, which remain fragile. Only minor incidents have occurred since the siege ended in October 2017. However, as the most vulnerable families continue to face a period of protracted displacement, additional risk factors may arise related to social and economic exclusion. The new Bangsamoro Organic Law, that gives Bangsamoro ARMM new political and economic powers, is being reviewed and interpreted by ADB. The risks have been assessed as low to medium, as positive signs of recovery and collaboration between central and regional government to address the region’s short and medium-term needs exist.

Table 4: Summary of Risks and Mitigating Measures

Risks	Description	Mitigating Measures
Financial sustainability of component 3 is uncertain.	Given the urgency of the project, financial analysis of the project’s sustainability is yet to be completed.	A provision in the loan agreement will be included to obligate the Borrower to provide DepEd with sufficient funds for O&M.

DepEd = Department of Education, O&M = operations and maintenance.
Source: Asian Development Bank.

IV. ASSURANCE

35. The government and DPWH have assured ADB that implementation of the JFPR grant will conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services and disbursement as described in detail in the project administration manual and the grant agreement.

Supplementary Appendices

1. Japanese Visibility {undisclosed}
2. Coordination with Embassy of Japan and JICA {undisclosed}
3. JFPR Results Framework (for project grant indicators only)
4. Implementation Arrangement and Funds Flow Chart
5. Detailed Cost Estimates by Component (\$)
6. Administrative Budget Support Details
7. The Emergency Employment and Livelihood Programs of the Department of Labor and Employment and Department of Trade and Industry
8. Elements of an Indigenous Peoples Plan/ Ethnic Minority Development Plan
9. Marawi Crisis Timeline
10. Financial Management Assessment

SUPPLEMENTARY APPENDIX 1: JAPANESE VISIBILITY

1. The project will closely follow the detailed guidance in the Guidance Note on Visibility for JFPR. The visibility of the Government of Japan and JFPR will be further ensured through a high-profile ceremony to launch the activities, which will be covered by media and where a news release will be issued. The logos of JFPR and Japanese Official Development Assistance will be displayed in publications and event materials produced under the grant. The JFPR logo will also be featured in signage on the rehabilitated classrooms and common facilities supported under the grant. An end-of-grant dissemination meeting will be conducted with all partners and key stakeholders represented. Throughout the course of the grant, the Embassy of Japan and JICA will be updated on the grant's progress, and representatives will be invited to participate in review missions and milestone events such as the inauguration, or the opening of training workshops.

SUPPLEMENTARY APPENDIX 2: COORDINATION WITH EMBASSY OF JAPAN AND JICA

1. During the project preparation, consultations were held with the Embassy of Japan (EOJ) in the Philippines (19 July 2018) and the Japan International Cooperation Agency (JICA) (20 July 2018). ADB informed them of the three grant components (emergency employment, livelihoods, and education) and key proposed activities.
2. Yojiro Konno, Second Secretary, Economic Section from EOJ shared with ADB the other work that Japan is supporting in Marawi and confirmed that the scope of these activities would complement and not duplicate the others. He shared Japan's assistance to Marawi in humanitarian work through the World Food Programme, UNICEF and UNHABITAT, as well as in large support to road infrastructure, which ADB is collaborating on through this larger ERRM. The possibility of aligning and coordinating the emergency employment activities and livelihoods with these other projects will be explored during implementation.
3. Yukiko Sano, Project Formulation Advisor, Mindanao Section of JICA expressed the continued need for these interventions in Marawi and supported the scope of work in principle. Coordination on JICA livelihoods activities will be facilitated through continued consultation and the Task Force Bangon Marawi. ADB learned from JICA's and other development partner's common challenges in implementation of projects in Marawi and integrated those lessons on beneficiary registration and complex land issues into the project design.
4. The ADB team has maintained close contact with the JICA team in Manila. The meetings with JICA focused on coordination of the grant and links between the JICA and ADB investments in the transport sector. The ADB team will closely cooperate and continuously find areas of potential collaboration while ensuring there is no duplication of efforts. The ADB team will reach out to JICA during implementation to share key results and challenges. A copy of the concept paper and the grant assistance report was shared with EOJ and JICA.
5. Once the grant proposal is approved by the Asian Development Bank and Government of Japan, the ADB team will inform EOJ and JICA about the approval. The ADB team will organize a signing ceremony or launching ceremony for the JFPR grant, with the attendance of EOJ officials.
6. From time to time, EOJ and JICA will be informed about the grant progress and milestones especially if major changes in scope and objectives are required. Throughout all phases of the project, from concept to completion, the ADB team will be available to answer inquiries from EOJ and JICA regarding the project and discuss where necessary. EOJ and JICA officials will be invited to join progress and completion review missions to see project results and to interact first-hand with project recipients. The ADB team will share information on the outcomes and lessons from the grant with EOJ and JICA in the field to enable both sides to explore and seek potential collaboration.
7. Communications with EOJ and JICA will continue to be done with copy to PHCO and OCO. PHCO's assistance will be sought to arrange the meeting with EOJ and JICA, when needed. PHCO will also play a key role in arranging the grant agreement signing event and in overall coordination/relationship management with EOJ and JICA.

SUPPLEMENTARY APPENDIX 3: JFPR RESULTS FRAMEWORK

Country's Overarching Development Objective Social and economic recovery in Marawi achieved by 2023 (Bangon Marawi Comprehensive Reconstruction and Recovery Program, 2019-2023) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting	Risks
Effect of the Emergency Assistance Adverse social impact of the armed conflict on affected persons mitigated.	By 2023: a. Number of remaining IDPs (disaggregated by sex) reduced by 80% (August 2018 baseline of remaining IDPs: 369,196) b. Per capita household consumption (adjusted to inflation) returns to pre-conflict levels (2017 baseline: P27,000).	a. TFBM progress reports on implementation of BMCRRP and status of IDPs b. NEDA and Family Income and Expenditure Surveys.	Possibility of Intermittent conflict in Lanao del Sur
Components contributing to Output 4 of the ERRM: 4.1 Emergency employment provided 4.2. Sustainable livelihoods restored	By 2020: 4.1.a. 2,400 individuals including IPs/EMs provided with at least 20 days of work created (at least 50% female) (Baseline: 0 in 2019) 4.2.a. At least 1,200 beneficiaries including IPs/EMs enrolled in a livelihood program (at least 50% female; 30% youth) (Baseline: 0 in 2019) 4.2.b. At least 75% of livelihood program beneficiaries including IPs/EMs with enhanced business skills (at least 50% women; 20% youth) (Baseline: 0 in 2019) 4.2.c. At least 50% of livelihood initiatives connected to and operating in provincial and national markets (Baseline: 0 in 2019)	4.1.a. Biannual SCP monitoring reports 4.2.a-c. Biannual SCP monitoring reports	Recruitment systems not transparent Slow local economy leading to unsustainable growth of livelihood projects Low capacity and commitment for adaptive education

<p>4.3 Conflict-sensitive education initiatives supported</p>	<p>4.3.a. At least 250 classrooms in TLS and classrooms provided with school furniture (Baseline: 0 in 2018)</p> <p>4.3.b. At least 10 sets of peace education and mother-tongue and culture-sensitive learning and teaching materials produced, and distributed to all 5 divisions within Marawi (Baseline: 0 in 2018)</p> <p>4.3.c. 3 classrooms, 1 playground and landscaping rehabilitated at Marawi elementary school</p> <p>4.3.d. 400 education staff have enhanced skills in delivering culture- and gender-sensitive psycho-social support and quality education in emergency settings (Baseline: 0 in 2018)</p> <p>3.3.e. Kindergarten to Grade 12 teacher guides revised with culture- and gender-sensitive psycho-social support peace education mainstreamed</p> <p>3f. Youth multi-stakeholder network for peace action plan drafted</p>	<p>4.3.a-f. Biannual SCP monitoring reports & DepEd ARMM EMIS</p>	
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Key Activities with Milestones

4.1 Emergency employment provided

- 4.1.1 Identify potential gender- and culturally-sensitive emergency employment projects from LGU and community plans (Q2-Q3 2019)
- 4.1.2. Identify target beneficiaries for short-term emergency employment (Q2-Q3 2019)
- 4.1.3. Set up a M&E framework, which includes collection of sex-disaggregated data for the EEP to track beneficiaries, income, project benefits (Q2-Q3 2019)
- 4.1.4. Match beneficiaries with short-term emergency employment opportunities (Q2 2019-Q4 2020)
- 4.1.5. Provide basic orientation on occupational safety and health and relevant skills training (Q2 2019-Q4 2020)
- 4.1.6. Provide personal protective equipment and enrolment in group micro-insurance (Q2 2019-Q4 2020)

4.2. Sustainable livelihoods restored

- 4.2.1. Undertake local market assessments to identify potential gender- and culturally-sensitive livelihoods for support per DILP guidelines (Q2-Q3 2019)
- 4.2.2. Identify target beneficiaries in coordination with TFBM's sub-committee on Business and Livelihoods and Department of Social Welfare and Development (Q2-Q3 2019)
- 4.2.3. Deliver training on business planning, basic entrepreneurship, productivity and workers health and safety, and production skills (Q3 2019-Q4 2020)
- 4.2.4. Procure and deliver materials, equipment, tools (Q3 2019-Q4 2020)
- 4.2.5. Enroll beneficiaries in group micro insurance schemes (Q3 2019-Q4 2020)
- 4.2.6. Deliver technical and business advisory services (Q3 2019-Q4 2020)

4.3. Conflict-sensitive education initiatives supported

- 4.3.1. Provide school furniture in affected schools and temporary learning spaces. The proposal will include a detailed procurement plan. (Q1 2019-Q4 2020)
- 4.3.2. Rehabilitate selected catchment school in Marawi (Q3 2019-Q4 2019)
- 4.3.3. Support DepEd to identify and integrate core competencies and messages on gender-sensitive peace education in the kindergarten to grade 12 curriculum through consultation workshops, revision of existing modules, pilot-testing, printing, and training of teachers. (Q2 2019-Q4 2020)
- 4.3.5. Deliver training for teachers on protective learning spaces, conflict- and culture-sensitive education, planning and management of education in emergencies, and positive discipline (Q2 2019-Q4 2020)
- 4.3.6. Deliver culture-sensitive and gender-responsive psycho-social support for children and short courses on life skills to youth (Q2 2019-Q4 2020)
- 4.3.7. Support a multi-stakeholder network to maintain dialogue on peace and the education sector (continuous)

Inputs

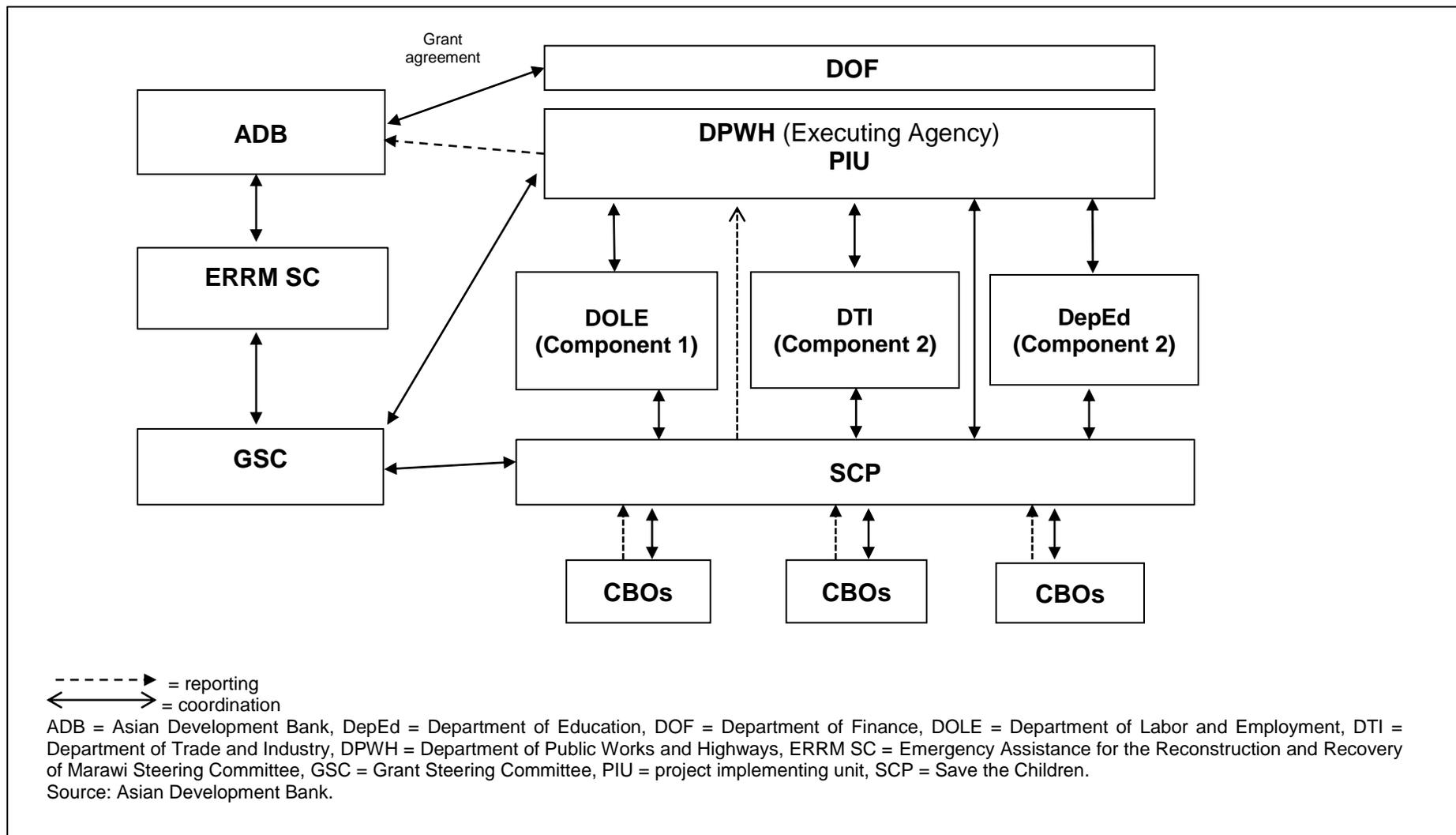
Trust Fund \$3 million grant

Assumptions for Partner Financing: not applicable

ARMM = Autonomous Region of Muslim Mindanao, BMCRRP = *Bangon Marawi Comprehensive Rehabilitation and Recovery Program*, DepEd = Department of Education, DILP = DOLE Integrated Livelihood Program, EEP = emergency employment program, EM = ethnic minority, EMIS = education management information system, IDP = internally displaced persons, IP = indigenous peoples, JFPR = Japan Fund for Poverty Reduction, LGU = local government unit, M&E = monitoring and evaluation, NEDA = National Economic Development Authority, Q = quarter, SCP = Save the Children Philippines, TFBM = Task Force Bangon Marawi, TLS = temporary learning spaces.

^a Government of the Philippines. National Economic and Development Authority. 2018. *Bangon Marawi Comprehensive Reconstruction and Recovery Program, 2019-2023*. Manila. Source: Asian Development Bank.
Source: Asian Development Bank.

SUPPLEMENTARY APPENDIX 4: IMPLEMENTATION ARRANGEMENT AND FUNDS FLOW CHART



**SUPPLEMENTARY APPENDIX 5: DETAILED COST ESTIMATES BY COMPONENT (\$)
UNDER CONSULTANT CONTRACTS**

Item	Total Cost	Component 1	Component 2	Component 3
A. Base Costs				
Goods (Equipment, furniture, materials)	1,365,000		865,000	500,000
Cash Assistance	520,000	520,000		
Workshops and Training	365,000	50,000	150,000	165,000
Minor works	80,000			80,000
Implementation support	550,000	120,000	275,000	155,000
Subtotal	2,880,000	690,000	1,290,000	900,000
B. Contingencies	120,000			
Total Project Total (A+B)	3,000,000			

Source: Asian Development Bank.

SUPPLEMENTARY APPENDIX 6: ADMINISTRATIVE BUDGET SUPPORT DETAILS

1. **Administrative budget support.** The introduction of the blockchain pilot will help ensuring better targeting and transparency of the grant resources to intended beneficiaries. It will help ensure smooth implementation and demonstration of lessons on use of blockchain. Administrative budget support will help ensure quality monitoring and support TFBM and involved parties in allocating resources effectively. The introduction of blockchain in a post-conflict area increase the complexity of the project and therefore requiring extra resources for its implementation, coordination, monitoring and evaluation.

Table 1: Administrative budget support details

Administrative budget support	Details
Total amount requested	\$150,000
Justification	Introduce blockchain for better monitoring and improved transparency of the JFPR grant
Type of work rendered by ADB	<ul style="list-style-type: none"> - Facilitate introduction and training on the use of blockchain in the project - Support project implementation - Facilitate coordination with partners - Ensure donor visibility - Communicate project results

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction.

Source: Asian Development Bank.

Table 2: Cost Estimate of Administrative Budget Support (\$)

Expenditure Category	Quantity	Unit Cost	Total
Blockchain Consultant	(1) Initial set up (8) Blockchain validation (1,000) Digital ID (12) Monthly system fee	10,000 625 1 10,000	136,000
Workshops	3	1,500	4,500
Contingency	5%	7,500	7,500
Dissemination of results of the JFPR grant	1	2,000	2,000
Total			150,000

JFPR = Japan Fund for Poverty Reduction.

Source: Asian Development Bank.

SUPPLEMENTARY APPENDIX 7: THE EMERGENCY EMPLOYMENT AND LIVELIHOOD PROGRAMS OF THE DEPARTMENT OF LABOR AND EMPLOYMENT AND DEPARTMENT OF TRADE AND INDUSTRY

1. Aligned with the Philippine government's poverty reduction and inclusive growth agenda, the Department of Labor and Employment (DOLE) seeks to reduce poverty and vulnerability to risks for the working poor and vulnerable and marginalized workers by providing emergency employment and promoting entrepreneurship and community enterprises. Implemented by the Bureau of Workers with Special Concerns (BWSC), the DOLE Integrated Livelihood and Emergency Employment Program has two components:

- (i) the *Kabuhayan* (livelihoods) program also known as the DOLE Integrated Livelihood Program (DILP); and
- (ii) the *Tulong Panghanapbuhay sa Ating Disadvantaged/Displaced Workers* (TUPAD) also known as the Emergency Employment Program (EEP).

2. The two components are implemented nationwide, either through accredited co-partners (ACPs) or DOLE direct administration. ACPs can be peoples' or workers' organizations, unions, associations, federations, cooperatives, business associations, faith-based organizations, educational institutions, or private foundations. To apply for accreditation, potential ACPs need to submit a certificate of registration, articles of incorporation, and audited financial statements. National government agencies and local government units (LGUs) can also be ACPs but do not need to apply for accreditation. Under direct administration, DOLE's regional, field or provincial offices directly administer the program.

3. **Micro-insurance.** Part of the package of assistance for TUPAD and DILP is the enrolment of beneficiaries to micro-insurance to protect them from possible risks such as accident/injury. In 2015, the DOLE and the Government Service Insurance System (GSIS) have forged a partnership through a Memorandum of Agreement, covering the beneficiaries under the GSIS Group Personal Accident Insurance (GPAI) with a premium of ₱50.00 with the following package of benefits:

- a. Principal sum of ₱50,000 due to accidental death
- b. Medical reimbursement of not more than ₱5,000
- c. Bereavement assistance of ₱10,000
- d. Twenty-four (24) hour accident rider including commercial flying
- e. Sum of ₱25,000 subject to the terms and conditions of the standard GPAI Policy, for loss of life arising from unprovoked murder and assault.

COMPONENT 1:

4. **TUPAD** or EEP is a community-based package of assistance (at municipality or barangay level) that provides emergency employment for displaced workers, the underemployed and the unemployed poor. Employment is for a minimum of 10 and up to 30 days, depending on the nature of the work. TUPAD beneficiaries receive basic orientation on occupational safety and health; personal protective equipment such as hats and TUPAD t-shirts, enrolment in group micro-insurance; payment at 100% of the prevailing minimum wage based on validated daily time records and supported by a payroll; and skills training from the Technical Education and Skills Development Authority or its accredited training institutions under the Training for Work Scholarship Program.

5. **TUPAD beneficiaries.** Qualified beneficiaries are the underemployed, workers terminated because of retrenchment or permanent closure of an establishment, and self-employed workers (including farmers and fishermen) who have lost their livelihood because of natural disaster, economic crisis, armed conflict or seasonality of work. Only one member of a household may participate in the program in a year, unless the beneficiary becomes a victim of a disaster.

6. **Eligible projects are:**

- **Social community projects** including repair, maintenance, or improvement of common public facilities and infrastructure, debris clearing, de-clogging of canals, debris segregation and materials recovery, stockpiling and clearing;
- **Economic community projects** including repair, maintenance and/or rehabilitation of farm-to-market roads, bridges, post-harvest facilities, public markets, common service facilities such as production and display centers, fish ports, etc.; and
- **Agro-forestry community projects** such as tree planting, seedling preparation, and re-forestation.

COMPONENT 2:

7. **The DILP** is a DOLE flagship program that provides grant assistance for capacity-building in livelihood and entrepreneurial ventures for vulnerable and marginalized workers. The components are:

- Kabuhayan **Formation**, which provides startup capital for beneficiaries to venture into individual livelihoods, or collective enterprise undertakings.
- Kabuhayan **Enhancement**, which provides existing livelihood undertakings with additional working capital to enable them to grow into viable and sustainable businesses.
- Kabuhayan **Restoration**, which provides working capital for the re-establishment of lost or damaged livelihoods due to natural disasters or calamities.

8. **Services.** DILP beneficiaries can receive an array of services and transfers that include (i) training on business planning, basic entrepreneurship development, productivity and workers safety and health, and production skills; (ii) working capital in the form of raw materials, equipment, tools and other support services (support infrastructure such as common service facilities and training and production facilities can also be funded); (iii) enrolment in group micro insurance schemes; and (iv) continuing technical and business advisory services.

9. **Livelihood projects can be either individual or group-based.** In the group micro-livelihood category, the maximum grant assistance for an organization comprising 5-25 members is ₱250,000 (about \$5,000). Small livelihood groups of 26-50 members can obtain a maximum grant of ₱500,000 (about \$10,000). The grant for medium livelihood groups of more than 50 members is up to ₱1,000,000 (about \$20,000). Organizations managing a group project should have a project management team and a profit-sharing scheme. These should be stipulated in the business plan or proposal and in the memorandum of agreement. The amount of the assistance depends on the project's requirements.

10. Individual beneficiaries can receive a starter kit or *Negosyo sa Kariton* (Nego-Kart), up to a maximum value of ₱20,000 depending on what the project requires. The starter kit is a package of services to enable beneficiaries to quickly start a livelihood undertaking and become self-employed. It aims to engage them in sustainable self-employment through easy-to-learn livelihood

undertakings. Implementers provide services to help beneficiaries plan, set up, start and operate their livelihood undertakings, including:

- short-period training on production skills with entrepreneurship and business management
- self-instructional learning reference materials (handbooks and workbooks) on production, entrepreneurship and business management skills
- provision of livelihood tools, equipment, material and inputs, and
- provision of continuing business advisory and consultancy service at the Community Micro-Business Incubation Center.

11. **DILP target beneficiaries.** DILP's target beneficiaries are self-employed workers who are unable to earn sufficient income, unpaid family workers, low-waged and seasonal workers, workers who are or will be displaced, marginalized and landless farmers, marginalized fisher-folk, women and young people, persons with disability, senior citizens, indigenous people, victims of armed conflict and rebel returnees, and parents of child laborers. DOLE specifies that beneficiaries of the Pantawid Pamilyang Pilipino Program (4Ps) and government employees, including those at LGU level, are not eligible to participate.¹ Beneficiaries are required to enroll in social insurance schemes like the Social Security System, PhilHealth and alternative social protection schemes.

12. **Eligible DILP projects** include (i) any that are priorities of the Regional Development Council, Regional Convergence Committee, and Regional Development Plan; (ii) any in industries identified as key employment generators (agribusiness, information technology, health and wellness, wholesale and retail trade, tourism, etc.); and (iii) those that promote Department of Trade and Industry priority products such as processed food, cacao, coffee, coco coir, wearable and home styles. The individual start kit priority projects are livelihood undertakings requiring simple service-oriented skills like massage, cosmetology, electrical servicing, plumbing, welding, native snack preparation, car wash, motorcycle repair, cellular repair, appliance repair, upholstery repair and so on. DILP also prioritizes any existing skills that beneficiaries acquired through formal training, or new skills that can be improved through short-period training. Ineligible projects include those that involve micro-lending, construction works, or purchase of motor vehicles (however, tractors, trailers and traction engines used exclusively for agricultural purposes may be funded.)

13. **DTI - Shared Service Facilities Program.** MSME Development (MSMED) is a key strategy to achieve the government's goal of inclusive growth and jobs generation. The 2013 General Appropriations Act (GAA) has earmarked funds under the budget of the Department of Trade and Industry (DTI) to implement its "Big Push" for MSME development. A major component of the MSMED Program is the Shared Service Facilities Program (SSFP) which aims to improve the competitiveness of MSMEs by providing them with machinery, equipment, tools, systems, skills and knowledge under a shared system.

14. The SSFP is being implemented nationwide with project partners termed as Cooperators, which may be any juridical entity such as but not limited to non-government organizations, people's organizations, cooperatives, industry/trade/business associations, local government

¹ This is to distinguish the program from the Sustainable Livelihoods Program (SLP) of the Department of Social Welfare and Development (DSWD), which primarily targets 4Ps beneficiaries. However, the SLP does not have sufficient resources to cover all 4Ps households, so it may make sense to revisit this policy. DSWD welcomes the provision of complementary services and programs to 4Ps recipients in the spirit of convergence.

units (LGUs), state universities/colleges technical vocational schools and other similar government and training institutions.

15. Beneficiaries of the project are the actual and potential users of the SSFP which should be predominantly cooperatives, associations or groups of MSMEs including MSMEs or individual entrepreneurs who may not be members of cooperatives, associations, corporations or organizations.

16. The SSFP is envisioned to attain one or more of the following objectives of the project:

- Enable MSMEs to increase their productivity;
- Accelerate MSME's competitiveness by giving them access to energy efficient technologies and more sophisticated equipment;
- Encourage the graduation of MSMEs to the next level where they could tap a better and wider market share and be integrated in the global supply chain;
- Take into account convergence where government resources are pooled and integrated;
- Address the gap and bottlenecks in the value chain of priority industry clusters.

17. For a project to be eligible, it has to meet the following criteria:

The proposed SSFP must address processing and manufacturing gaps or bottlenecks of the industry cluster brought about by any of the following:

- Absence of the needed facility
- Lack of capacity of an existing facility
- Cost of services of an existing facility is not affordable
- Lack of inadequate technical and administrative services that will promote and facilitate the growth of MSMEs within the priority industry clusters.

The proposed SSFP will increase the productivity of the industry cluster in terms of:

- Product improvement/Quality enhancement/Marketability
- Price competitiveness
- Conformity to standards

SUPPLEMENTARY APPENDIX 8: ELEMENTS OF INDIGENOUS PEOPLES PLAN/ ETHNIC MINORITY DEVELOPMENT PLAN

A. Executive Summary

1. The proposed project will support the Government of the Philippines effort to address needs of the conflict-affected internally displaced persons (IDPs) and host communities in Marawi as well neighboring municipalities of Marantao, Piagapo and Saguiaran. It will provide support for (i) short-term emergency employment, (ii) longer-term livelihood development for working-age men and women, and (iii) culturally- and age-appropriate, conflict-sensitive learning opportunities and psycho-social support for boys and girls. The project activities are aligned with the government's needs assessment and Bangon Marawi Comprehensive Rehabilitation and Recovery Program (BM-CRRP).

2. The project will have the potential to directly and positively affect the dignity, human rights, livelihood systems and culture of indigenous peoples/ethnic minority²² who reside in the areas to be covered by the project. It will increase indigenous peoples' opportunities for poverty alleviation efforts by increasing livelihood and employment opportunities. Their inherent right to access culturally appropriate education will also be achieved, thereby boosting their self-confidence in tackling issues of ancestral domains, right to utilize natural resources and to preservation of culture and local knowledge. Meaningful consultations were carried out with focus on women, IDPs, LGUs, and various government agencies. The implementation arrangements for the IP actions are integrated with the overall implementation arrangements of the project and the total project budget. Hence, there is no separate budget requirement for implementing the IPP.

B. Description of the Project

3. The proposed grant²³ (the JFPR grant) to be provided by Japan Fund for Poverty Reduction (JFPR) will address the needs of the conflict-affected IDPs, host communities in Marawi as well as neighboring municipalities of Marantao, Piagapo, and Saguiaran. It will provide support for (i) short-term emergency employment, (ii) longer-term livelihood development for working age population -men and women, and (iii) culturally- and age-appropriate, conflict-sensitive learning opportunities and psycho-social support for boys and girls. The project activities are aligned with the government's needs assessment and Bangon Marawi Comprehensive Rehabilitation and Recovery Program (BM-CRRP), managed by the Task Force Bangon Marawi (TFBM)²⁴. These activities focusing on the rapid scale-up of existing government programs and targeting IDPs and host families will support the following components:

- (i) **Component 1: Emergency employment provided.** This component will deliver a program patterned on the Department of Labor and Employment (DOLE) Emergency Employment Program, known as Tulong Panghanapbuhay sa ating Disadvantaged/Displaced Workers (TUPAD), in Marawi, as well as in neighboring

²² Used interchangeably

²³ The JFPR grant will contribute to Output 4: "service delivery and livelihoods improved" of the Emergency Assistance Loan for the Reconstruction and Recovery of Marawi.

²⁴ The BM-CRRP reflects the government's coordinated efforts to reconstruct and restore Marawi. TFBM is the appointed coordination mechanism to lead these efforts in close collaboration with the international community and other actors.

municipalities Marantao, Piagapo, and Saguiran, reaching 2,400 beneficiaries.²⁵ This is a community-based (barangay or municipal level) package of cash-for-work assistance that provides emergency employment at 100% of the prevailing minimum wage for up to 30 days.²⁶ This immediate income will provide much-needed temporary relief to reduce household-level financial barriers to continued education and needed nutrition while medium- and long-term livelihood activities are restarting. Key activities under this component include (i) appropriate selection of workers and identification of employment projects following the existing eligibility criteria set by DOLE (see Grant Assistance Report, Appendix 7 for government program details), coordinating registration with TFBM and the Department of Social Welfare and Development, targeting an equal number of men and women, and focusing on IDPs and working-aged youth in the host communities; (ii) design and establishment of a robust and transparent monitoring system for cash payments with use of a blockchain-powered platform and aligned with TUPAD reporting; (iii) identification of employment activities with local government units on social community projects; (iv) provision of basic orientation on occupational safety and health, personal protective equipment, enrolment in group micro-insurance, and skills training appropriate to the employment assignment and (v) provision of group micro-insurance to beneficiaries while engaged.

- (ii) **Component 2: Sustainable livelihoods restored.** This component will support 1,200 beneficiaries in accessing livelihood programs, patterned on the DOLE Integrated Livelihood Program (DILP) and Department of Trade and Industry's (DTI) Shared Services Facility Program (SSFP) (see Grant Assistance Report, Appendix 7 for government program details).²⁷ DILP will be implemented to provide livelihood assistance for individual undertakings. Key activities under this component include (i) training on business planning, basic entrepreneurship development, productivity and workers safety and health, and production skills; (ii) providing livelihood starter kits comprised of raw materials, equipment, and tools; (iii) enrolment of beneficiaries in group micro-insurance schemes; (iv) providing technical and business advisory services specific to the livelihood²⁸; and (v) provision of group micro-insurance to beneficiaries while engaged. Delivery of the SSFP will support micro- and small enterprises by providing energy-efficient equipment for increasing productivity and sustainability of beneficiary livelihoods. The activities will also include business advisory training and link beneficiaries closely with local business associations and external markets. The combination of the DILP and SSFP will generate sustainable income on an individual and community level during and beyond this protracted period of displacement. Female beneficiaries looking to further scale up their livelihood business will have access to micro-finance options through ADB's Fostering Women's Empowerment Through Financial Inclusion in Conflict-Impacted and Lagging Provinces Project.²⁹

²⁵ In early 2018, TUPAD was implemented on a small scale in Lanao del Sur, supported by the governor's office. These activities stopped due to limited funding.

²⁶ The minimum wage for the Autonomous Region of Muslim Mindanao is ₱285 per day for non-agricultural labor and ₱270 per day for agricultural labor, as of July 2018.

²⁷ Beneficiaries will be targeted based on TFBM Subcommittee on Business and Livelihood monitoring and registration.

²⁸ Examples of livelihoods could be tailoring where fabric and a sewing machine would be procured, or running a convenient store where bulk grocery goods would be procured.

²⁹ ADB. [Republic of the Philippines: Fostering Women's Empowerment Through Financial Inclusion in Conflict-Impacted and Lagging Provinces Project.](#)

- (iii) **Component 3: Quality education opportunities restored.** This component will increase access to culturally and age appropriate, gender- and including learning opportunities in safe and protective learning spaces,³⁰ minimizing disruption of quality education. Key activities include (i) equipping Department of Education (DepEd) identified schools and temporary learning spaces with learning and teaching materials; (ii) providing needed school furniture in affected schools and temporary learning spaces; (iii) rehabilitating a catchment school; the Department of Education (DepEd) to identify and integrate core competencies and messages on peace education in the kindergarten to grade 12 curriculum and provide related teacher trainings.³¹

4. The project will have positive impacts to the Maranao, an indigenous people/ethnic minority in Marawi City and its surrounding area through access to short-employment, livelihood programs and learning opportunities. The elements of an Indigenous People's Plan (IPP)/Ethnic Minority³² Development Plan (EMDP) are prepared to create actions that are concrete and can be monitored during project implementation to ensure distribution of benefits among IPs/EMs. The IPP/EMDP is in accordance with ADB Safeguard Policy Statement of 2009 (SPS 2009).

5. The accrual of project benefits has been integrated in the project design by: (i) mapping project beneficiaries including IPs/EMs; (ii) identifying culturally sensitive livelihood and education initiatives (ii) assuring communication in the dialect of IPs/EMs; and (iii) ensuring project implementing partners work closely with National Commission on Muslim Filipino (NCMF).

C. Social Impact Assessment

a. Legal and Institutional Framework

6. **RA 6734. The Republic Act No. 6734, also known as Organic Act for the Autonomous Region in Muslim Mindanao** was signed into law on August 1, 1989 and was ratified in a plebiscite in November 1989. It was composed of the four (4) provinces of Lanao del Sur, Maguindanao, Sulu and Tawi-Tawi. ARMM was created in 1989 by virtue of RA 6734. RA 6734 does not differentiate between Moros and other IPs in the Autonomous Region, except that the Moros are governed by Sharia'ah laws and other IPs are governed by customary laws. Otherwise, both these groups are referred to as "indigenous cultural communities" who are Filipino citizens. This law defines ancestral lands: "Lands in the actual, open, notorious, and uninterrupted possession and occupation by an indigenous cultural community for at least 30 years are ancestral lands." And, ancestral domain is defined to include pasture lands, worship areas, burial grounds, forests and fields, mineral resources, except strategic minerals such as uranium, coal, petroleum, and other fossil fuels, mineral oils, and all sources of potential energy; lakes, rivers and lagoons; and national reserves and marine parks, as well as forest and watershed reservations. Given the nature of this project, it is noted that the project will not affect such lands and the project does not require any land acquisition.

³⁰ "Safe and protective learning spaces" is a term used in the context of education in emergencies. It refers to the provision of quality education opportunities that meet the physical protection, psychosocial, developmental, and cognitive needs of people affected by emergencies, which can be both life-sustaining and life-saving.

³¹ A catchment school is a school that serves students from barangays that no longer have open schools. This school, targeted for support under the grant, is serving many students from schools that closed after the conflict, is in Marawi division near ground zero, and is staffed by IDP teachers. It was identified by DepEd as a school that has low environmental safeguard risk and will serve as a model school for others. Other schools will receive support through teacher trainings, furniture, and teaching and learning materials. "Ground zero" or the "most affected area" comprises the 24 barangays of Marawi that were heavily bombed during the siege.

³² Used interchangeably

7. **RA 9054. Republic Act 9054, or the Organic Act for the Autonomous Region in Muslim Mindanao, amended RA 6734 in 2001.** The amended law expanded ARMM's area of autonomy. In a plebiscite, Basilan and Marawi City (in Lanao del Sur) opted to join ARMM. The Regional Government as devolved to local government units (LGUs) adopts measures to ensure mutual respect for and protection of the distinct beliefs, customs, and traditions among its inhabitants in the spirit of unity in diversity and peaceful co-existence. It undertakes measures to protect the ancestral domain and the ancestral lands of indigenous cultural communities. The phrase "indigenous cultural community" refers to Filipino citizens residing in the Autonomous Region who are Tribal people as well as Bangsa Moro people regarded as indigenous on account of their descent from the populations that inhabited the country or a distinct geographical area at the time of conquest or colonization and who, irrespective of their legal status, retain some or all of their own socio-economic, cultural and political institutions.

8. **RA 11054. Republic Act 11054, or the Bangsamoro Organic Law.** The law often referred to the acronym "**BOL**" and "**BBL**" is a Philippine law providing for the establishment of an autonomous political entity known as the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM). As an organic act, the Basic Law aims to replace the ARMM, following the agreements set forth in the Comprehensive Agreement on the Bangsamoro (CAB). This final peace agreement was signed between the Government of the Philippines (GOP) and the Moro Islamic Liberation Front (MILF) in 2014. A future plebiscite will be held to ratify the law, creating the proposed BARMM and formally abolish the current ARMM.

b. Baseline Information – Indigenous People in Project Area

9. There are at least 13 ethno-linguistic groups in Mindanao.³³ They are the Maranao, Maguindanao, Tausug, Yakan, Samal, Sangil, Molbog, Kalibugan, Kalagan, Palawani, Iranun, Jama Mapun, and Badjao. The introduction of Islam divided the people of Mindanao into two distinct categories: Moros and Lumads. Those who embraced Islam became the Moros and those who did not became the Lumads. "Lumad" a Visayan term which means "born of the earth." Lumads are regarded as the original inhabitants of Mindanao. At present, Lumad also pertains to the non-Muslim, non-Christian indigenous peoples of Mindanao.³⁴ The project will focus in Marawi City and its neighboring municipalities/cities.

10. Majority of the conflict-affected IDPs in Marawi City and its surrounding areas belong to the Maranao tribe. Maranao means "people of the lake."³⁵ This is referred to the inhabitants of ancestral land surrounding the Lake Lanao. It is one of the major tribes of the 13 ethno-linguistic groups in ARMM. Customarily, Maranaos are traders and perceived as rich people. With regard to self-identity, Maranaos recognize themselves as majority of the minority but not indigenous people though they have distinct social and cultural attributes. They considered themselves different from the Maguindanao, Tausug and other tribes in Mindanao with their own culture, traditions and practices. Maranaos maintain collective attachment to Lake Lanao, where they perform their spiritual activities. They are also attached to their land and considered themselves as "Kawani"- that all of them are co-owners of the land and that the land is entrusted by God.

11. The Maranao inhabit in Lanao del Norte and Lanao del Sur of Mindanao. They are one of the largest Islamic groups in the Philippines, with the core areas being Marawi City, Lumba-a-

³³ Growing, P.G. 1979. Muslim Filipinos-Heritage and Horizon. New Day Publishers, Quezon City.

³⁴ Asian Development Bank, 2002, Indigenous Peoples/Ethnic Minorities and Poverty Reduction in the Philippines, Environment and Social Safeguard Division.

³⁵ Ethnic Groups of the Philippines. 2 March 2017. The Maranao and their Weaving Tradition. Retrieved from <http://www.ethnicgroupphilippines.com/2017/03/02/the-maranao-and-their-weaving-tradition/>

bayabao, and Bayang. The Maranao are a splinter group of the Maguindanao who took up Islam; families tracing their religious origins to Sharif Kabunsuan, who introduced the religion to the region. Communities are clustered around a mosque and a *torogan*, a royal house belonging to the pre-eminent economic household in the area. Aside from exotic textiles, metalwork, and woodcraft, the *torogan* structure is the most significant and spectacular example of Filipino secular architecture. Further, the Maranao are widely distributed and contribute significantly in market and trade industry. For instance, the awang (dugout boat) is used principally in Lake Lanao. both unique and extremely ornate. Textiles, on the other hand, symbolize the socio-economic rank of the wearer through the intricacies of the design motifs woven into the fabric, as well as, the richness of the colors used. Primary subsistence consists of dry rice cultivation in hilly areas; intensive wet rice in flood plains; and some corn, sweet potato, coffee, cassava and peanuts. To supplement their agricultural harvests, they also incorporate fishing³⁶.

11. **Age and Gender Distribution.** Based on the 2015 Census of Population, ARMM has a population of 3,781,387. On the average, the population of ARMM increased by 2.89% annually from 2010 to 2015. Among the five provinces of ARMM, Lanao del Sur is the second populous amounting to 1.05 million. In terms of cities/municipalities, Marawi City is the topmost populous cities in ARMM with the total of 201,785.³⁷

12. From the 201,785 population of Marawi City, the percentage of female is greater with 51.50% than male with 48.50%. The higher percentage of female than male is also manifested in the province of Lanao del Sur. The females comprised 51% and males comprised 49% of 1,045,429 population.³⁸ The gender distribution figure reveals a cumulative female-dominant population from infants to 59-year olds. However, the reverse is true within the cluster of 60-year olds and above, where males outnumbered females based on the fixed population of 19,521 females and 21,730 males. This is the only category in the age distribution data where males registered a 5.36% higher population than females.

13. **Education.** From the recorded 891,280 population 5 years and over, 39.19% is Elementary which comprises for 1st-4th Grade, 5th-6th Grade and Graduate. Further, 28.47% of the said population is High School comprising Undergraduate and Graduate. Part of the population did not complete grade level amounting to 11.07%. About 10.09% and 5.42% are College Undergraduate and Academic Degree Holder, respectively. Preschool comprised only 4.23% of the population.

14. **Livelihood.** In 2016, ARMM was accounted for 8.4% of Philippine corn production, 3.2% of Palay production, and about 4.0% of cattle production. Other livestock includes chicken and swine production representing 0.3% and 0.5% of the total production respectively. For fish production, ARMM is accounted for 18.9% of the total production.³⁹

15. Traditional and cultural practices include brass-manufacturing, weaving and wood carving. Livelihood development support could be revival of these practices and provision of support to local business that were displaced by the conflict.

³⁶ <http://www.ethnicgroupsphilippines/people/ethnic-groups-in-the-philippines/maranao/>

³⁷ Philippine Statistics Authority. (2015). Population of the Autonomous Region in Muslim Mindanao (Based on the 2015 Census of Population). Retrieved from: <https://psa.gov.ph/content/population-autonomous-region-muslim-mindanao-based-2015-census-population>

³⁸ Philippine Statistics Authority. (2015). Women and Men in Lanao del Sur (Based on the 2015 Census of Population). Retrieved from: <http://rssoarimm.psa.gov.ph/release/55079/special-release/women-and-men-in-lanao-del-sur-%28based-on-the-results-of-2015-census-of>

³⁹ Report on Regional Economic Developments in the Philippines 2016. Retrieved from: http://www.bsp.gov.ph/downloads/Publications/2016/REDP_2016.pdf

c. Key Project Stakeholders

16. The key project stakeholders are the conflict-affected IDPs and host families in Marawi City and nearby municipalities, including IPs/EMs apart from the Department of Public Works and Highways (DPWH), Department of Education (DepEd), Department of Labor and Employment (DOLE), Department and Trade and Industry (DTI), Task Force Bangon Marawi (TFBM) and Save the Children Philippines (SCP).

d. Potential Adverse and Positive Effects of the Project

17. The project does not have any adverse effect. Further, it is designed for the benefit of the IDPs and host families in Marawi City and its surrounding communities. The project will provide short-term employment; longer-term livelihood for working age men and women, and ; culturally- and age-appropriate, conflict sensitive learning opportunities and psycho-social support for boys and girls.

e. Gender-sensitive Assessment of Project Perception

18. Consultation with the representatives of women commission/organization and women IDPs in evacuation centers with varying educational levels and age took place on 13 July 2018. They appreciated the project but cautioned that it should be sustainable and that the project should clearly define its objective. There are already livelihood projects from the government that are being implemented in the community. The perception is the lack of a road map and has resulted in a simple giving of funds and equipment, with no regards for an end-goal which results in a lack of sustainability of the projects. Value-chain support should be part of the livelihood project such as connecting it to market outside Marawi City to ensure profit among beneficiaries.

f. Measures to Avoid Adverse Effects

19. The project does not have any adverse effect. It is beneficial to the IDPs and host families in Marawi City and its nearby municipalities/cities. The project will provide envisage employment, livelihood/entrepreneurial skills for male and female and education initiatives of boys and girls and youth in the project area.

D. Information Disclosure, Consultation and Participation

20. During the project design stage, meaningful consultations were held focusing on women's groups, government officials of central and local offices, religious leaders, school managers, camp managers and IDPs regarding (i) livelihood project being implemented by DOLE and other government agencies; (ii) education and technology access; (iii) economic activities, capacities and access to credits; (iv) possible solutions to resolve the constraints identified; and (v) mechanisms to address these constraints. Throughout the consultation process, IDPs, host community members, and community leaders recognized the need for the proposed livelihood, employment and education interventions. Stakeholder consultations at key milestones in the project will be done including dialogue with national and LGUs, private sector, and if necessary, beneficiaries and Civil Society Organization (CSOs). Engagement of LGUs and traditional leaders as sustainability mechanism is also a key strategy.

21. The local field partners, especially the LGU of Marawi, the field office of the Task Force Bangon Marawi (TFBM), and the existing clusters will be consulted to strengthen coordination

throughout the project. Taking into consideration the role of local non-states authorities—elders, imams, ulamas, and clan leaders,— the project will make sure that these players are also properly consulted to get different perspectives to better improve the project implementation and supervision.

22. During the initial stages of the project implementation, a series of community consultation workshops will be conducted among the affected IP communities. These workshops will be carried out by the implementing consultants, in close coordination with the LGUs. The communities will be briefed in all aspects of planned project activities and will be asked their opinions and views on culturally appropriate occupation choices and workplace skills. Women will be particularly encouraged to actively participate in these consultation workshops. Any adverse impact will be addressed through compliance with ARMM and NCMF policies.

23. Relevant information from these elements of IPP will be disclosed to the IP communities in their dialect and, in case of the illiterates, in a form understandable to them.

E. Beneficial Measures

24. The proposed project will have the potential to directly improve the dignity, human rights, livelihood systems and culture of IPs/EMs. It will increase the IP community's opportunities for poverty alleviation efforts by increasing livelihood and employment or entrepreneurial opportunities. Their inherent right to access culturally- conflict sensitive and age appropriate education will also be achieved, thereby boosting their self-confidence in tackling issues of ancestral domains, right to utilize natural resources and to preservation of culture and local knowledge. The Grant will focus on scaling-up existing government programs. The eligibility criteria of beneficiaries for emergency employment and livelihood programs is patterned on the program being implemented by the DOLE and DTI as described in para. 2, (i) to (iii) and the details are in the Grant Assistance Report, Appendix 7.

F. Mitigative Measures

26. Not applicable as there is no adverse impact. Should any unanticipated impacts on the IP/EM communities become apparent during project implementation, the IA will carry out a summary impact assessment and update this element of IPP/EMDP or formulate an IPP/EMDP following ADB's safeguards policy requirements.

G. Capacity Building

27. The Save the Children Philippines (SCP) as Implementing Agency (IA) has limited knowledge or is unfamiliar with ADB's safeguards requirements. For capacity building related to this project, the following key actions are proposed: (i) designate a safeguards focal person; and (ii) capacitate relevant field personnel including the ability to conduct impact assessment, meaningful consultations with the affected IP/EM communities, and disclose relevant information as stipulated in IPP using their dialect and, in case of the illiterates, in a form understandable to them. ADB will assist in conducting safeguards training for project staff in accordance to ADB procedures.

H. Grievance Redress Mechanism

28. A grievance redress mechanism (GRM) will be established to receive and facilitate resolution of the affected IP communities' concerns, complaints and grievances. Concerns,

complaints and grievances may be filed at the local level in writing with community facilitators, texted to a dedicated SMS hotline or phoned in. However, grievances filed through SMS and phone calls will need to be written down and authenticated by a designated community facilitator. The IA through the implementing partner together with the community facilitators, as part of its monitoring procedures, will continue to identify ways to strengthen the grievance system to ensure ease of access and responsiveness to the concerns of affected IP communities. The project will also ensure that grievances received from project activities are addressed with utmost consideration to the existing cultural practices. There will be two levels of the grievance redress process open to the IP communities and other stakeholders during the IPP implementation, as described below.

29. Level 1 - Municipal Level– the IP communities’ representatives/traditional elders, religious elder, representatives of affected Barangays and LGU stakeholders and Project Implementation Unit (PIU) shall comprise a Committee to be set up and shall meet in case a complaint is lodged. A decision should be made within 15 calendar days after receipt of the complaint. The aggrieved stakeholder will be informed in writing of the decision within two working days. The committee will be chaired by the Mayor.

30. Level 2 - If not satisfied by the Municipal level committee decisions, an aggrieved stakeholder can appeal before the DPWH/DOLE/DepEd/DTI/TFBM grant steering committee which will have 10 calendar days within which to resolve a complaint. The resolution will be officially communicated in writing to the aggrieved stakeholder within five working days from the date of the issuance of the decision.

31. If not satisfied with the decision of the Level 2 or earlier levels, an aggrieved stakeholder may approach a court of law at any stage, which is not a part of the project level GRM, and whose decision will be final.

32. **Maranao Indigenous Systems.** Justice in the Maranao Community is usually administered by the sultan or datu within the framework of the ‘Taritib’ and ‘Ijma’ which are considered the substance of Maranao Adat Law. Generally, taritib is the order, arrangement, sequence or protocol of traditions, customs, usages that are observed in the Maranao communities. Ijma refers to the existing laws long observed in the Maranao communities based on Islamic concept. Grave offenses (Miakamaolika) are to be settled in the Maranao traditional taritibadat or ijma. Authority is exercised by the group of leaders collectively called the Pelok-loksen (Council of Elders) each bearing a hierarchy of civil and religious titles such as sultan, radiamoda, cabugatan, cali, and imam. In case conflict arises involving members within the community, especially for members of same clan or groups, the traditional conflict management shall apply with the Tribal Council or Elders shall serve as the GRM Body⁴⁰.

I. Monitoring, Reporting and Evaluation

33. The overall goal of the monitoring process for the IPP is to:

- Ensure effective communication and consultation take place;
- Report any grievances that require resolution; and
- Allow project implementing staff and participants to evaluate whether the IP communities have maintained their rights, culture and dignity and that they are not worse off than they were before the project.

⁴⁰ Source: Atty. Renato S. Pacaldo, PhD, Professor at Mindanao State University, Marawi City

34. The EA through the implementing consultants will prepare semi-annual and annual progress reports which will include updates on IP beneficiaries, and any grievances received. Data will be disaggregated by sex and ethnicity. Monitoring and progress reporting will be the responsibility of the implementing consultants. At the local level, safeguards focal person will monitor on a regular basis, and coordinate the participatory monitoring by beneficiaries. The process of establishing participatory monitoring must begin with the identification of monitoring criteria by the beneficiaries themselves, against which they will judge the success or failure of project activities. Indicators for the monitoring will be those related to the processes (indicators that show implementation progress) and outcome (indicators that measure whether the IPP actions are successful). The outcome indicators reflect the results of the process. Annex 1 is the list of process, output, and outcome monitoring indicators.

35. Monitoring will cover: (i) process and implementation of activities according to the overall plans and schedules, including the delivery of information, the schedule of consultations and participatory exercises and any mitigation or enhancement measures; (ii) disbursement, expenditure and any budget issues; (iii) outputs and outcomes; and (iv) lessons learned. Based on the monitoring input in the quarterly progress reports, semi-annual social safeguards monitoring reports will be prepared and submitted to ADB for review and posting on the ADB website. Evaluation of the IP actions will be an integral part of the overall project performance monitoring system.

J. Institutional Arrangement

36. The executing agency (EA) is the Department and Public Works and Highways (DPWH). DPWH will engage Save the Children Philippines (SCP) as an implementing consultant firm through direct contracting. A JFPR grant steering committee (GSC) composed of DPWH, DepEd, DOLE, DTI, and TFBM and with ADB as observer, will be set up to provide oversight and ensure alignment of the project with the BM-CRRP. DPWH will chair the committee, which shall meet biannually, or as needed, to review grant progress, agree on workplans and budgets, discuss policy actions and other concerns relevant to the components under the grant. SCP will report to the GSC bi-annually with narrative and financial reports, together with an updated workplan and projected disbursements for the next 6 months. DOLE will oversee Component 1 (emergency employment), DOLE and DTI will oversee Component 2 (livelihoods), while DepEd will oversee Component 3 (education). A project implementation unit (PIU) will be established under the EA (DPWH), and will be staffed by individual consultants including a financial management specialist, a gender specialist and a monitoring and evaluation specialist.

K. Implementation Arrangement

37. The implementation arrangements for the IP actions, i.e., the beneficial measures, are integrated with the overall implementation arrangements of the project. The implementation of the IPP will be supervised by the GSC in coordination with local coordinators of DOLE, DTI, DepEd. The EA through the implementing consultants will be responsible for implementing the measures to ensure an IP-sensitive and IP-responsive project in coordination with NCMF.

Table 1: Oversight Functions

Agency	Responsibility
Implementation consultant firm, SCP	Oversee and coordinate safeguards implementation throughout the grant. Submit semi-annual safeguard monitoring reports to EA. Communicate potential safeguards

	non-compliance to ADB promptly.
EA (Department of Public Works and Highways)	Responsible for the overall safeguards implementation and monitoring. Validate semi-annual safeguards monitoring reports and submit to ADB. Communicate potential safeguards non-compliance to ADB promptly. Oversee safeguard implementation for the Project, in coordination with the consultants, contractors and local authorities.
Asian Development Bank	Undertakes review missions and compliance with the grant agreement. Ensure project's compliance with ADB Safeguards Policy. Review the periodic monitoring reports submitted by EA to ensure that adverse impacts and risks are mitigated as planned and as agreed with ADB.

ADB = Asian Development Bank, EA = Executing Agency, SCP = Save the Children Philippines.
Source: ADB.

Table 2: Implementation Schedule

Activities	Indicative Schedule
Grant Implementation	January 2019-January 2021
Setting up of Grant Steering Committee	January 2019- March 2019
Setting up of Project Implementation Unit	January-March 2019
Recruitment of Implementation Consultant	January 2019 - June 2019
Implementation of IPP	January 2019 - January 2021
Internal Monitoring	Continuous, starting 2 nd quarter 2019
Submission of Internal Monitoring Report	Semi-Annual, Starting 30 June 2019

IPP = indigenous peoples plan.
Source: Asian Development Bank.

31. Budget and Financing

38. There is no separate budget requirement for implementing the IPP, as the actions are integrated into the overall implementation arrangements and total project budget.

Table 3: List of Process, Output and Outcome Monitoring Indicators

Process Indicators	
Demographic Baseline	<ul style="list-style-type: none"> The numbers of affected IPs/EMs by category of impact, gender, age, habitat (village etc.), income, status and position Number of households with handicapped, elderly or invalid members Number of female headed households Number of vulnerable households (poor, elderly) Number of births and deaths
Consultation & Participation	<ul style="list-style-type: none"> Number of C&P activities that occur – meetings, information dissemination, brochures; flyers, training Percentage of IP/EM women as participants; number of meetings exclusively with women

	<ul style="list-style-type: none"> • Percentage of vulnerable IP/EM groups represented / attending meetings; number of meetings exclusively with vulnerable groups. • Languages used at meetings
Beneficial Measures	<ul style="list-style-type: none"> • Progress of implementation of beneficial measures against plan • Number of activities that occur/completed – such as mapping, employment and livelihood enhancement interventions • Percentage progress against timelines and budget
Grievance Redress	<ul style="list-style-type: none"> • Total number people/groups using the grievance redress procedure. • Number of distinct people/groups. Any group with significantly more grievances? • How many times has a household submitted the same grievance? • Number of grievances resolved? • Length of time taken to be resolved? • Types of grievance categories and prevalence.
Implementation problems	<ul style="list-style-type: none"> • Identified delays – (days, cost) due to personnel, capacity, insufficient funds, etc. • Number of times implementation schedule revised.
Output Indicators	
Benefit monitoring	<ul style="list-style-type: none"> • The number IPs/EMs beneficiaries of emergency employment and livelihood programs gender, age, habitat (village etc) • How many IP/EMs with enhanced business skills • Number of peace education and mother-tongue and culture sensitive learning and teaching materials produced and distributed to IP/EM communities • Number of schools in IP/EM communities benefited from the project (equipment; training of teachers)
Outcome Indicators	
Consultation and Participation Program	<ul style="list-style-type: none"> • Awareness of ethnic minority issues among implementing stakeholders. • Awareness of IPP mitigation and beneficial measures amongst recipients. • Awareness of project details amongst stakeholders • IP perception of effectiveness, cultural appropriateness and inclusiveness of consultation measures. • Attendance at C&P activities • Level of involvement by IPs/EMs and representatives in the design and implementation of C&P and project activities
Enhanced dignity of ethnic minority groups, integrity of traditional kinship networks and livelihood patterns	<ul style="list-style-type: none"> • Changes in religious/ cultural practices • Changes in cultural governance • Participation in cultural governance (by gender, status) • Changes in condition of schools, public or community buildings, temples • Numbers of religious/cultural events and persons • Participation in cultural/religious events (by gender, time/resources allocated)
Livelihoods and living standards	<ul style="list-style-type: none"> • Major asset inventory – e.g. vehicle, phone, tools, kitchen equipment • Changes in patterns of occupation, production, and resource use. • Changes in income and expenditure patterns • Cost of living changes – market prices etc. • Vulnerable groups – status, relative income, livelihood • Education – literacy and numeracy level in national/ethnic language • School attendance of IPs/EMs (by sex and age) • What changes have taken place in key social and cultural parameters relating to living standards- e.g. gender roles of production • Has the situation of the IPs/EMs improved, or at least maintained, as a result of the project

C&P = consultation and participation, EM = ethnic minority, IP = indigenous peoples, IPP = indigenous peoples plan.
Source: Asian Development Bank.

SUPPLEMENTARY APPENDIX 9: MARAWI CRISIS TIMELINE

Phase	Date	Actions
Emergency	Pre-September 2017	<i>Emergency assistance provided prior to the cessation of the siege.</i>
	September 2017	Government of Philippines makes official request to ADB and the World Bank for advisory support to Task Force Bangon Marawi, overseeing formulation of <i>Bangon Marawi Comprehensive Rehabilitation and Recovery Program</i> .
	17 October 2017	GoP announced the end of the siege and declared the city liberated from terrorist forces.
	Until December 2018	Government-led humanitarian operation supported by the United Nations OHCA. <i>Caseload</i> - September 2017: 354,000 IDPs - September 2018: 69,412 IDPS.
Transition & Rehabilitation	June 2018	GoP finalizes BMCRRP.
	23 July to 24 August 2018	ADB conducts factfinding missions in Marawai and surrounding areas, and in Manila, and held consultations with TFBM and GoP on scope of potential assistance in light of key findings (as of July): 63,840 IDPs; 298,645 returned IDPs with residual humanitarian needs; 40,000 (estimated) children displaced, 1,400 teachers displaced and 22 heavily damaged schools; unemployed out of school youth vulnerable to recruitment; major disruption to local economy and livelihoods.
	24 July 2018	ADB met with OCHA where concern was raised for the large number of returned IDPs that continue to have unmet humanitarian needs, and need for greater support for livelihoods and out-of-school youth. OCHA confirmed they would cease coordination and information management support in Marawi in December 2018.
	10 August 2018	GoP formally presents BMCRRP to development partners.
	4 September 2018	Department of Finance requests ADB to mobilize a grant in support of restoring livelihoods and learning in Marawi.
	10 September 2018	Department of Finance requests an emergency assistance loan (\$400m) from ADB to support BMCRRP implementation, which require Board approval within 12 weeks after receipt of official request.
	3 December 2018	ADB Board considers / approves EAL and grants.
	January 2019	Declaration of loan and grant effectiveness.
	31 January 2021	JFPR grant completion.
	31 December 2023	Estimated completion of EAL.

ADB = Asian Development Bank, BMCRRP = *Bangon Marawi Comprehensive Rehabilitation and Recovery Program*, EAL = emergency assistance loan, GoP = Government of the Philippines, IDP = internally displaced persons, JFPR = Japan Fund for Poverty Reduction, OCHA = Office for the Coordination of Humanitarian Affairs, TFBM = Task Force Bangon Marawi.
Source = Asian Development Bank.

SUPPLEMENTARY APPENDIX 10: FINANCIAL MANAGEMENT ASSESSMENT

A. Executing Agency Financial Management System

1. **Executing Agency.** The Department of Public Works and Highways (DPWH) will be the executing agency for this project. The assessment reveals that the executing agency (EA) has worked with ADB in previous projects. ADB staff are responsible for supporting implementation including compliance by DPWH and the implementing agencies of their obligations and responsibilities for the project implementation in accordance with ADB's policies and procedures. The DPWH has organization and staffing which are appropriate for a project executing agency. Duties are appropriately segregated. However, training and capacity will need to be strengthened especially in the area of ADB policy and procedures, and ADB requirements. In addition, procedural and documentation controls will need to be properly and consistently implemented. The Accounting Division which is under the Financial Management Service (FMS) Division handles the main financial management system and is responsible for financial procedures and control, provides coordinated services on financial systems and procedures, budgets, cash disbursements and accounting and internal controls. The FMS organization of DPWH is structured to support effective financial management of projects with designated sections focused on monitoring and controlling project implementation. The multiple reviews and authorizations associated with monitoring and funding projects suggests a thorough process that should successfully manage financial implementation of the project.

2. **Information Systems.** The FMS Division of the DPWH uses the COA's electronic New Government Accounting System (e-NGAS), an MS SQL server-based accounting system, an electronic budgeting system (e-Budget) and a Project Life Cycle system to track physical activity and associate it with financial transactions. Staff members are adequately trained to maintain the computerized information system. The use of e-NGAS and e-Budget ensures the accuracy and reliability of transactions. The financial accounting and reporting system are integrated and is used by the central, regional and district engineering offices of the DPWH.

3. The DPWH maintains separate project records and books. For the DPWH, not all financial reports can be generated from the system. The preparation of the statement of cash flows requires manual intervention and use of Excel. The accounting information system follows the chart of accounts mandated by the COA. Thus, expenditures categories used are different from those indicated in the ADB grant agreement. In order to prepare the project financial statements following ADB's expenditure categories, data will have to be extracted from e-NGAS and transferred to Excel.

4. Management, organization and processes and systems safeguard the confidentiality, integrity and availability of the data. The backup procedures are done via online storage in a server and the data are annually transferred to another server. There is no offsite storage.

5. **Accounting Policies and Procedures.** The accrual basis of accounting is used by the DPWH. The DPWH follows the Philippines Public Sector Accounting Standards (PPSAS), which are consistent with the International Public Sector Accounting Standards.

6. The DPWH is guided by Financial Management Policies and Procedures Manual which provides specific and detailed instructions on the processing, recording and reporting of financial transactions. The manuals follow the COA prescribed requirements. The accounting policy and procedures manual is updated regularly. Procedures are in place to ensure that only authorized

persons can alter or establish a new accounting policy or procedure to be used by the implementing agencies. The manual is distributed to appropriate personnel.

7. The DPWH has an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds.

8. The accounting system of the DPWH supports standardized and ad-hoc reporting, multiuser operations with built in data entry validation and audit trails by user.

9. All accounting and supporting documents pertaining to all processed claims are transmitted to the COA for post audit and safekeeping. All records and documents are retained for ten years while the general ledger and subsidiary ledgers are retained perpetually. The DPWH maintains contract-wise accounting records which are regularly reconciled with the physical outputs and deliverables of the contract. The DPWH reconciles the records with the contractors on a regular basis.

10. **Internal and External Audit.** The Internal Audit Service (IAS) of the DPWH reports to the Secretary of the DPWH and conducts management and operations audits of DPWH activities and monitors compliance with policies and procedures. The focus of the activities of the IAS is to conduct internal control evaluation, performance audits, and management audits of all the functions and all the organizational units within the DPWH, assess management deficiencies and recommend remedial actions.

11. The qualifications and experience of the internal audit staff of the DPWH is based on the Qualification Standards of the Civil Service Commission. The requirement is a bachelor's degree relevant to the job. The qualification standards do not mention or require any technical course. This is left to the discretion of the hiring entity. They are not required to have academic degrees in courses related to accounting or auditing.

12. The internal audit unit of the DPWH does not include the existing ADB project (Loan 2836-PHI: Road Improvement and Institutional Development Project) in its annual work program.

13. The external audit of the DPWH is conducted by the COA in accordance with Philippine Public Sector Standards on Auditing. In May 2016, COA issued Resolution No. 2016-007 adopting a revised framework of professional standards based on International Standards of Supreme Audit Institutions and which are in harmony with the International Organization of Supreme Audit Institutions framework of professional standards.

14. The external auditor has sufficient knowledge of ADB's guidelines and procedures, including disbursements guidelines and procedures such as the Loan Disbursement Handbook.

15. **Budgeting.** Budgeting systems and procedures are adequate. The DPWH uses the e-Budget which integrates the National Expenditure Program and the General Appropriations Act with allotment and cash programs, release of allotments and generation of budget reports. The budget release procedures have been streamlined to facilitate the release of budgetary obligations and allotments from the Department of Budget and Management to individual government agencies.

16. The budget includes only financial targets. The physical targets are included in the statement of time elapsed. Budgets are prepared for all significant activities in sufficient detail to

allow meaningful monitoring of subsequent performance. Actual expenditures are compared to the budget on a monthly and quarterly basis. Explanations are required for significant variations against the budget. Approvals for variations from the budget are required in advance. The ceiling up to which variations against the budget may be incurred without obtaining prior approval is up to 10% of the original cost.

17. **Financial Reporting.** Financial statements and reports are prepared for the DPWH and the project by the Accounting Division. Financial reports compare actual expenditures with budgeted and programmed allocations.

18. The COA issued adverse opinions on the fairness of the presentation of the consolidated financial statements of the DPWH for the years 2015, 2016, and 2017 due to accounting errors and deficiencies affecting cash and cash equivalents, receivables, inventory, other current assets, property, plant and equipment and liabilities. The external auditors asserted that because of the material significance of the accounting errors and deficiencies, the consolidated financial statements of the DPWH do not present fairly the financial position of the DPWH and its financial performance, changes in net assets or equity, cash flows and the comparison of budget and actual amounts for the years 2015, 2016 and 2017 in accordance with PPSAS. Therefore, the consolidated financial statements cannot be relied upon.

19. **Internal Control.** The following functional responsibilities are performed by different units or persons: authorization to execute a transaction, recording of the transaction, custody of assets involved in the transaction and reconciliation of bank accounts and subsidiary ledgers. The functions of ordering, receiving, accounting for, and paying for goods and services are appropriately segregated.

20. Department Orders, Circulars, Memoranda and COA rules are generally followed in order to safeguard assets. Bank accounts are reconciled on a monthly basis. The Fixed Assets Register is maintained by the Supply and Property Management Division and is updated monthly. Fixed assets are properly tagged and labeled. Physical inventory counts are conducted by the Supply and Property Management Division personnel together with the COA auditor and Accounting personnel.

21. There are arrangements for reporting fraud, corruption, waste and misuse of project resources. Complaints may be sent online, through a 24/7 hotline or through a 24/7 Help Desk to the Stakeholder Relations Service Unit which takes down all complaints and accepts all calls, conducts hearings and investigations.

22. **Safeguard over Assets.** Department Orders, Circulars, Memoranda, and COA rules are generally followed in order to safeguard assets. Bank accounts are reconciled on a monthly basis. The Fixed Assets Register is maintained by the Supply and Property Management Division and is updated monthly. Fixed assets are properly tagged and labeled. Physical inventory counts are conducted by the Supply and Property Management Division personnel together with the COA auditor and Accounting personnel.

B. Implementing Consultant Financial Management System

23. **Implementing Consultant.** Overall, the SCP will be responsible for the implementation of grant ensuring compliance with ADB policies and guidelines on audit, financial management, procurement, safeguards and anti-corruption. DPWH and SCP are wholly responsible for the

implementation of the ADB-financed project, as agreed jointly between the recipient and ADB, and in accordance with the policies and procedures of the government and ADB.

24. The implementing consultant (IC) has no experience of working with Asian Development Bank, but it has handled projects funded by the development partners (DPs) and other external donors. Their experiences include working with UNICEF and United Agency for Development. They have adequate internal control systems and financial reporting arrangements, not only for their regular budget and expenditure management, but also for other external funded projects. The SCP will have full time dedicated staff who will be hired before the start of the project. The SCP tasks will include, among others, the procurement, accounting, monitoring, and supervision of the project, as well as the necessary liaison with ADB. The SCP will also be responsible for compliance with grant covenants.

25. **Funds Flow.** Funds from ADB will directly flow to Save the Children Philippines. If and when partners will be identified, a Sub Award Agreement will be executed between Save the Children Philippines and the partner. Likewise, for procurements, procurement process will be followed and an agreement/contract will be signed with the supplier.

26. **Organization and Staffing.** The IC have adequate capacity and authority to support particularly on financial management, and procurement to properly implement this project in compliance with ADB process and procedures. The finance director has a team of fifteen staff members who are CPA's, MBA's, finance specialist and from accounting backgrounds. There are several divisions under the FD who are looking after operations, financial management, financial planning and analysis and financial control and compliance.

27. **Accounting Policy and Procedures.** The IC currently follows Philippine Accounting Standards which are consistent with International Financial Reporting Standards and for the project they would follow the same. The accounting system allows for proper recording of financial transactions. The accrual basis of accounting is used by the SCP. The accounting is done in line with the IC chart of accounts which is adequate. The IC records retention is for a minimum period of 7 years, with the backup server and hard drive backups. The IC needs to ensure that project documents retention is also within the 2-years period from the completion of the project, as required by ADB's Guidelines.

28. **Segregation of Duties.** The organizational structure of SCP ensures adequate segregation of duties with different persons doing the transactions authorization, recording, custody of assets in the transaction and reconciliation of bank accounts and subsidiary ledgers. The IC finance department with a staff of fifteen at full strength and the anticipated new staff hiring of one person will have enough officers to enable complete segregation of duties.

29. **Budgeting System.** Budget inputs are provided by the various functional units including the finance director for review and consolidation. The finance director and the chief executive officer has the final responsibility for the budget preparation. During implementation, budgets are revisited on a monthly basis and a semi-annual forecast is submitted. All budget variations are explained appropriately and the expenditures have proper functional classification to be justified.

30. **Payments.** Proper invoice processing procedures are in place within the IC. Payments are made against invoices and other supporting documents that have been verified and submitted for payments. Sufficient safeguards exist for approval of expenditure against the allocated budget with procedures in place for approvals for variation from allocated budget and quarterly reporting and explanations for variance of actuals versus budget.

31. **Cash and bank.** The operations head and finance staff of the IC will be the duly authorized signatories to all project bank transactions. Use of accounting software such as AGRASSO installed at the IC will allow maintaining the cashbook in a computerized electronic system. Bank reconciliations are to be undertaken at the end of each month, or at any time as necessary.

32. **Safeguard of Assets.** The accounting system followed by the IC provides for adequate safeguards of assets from fraud, waste and abuse with appropriate record.

33. **Internal Audit.** SCP does not have an independent internal audit department. The control and compliance unit serve this function which has three full time staff in which there are CPA's, finance specialists and accountants who are responsible for audits in different departments of SCP. The staff report directly to the finance director who reports to the Global Assurance in Save the Children International (SCI). The control and compliance unit has conducted various audits on externally financed projects and all departments within the IC. The finance director submits an annual plan of audits for compliance and reports to Global Assurance in SCI for approval who are exposed to ADB guidelines.

34. **External Audit.** A high-quality external audit is an essential requirement for creating transparency in the use of public funds. Audits of the IC are carried out annually by KPMG. There have been no significant delays in the external audits of the IC regular completed externally financed projects. The audit reports of projects are generally issued within six months from the end of financial year. External audit is conducted in accordance with the International Standards on Auditing (ISA).

35. **Financial Reporting Systems.** Financial Statements are prepared for the IC on a monthly basis and financial reporting is also done monthly. Financial reports are generated by the accounting system of AGRASSO. They show comparisons of actual expenditures against budgeted expenditures.

36. **Public Disclosure.** ADB shall disclose the annual audited financial statements for the project and the opinion of the auditors on the financial statements no later than 14 calendar days of ADB's confirmation of their acceptability by posting them on ADB's website. The management letter will not be disclosed.

37. **Information System.** The accounting division of the IC uses customized accounting system of AGRASSO, which has backup server in head office. To prepare separate financial statements and reports for the project, SCP will use the same accounting system. The software will also be used for recording of project's receipts and payments.

38. **Experience with Other Donors.** The IC has experience of implementing projects financed by international donors including the United Nations Children's Fund (UNICEF) and United Agency for Development (UAD).

C. FMA Risk Assessments

39. The FMA has considered two types of risks: (i) inherent risks, i.e. risks outside the direct control of the entity financial management; and (ii) control risks, i.e. risks concerning the internal functioning and control of the entity's accounts division. The following key risks have been identified.

Table 1: Financial Management Inherent and Control Risk Assessment of DPWH

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Inherent Risk		
I. Country Specific		
Budget reliability, accounting and reporting and external scrutiny are weak.	Substantial	Continuation of PFM reforms by the Government of the Philippines through the following: (a) PFM Reform Roadmap; (b) Good Governance and Anticorruption Cluster Plan and (c) several stand-alone initiatives.
Overall Inherent Risk	Substantial	
Control Risk (DPWH)		
I. Executing Entity		
The experience of the DPWH with ADB projects is limited.	Moderate	One consultant will be recruited under the grant to undertake the financial monitoring and reporting requirements for the grant at the executing agency. In addition, ADB will provide training on ADB's disbursement guidelines and procedures to the relevant staff of the DPWH.
II. Funds Flow		
The ongoing project with ADB uses the direct payment procedure.	Low	The disbursements process will make use of the direct payment procedure to the consultants in PIU and SCP. Small expenditures shall be paid by DPWH first and reimbursed to ADB. In addition, a consultant will be based at the PIU in DPWH to provide guidance. ADB will provide training on ADB's disbursement guidelines and procedures to the relevant staff of the DPWH.
III. Staffing		
Existing staff members of the Accounting Division of the DPWH will be assigned to handle the financial management of the project in addition to their regular workload. There is a possibility that the preparation of the project financial statements may be delayed. Staff may not be well-versed in ADB policies and procedures, and reporting requirements.	Moderate	A financial management specialist will be engaged to assist in the financial monitoring and reporting requirements for the grant and will be based at the PIU and the DPWH. ADB will provide training on ADB's disbursement guidelines and procedures to the relevant staff of the DPWH.
IV. Accounting Policy and Procedures		
The expenditure categories under the DPWH chart of account are different from those used in ADB projects. The accounting staff of the DPWH will not prepare the project financial statements according to ADB's expenditure categories unless formally notified and oriented on the need to do so.	Moderate	ADB will inform DPWH on ADB's reporting requirements. A consultant will also be engaged to assist the PMUs in the financial monitoring and reporting function.
V. Internal Audit		
ADB assisted projects are not included in the audit plan.	Substantial	The EA will be required to include ADB-assisted projects in their audit plan.

VI. External Audit		
COA is the external auditor. COA conducts its audits in accordance with Philippine Public Sector Standards on Auditing. In May 2016, COA issued Resolution No. 2016007 adopting a revised framework of professional standards based on International Standards of Supreme Audit Institutions and which are in harmony with the International Organization of Supreme Audit Institutions framework of professional standards. COA has sufficient knowledge of ADB's guidelines and procedures, including disbursements guidelines and procedures such as the Loan Disbursement Handbook.	Low	
VII. Reporting and Monitoring		
<p>The COA issued adverse opinions on the fairness of the presentation of the consolidated financial statements of the DPWH for the years 2015, 2016, and 2017 due to accounting errors and deficiencies affecting cash and cash equivalents, receivables, inventory, other current assets, property, plant and equipment and liabilities. Therefore, the consolidated financial statements cannot be relied upon.</p> <p>There have been substantial delays in the APFS submission for existing ADB-funded projects in DPWH.</p> <p>The latest APFS (2017) presents the consolidated results of the project; it does not present the information on a per financier basis. The accounting system follows the chart of accounts mandated by the COA. Thus, expenditures categories used are different from those indicated in the ADB grant agreement. Therefore, the expenditures funded by the ADB grant cannot be determined from the APFS as required by the ADB.</p>	High	The disbursements process will make use of the direct payment procedure to the consultants in PIU and SCP. Small expenditures shall be paid by DPWH first and reimbursed to ADB. ADB will inform DPWH of the need to report/identify expenditures funded by the ADB grant in the APFS. A consultant will also assist the PIU in DPWH in ensuring timely and proper submissions of the APFS
VIII. Information Systems		
Not all financial reports can be generated from the system. The preparation of the statement of cash flows requires manual intervention and the use of Excel, which may result in errors.	Substantial	Under L3631-PHI: Improving Growth Corridor in Mindanao Road Sector Project, ADB will finance the installation of an Integrated Enterprise Financial Management System.
Overall Control Risk	Substantial	
Overall FM Risk	Substantial	The implementation of mitigation actions as proposed will reduce to risk to moderate.

ADB = Asian Development Bank, APFS = Audited Project Financial Statements, COA = Commission on Audit, DPWH = Department of Public Works and Highways, FM = financial management, PFM = Public Financial Management, PIU = project implementation unit, PMU = project management unit, SCP = Save the Children Philippines.

Source: Asian Development Bank.

Table 2: Financial Management Control Risk Assessment of SCP

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Control Risk (SCP)		
I. Implementing Consultant		
The IC has no experience of ADB assisted projects but they have worked on several projects funded by the development partners (DPs) and other external donors.	Substantial	The IC needs to ensure timely set up of existing qualified project team members dedicated for this project along with the new finance staff before grant effectiveness.
II. Funds Flow		
The IC's finance staff are experienced and familiar with the Financial Management Procedure. However, they have not yet received any training on ADB's Loan Disbursement Handbook (2017, as amended from time to time).	Substantial	Provide training on ADB's Loan Disbursement Handbook (2017, as amended from time to time) for the finance and other relevant staff.
III. Staffing		
The IC has adequate capacity to support particularly on financial management, and procurement to properly implement this project in compliance with ADB process and procedures. However, delays can occur in day-to-day financial management and submission of periodical financial reports if dedicated finance staff was not hired before project implementation.	Substantial	New finance staff who has previously worked on ADB projects and who has complete knowledge of ADB guidelines and procedures will be hired to focus solely on this project before start of grant implementation. However, the finance team from the National Office will provide needed support and oversight similar to other projects implemented.
IV. Accounting Policy and Procedures		
Accounting Policies and procedures are well documented in Financial Management Manual. However, IC doesn't have sufficient knowledge of government accounting. IC will use International accounting standards for recording of all transactions and reporting.	Moderate	IC staff will undergo training on Philippines government and ADB accounting requirements, to be facilitated by ADB's SDCC-NGOC.
V. Internal Audit		
The IC's control and compliance function has been fully functional and working efficiently to report any compliance matters to Global Assurance in SCI.	Low	N/A
VI. External Audit		
External audit is conducted in accordance with the International Standards on Auditing (ISA). KPMG conducts the audits annually.	Low	N/A
VII. Reporting and Monitoring		
Regular reports are generated from the accounting system of AGRESSO and regular monitoring is carried out by management.	Low	N/A
VIII. Information Systems		
The IC uses computerized accounting software of AGRESSO and which has backup server in head office. The system is fully functional for all Financial Accounting and Reporting.	Low	N/A

Risk Description	Risk Assessment	Mitigation Measures or Risk Management Plan
Overall Control Risk	Substantial	
Overall FM Risk	Substantial	The implementation of mitigation actions as proposed will reduce the risk but remains substantial. Clear attention must be paid to systems and controls throughout the period of the project and IC will undergo relevant trainings.

ADB = Asian Development Bank, IC = Implementing Consultant, KPMG = Klynveld Peat Marwick Goerdeler, N/A = not applicable, SCI = Save the Children International, SDCC-NGOC = Sustainable Development and Climate Change Department – NGO and Civil Society Center.

Source: Asian Development Bank.

D. Strengths and Weaknesses

40. **Strengths.** A significant strength of the financial management systems of the IC is that it has adequate internal control systems and financial reporting arrangements, for their regular budget and expenditure management and also for externally financed projects.

41. **Weaknesses.** The following weaknesses in financial management assessment of the IC have been identified and need to be addressed:

- i. insufficient training on ADB procedures to the staff in Save the Children Philippines may cause delays in day-to-day financial management of the project.
- ii. delay in hiring of dedicated finance staff to focus solely on this project. However, the finance team from the National Office will provide needed support and oversight similar to other projects implemented.

E. Action Plan

42. The project will ensure to allocate adequate budget to provide appropriate training on ADB's *Loan Disbursement Handbook* (2017, as amended from time to time) to the finance and other relevant staff to establish robust financial management arrangements. The following are proposed actions for supporting financial management by the project.

Table 15: Time-Bound Action Plan

Weakness	Mitigation Action	Responsibility	Target Date
The IC's finance staff are experienced and familiar with the Financial Management Procedure. However, they have not yet received any training on ADB's Loan Disbursement Handbook (2017, as amended from time to time).	Provide training on ADB's Loan Disbursement Handbook (2017, as amended from time to time) for the finance and other relevant staff.	ADB, EA PIU, SCP	January 2019

Weakness	Mitigation Action	Responsibility	Target Date
The IC has adequate capacity to support particularly on financial management, and procurement to properly implement this project in compliance with ADB process and procedures. However, delays can occur in day-to-day financial management and submission of periodical financial reports if dedicated finance staff was not hired before grant implementation.	New finance staff who has previously worked on ADB projects and who has complete knowledge of ADB guidelines and procedures will be hired to focus solely on this project before start of grant implementation. However, the finance team from the National Office will provide needed support and oversight similar to other projects implemented.	ADB, SCP	Before Grant implementation
The IC has no experience of ADB assisted projects but they have worked on several projects funded by the development partners (DPs) and other external donors.	The IC needs to ensure timely set up of existing qualified project team members dedicated for this project along with the new finance staff before grant effectiveness.	ADB, SCP	Before Grant implementation
Accounting Policies and procedures are well documented in Financial Management Manual. However, IC doesn't have sufficient knowledge of government accounting. IC will use International accounting standards for recording of all transactions and reporting.	IC staff will undergo training on Philippines government and ADB accounting requirements, to be facilitated by ADB's SDCC-NGOC.	ADB, SCP	Before Grant implementation
The COA issued adverse opinions on the fairness of the presentation of the consolidated financial statements of the DPWH for the years 2015, 2016, and 2017 due to accounting errors and deficiencies affecting cash and cash equivalents, receivables, inventory, other current assets, property, plant and equipment and liabilities.	A consultant (as part of the PIC) will be engaged to assist in the financial monitoring and reporting requirements for the grant and will be based at the PMU and the DPWH.	ADB, DPWH, Consultant	Before Grant implementation
Not all financial reports can be generated from the system. The preparation of the statement of cash flows requires manual intervention and the use of Excel, which may result in errors.	Under L3631-PHI: Improving Growth Corridor in Mindanao Road Sector Project, ADB will finance the installation of an Integrated Enterprise Financial Management System.	ADB	Procurement scheduled for 2019
The internal audit staff members do not audit the transactions of the ADB project.	The EA will be required to include ADB-assisted projects in their audit plan.	ADB, DPWH	2019 onwards

Weakness	Mitigation Action	Responsibility	Target Date
	This will be included in the legal agreement.		

ADB = Asian Development Bank, COA = Commission on Audit; DPWH = Department of Public Works and Highways; EA = executing agency; IC = Implementing Consultant, PIU = project implementation unit; SCP = Save the Children Philippines.

Source: Asian Development Bank.

43. Overall risk rating for project FMA for the project is assessed as *substantial*. The project arrangements are considered *satisfactory* since appropriate mitigation measures/management actions have been prepared to address the key issues.

**Financial Management Assessment Questionnaire
Restoring Livelihoods and Learning in Marawi
Save the Children Philippines**

Topic	Response		Remarks
1. Executing/Implementing Agency			
	Executing Agency	Implementing Agency	
1.1 What is the entity's legal status /registration?		Registered as Save the Children Philippines, Inc. Non-Profit	
1.2 How much equity (shareholding) is owned by the Government?	N/A		
1.3 Obtain the list of beneficial owners of major blocks of shares (non-governmental portion), if any.	N/A		
1.4 Has the entity implemented an externally-financed project in the past (if so, please provide details)?		N/A	
	Executing Agency	Implementing Agency	
1.5 Briefly describe the statutory reporting requirements for the entity.	Annually statutory audit		
1.6 Describe the regulatory or supervisory agency of the entity.	N/A		
1.7 What is the governing body for the project? Is the governing body for the project independent?		Board of Trustees is in place for Save the Children For the project, this has not been discussed but it has been a strategy of	

Topic	Response		Remarks
		Save the Children to have a Project Management Team to oversee any project being implemented	
1.8 Obtain current organizational structure and describe key management personnel. Is the organizational structure and governance appropriate for the needs of the project?	Yes, we have organizational structure in placed. There is a Senior Management Team (SMT). The SMT is composed of the following: Chief Executive Officer Deputy Country Director for Operations Deputy Country Director for Programs Director for Human Resources, Admin and IT Director for Finance Director of Awards Director for Fundraising Senior Manager for Safety and Security		
1.9 Does the entity have a Code of Ethics in place?	Yes		
1.10 Describe (if any) any historical issues reports of ethics violations involving the entity and management. How were they addressed?	None		
2. Funds Flow Arrangement			
2.1 Describe (proposed) project funds flow arrangements, including a funds flow diagram and explanation of the flow of funds from ADB, government and other financiers, to the government, EA, IA, suppliers, contractors, ultimate beneficiaries, etc. as applicable.	Funds from ADB will directly flow to Save the Children Philippines. If and when partners will be identified, a Sub Award Agreement will be executed between Save the Children Philippines and the partner. Likewise, for procurements, procurement process will be followed and an agreement/contract will be signed with the supplier. ADB --> Save the Children --> Partner 		
2.2 Are the (proposed) arrangements to transfer the proceeds of the loan (from the government / Finance Ministry) to the entity satisfactory?	We understand that there will be no fund flow from the government to Save the Children and vice versa.		
2.3 Are the disbursement methods appropriate?	Yes		
2.4 What have been the major problems in	None		

Topic	Response	Remarks
the past in receipt, accounting and/or administration of funds by the entity?		
2.5 In which bank will the imprest account be established?	Bank of the Philippine Islands	
2.6 Is the bank in which the imprest account is to be established capable of - <ul style="list-style-type: none"> • Executing foreign exchange and local currency transactions? • Issuing and administering letters of credit (LC)? • Handling a large volume of transactions? • Issuing detailed monthly bank statements promptly? 	Yes	
2.7 Is the ceiling for disbursements from the imprest account and SOE appropriate/required?	Yes, there's a scheme of delegation in place. Threshold of approvals	
2.6 If the executing or implementing agency has used imprest funds earlier, has it experienced any difficulty in obtaining 100% of the imprest funds disbursed by ADB?	None	
2.8 Does the (proposed) project implementing unit (PIU) have experience in the management of disbursements from ADB?	None	
2.9 Does the PIG has adequate administrative and accounting capacity to manage the imprest fund and statement of expenditure (SOE) procedures in accordance with ADB's	Save the Children has financial management manual which includes financial disbursement.	

Topic	Response	Remarks
<i>Loan Disbursement Handbook?</i> Identify any concern or uncertainty about the PIU's administrative and accounting capability which would support the establishment of a ceiling on the use of the SOE procedure.		
2.10 Is the entity exposed to foreign exchange risk? If yes, describe the entity's policy and arrangements for managing foreign exchange risk.	We have foreign exchange policy	
2.11 How are the counterpart funds accessed?	N/A	
2.12 How are payments made from the counterpart funds?	N/A	
2.13 If project funds will flow to communities or NGOs, does the PIU have the necessary reporting and monitoring arrangements and features built into its systems to track the use of the project proceeds by such entities?	Yes. Partnership is one of the strategies of Save the Children. We have systems in place to monitor and track the progress of our partners both technical and financial.	
2.14 Are the beneficiaries required to contribute to project costs? If beneficiaries have an option to contribute in kind (in the form of labor), are proper guidelines formulated to record and value the labor contribution?	<p>This is a case to case basis. We had projects in the past that local government units and partners also provided their own funding. Similarly, beneficiaries may also be requested to provide counterpart funding in the form of labor etc.</p> <p>For this project, the strategies is yet to be finalized. However, if and when counterpart funding is needed Save the Children will ensure that this is communicated to the beneficiaries at the onset of the project.</p>	
3. Staffing		
3.1 What is the (proposed) organizational structure of the accounting department? Attach an organization chart.	Kindly find attached National office Finance organization structure.	

Topic	Response	Remarks
3.2 Will existing staff be assigned to the project, or will new staff be recruited?	New staff will be hired to focus solely to this project. However, the Finance team from the National Office will provide needed support and oversight similar to other projects implemented.	
3.3 Describe the existing or proposed accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions and CVs of key accounting staff.	Kindly find attached national office job mapping and CVs	
3.4 Is the project finance and accounting function staffed adequately?	Yes, for the current finance structure. But as mentioned a finance person will be hired for this project.	
3.5 Are the project finance and accounting adequately qualified and experienced?	To be hired	
3.6 Is the project accounting and finance staff trained in ADB procedures including the disbursement guidelines (i.e., Loan Disbursement Handbook)?	The team has some knowledge but an orientation from ADB would be appreciated	
3.7 What is the duration of the contract with the finance and accounts staff?	Most of them are open-ended (regular) employees	
3.8 Identify key positions of project finance and accounting staff not contracted or filled yet, and the estimated date of appointment.	N/A	
3.9 For new staff, describe the proposed project finance and accounting staff, including job title, responsibilities, educational background and professional experience. Attach job descriptions.	This will be developed	
3.10 Does the project have written position	This will be developed	

Topic	Response	Remarks
descriptions that clearly define duties, responsibilities, lines of supervision, and limits of authority for all of the officers, managers, and staff?		
3.11 What is the turnover rate for finance and accounting personnel (including terminations, resignations, transfers, etc.)?	10%	
3.12 What is training policy for the finance and accounting staff?	On a semi-annual basis each staff undergo a review with their line manager and staff development priorities are identified. A staff development fund as part of the staff compensation and benefits is allocated to be utilized by staff for training and development programs.	
3.13 Describe the list of training programs attended by finance and accounting staff in the last 3 years.	Tax, Agresso, Budget management, financial reporting, Financial sustainability, audit, quality assurance, internal control and compliance	
4. Accounting Policies and Procedures		
4.1 Does the entity have an accounting system that allows for the proper recording of project financial transactions, including the allocation of expenditures in accordance with the respective components, disbursement categories, and sources of funds (in particular, the legal agreements with ADB)? Will the project use the entity accounting system?	Yes, Agresso	
4.2 Are controls in place concerning the preparation and approval of transactions, ensuring that all transactions are correctly made and adequately explained?	Yes,	
4.3 Is the chart of accounts adequate to properly account for and	Yes, kindly find Chart of Accounts to date	

Topic	Response	Remarks
report on project activities and disbursement categories? Obtain a copy of the chart of accounts.		
4.4 Are cost allocations to the various funding sources made accurately and in accordance with established agreements?	Yes,	
4.5 Are the General Ledger and subsidiary ledgers reconciled regularly and in balance?	Yes	
4.6 Describe the EA's policy for retention of accounting records including supporting documents (e.g. ADB's policy requires that all documents should be retained at least for 1 year after ADB receives the audited project financial statements, or 2 years after the loan closing date, whichever is later). Are all accounting and supporting documents retained in a defined system that allows authorized users easy access?	<p>Save the Children has a 7-year policy of retention. However, if the donor requires a longer retention, we follow this.</p> <p>All accounting and supporting documents are filed and accessible to authorized users.</p>	
4.7 Describe any previous audit findings that have not been addressed.	All has been addressed	
Segregation of Duties		
4.8 Are the following functional responsibilities performed by different units or persons: (i) authorization to execute a transaction; (ii) recording of the transaction; and (iii) custody of assets involved in the transaction?	Yes	

Topic	Response	Remarks
4.9 Are the functions of ordering, receiving, accounting for, and paying for goods and services appropriately segregated?	Yes,	
Budgeting System		
4.10 Do budgets include physical and financial targets?	Yes,	
4.11 Are budgets prepared for all significant activities in sufficient detail to provide a meaningful tool with which to monitor subsequent performance?	Yes, existing templates	
4.12 Are actual expenditures compared to the budget with reasonable frequency, and explanations required for significant variations from the budget?	Yes, Budget versus actual on a monthly basis	
4.13 Are approvals for variations from the budget required (i) in advance or (ii) after the fact?	Yes. Depending on the allowed flexibility, request for variation is done prior to any variation.	
4.14 Is there a ceiling, up to which variations from the budget may be incurred without obtaining prior approval?	Approval up to the available budget	
4.15 Who is responsible for preparation and approval of budgets?	Budget holders according to the scheme of delegations	
4.16. Describe the budget process. Are procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets?	Yes, Budgets are developed at proposal stage. During implementation, budgets are revisited on a monthly basis and a semi-annual forecast is submitted.	
4.17 Are the project plans and budgets of project activities realistic,	Yes	

Topic	Response	Remarks
<p>based on valid assumptions, and developed by knowledgeable individuals?</p> <p>Is there evidence of significant mid-year revisions, inadequate fund releases against allocations or inability of the EA to absorb/ spend released funds?</p> <p>Is there evidence that government counterpart funding is not made available adequately or on a timely basis in prior projects?</p> <p>What is the extent of over- or under-budgeting of major heads over the last 3 years? Is there a consistent trend either way?</p>	<p>None</p> <p>None</p> <p>Over / under budget were manageable.</p>	
Payments		
<p>4.18 Do invoice-processing procedures require: (i) Copies of purchase orders and receiving reports to be obtained directly from issuing departments? (ii) Comparison of invoice quantities, prices and terms, with those indicated on the purchase order and with records of goods actually received? (iii) Comparison of invoice quantities with those indicated on the receiving reports? (iv) Checking the accuracy of calculations? (v) Checking authenticity of invoices and supporting documents?</p>	<p>Yes, we have procurement procedures and manual</p>	
<p>4.19 Are all invoices stamped PAID, dated,</p>	<p>Yes</p>	

Topic	Response	Remarks
reviewed and approved, and clearly marked for account code assignment?		
4.20 Do controls exist for the preparation of the payroll and are changes to the payroll properly authorized?	Yes	
<i>Policies and Procedures</i>		
4.21 What is the basis of accounting (e.g., cash, accrual) by the entity and by project?	Accrual basis	
4.22 What accounting standards are followed (International Financial Reporting Standards, International Public Sector Accounting Standards – cash or accrual, or National Accounting Standards (specify) or other?	IFRS	
4.23 Does the project have an adequate policies and procedures manual to guide activities and ensure staff accountability?	Yes, we have financial manual	
4.24 Is the accounting policy and procedure manual updated for the project activities?	Yes, yearly	
4.25 Do procedures exist to ensure that only authorized persons can alter or establish a new accounting principle, policy or procedure to be used by the entity?	Yes,	
4.26 Are there written policies and procedures covering all routine financial management and related administrative activities?	Yes, there's memorandum when necessary	
4.27 Do policies and procedures clearly define conflict of interest and related party transactions (real and apparent) and	Yes	

Topic	Response	Remarks
provide safeguards to protect the organization from them?		
4.28 Are manuals distributed to appropriate personnel?	Yes	
4.29 Describe how compliance with policies and procedures are verified and monitored.	We have financial checklist in every transactions	
Cash and Bank		
4.30 Indicate names and positions of authorized signatories for bank accounts. Include those persons who have custody over bank passwords, USB keys, or equivalent for online transactions.	Kind find attached bank signatories below: Alberto Jesus T. Muyot, CEO Rowena Cordero, DCD PDQ Lorna Umali, HR Admin IT Director Benjamin Delfin II, Director of Operations Visayas Cecilia Francisco, Director of Operations Luzon and Mindanao Edwin Horca, Program Director	
4.31 Does the organization maintain an adequate, up-to-date cashbook, recording receipts and payments?	Yes	
4.32 Describe the collection process and cash handling procedures. Do controls exist for the collection, timely deposit and recording of receipts at each collection location?	We issue receipts when receiving funds / collection	
4.33 Are bank accounts reconciled on a monthly basis? Or more often? Is cash on hand physically verified, and reconciled with the cash books? With what frequency is this done?	Yes,	
4.34 Are all reconciling items approved and recorded?	Yes	
4.35 Are all unusual items on the bank reconciliation reviewed and approved by a responsible official?	Yes	

Topic	Response	Remarks
4.36 Are there any persistent/non-moving reconciling items?	None	
4.37 Are there appropriate controls in safekeeping of unused cheques, USB keys and passwords, official receipts and invoices?	Yes	
4.38 Are any large cash balances maintained at the head office or field offices? If so, for what purpose?	None	
4.39 For online transactions, how many persons possess USB keys (or equivalent), and passwords? Describe the security rules on password and access controls.	Usually two	
Safeguard Over Assets		
4.40 What policies and procedures are in place to adequately safeguard or protect assets from fraud, waste and abuse? Is there a system of adequate safeguards to protect assets from fraud, waste and abuse?	We have asset policy	
4.41 Does the entity maintain a Fixed Assets Register? Is the register updated monthly? Does the register record ownership of assets, any assets under lien or encumbered, or have been pledged?	Yes and it is updated quarterly	
4.42 Are subsidiary records of fixed assets and stocks kept up to date and reconciled with control accounts?	Yes	
4.43 Are there periodic physical inventories of fixed assets, inventories and stocks? Are fixed assets, inventories and	Yes	

Topic	Response	Remarks
stocks appropriately labelled?		
4.38 Is the disposition of each asset appropriately recorded, and immediate steps taken to locate lost, or repair broken, assets?	Yes, we have lost asset policy	
4.46 Are assets sufficiently covered by insurance policies?	Yes	
4.47 Describe the policies and procedures in identifying and maintaining fully depreciated assets from active assets.	We are using straight line depreciation method	
<i>Other Offices and Implementing Entities</i>		
4.48 Describe other regional offices or executing entities participating in implementation	We have Iligan Field office	
4.49 Describe the staff, their roles and responsibilities in performing accounting and financial management functions of such offices as they relate to the project.	There would be segregation of duties. Check and balance are in place.	
4.50 Has the project established controls and procedures for flow of funds, financial information, accountability, and audits in relation to the other offices or entities?	Yes	
4.51 Does information among the different offices/ implementing agencies flow in an accurate and timely fashion? In particular, do the offices other than the head office use the same accounting and reporting system?	The same reporting system	
4.52 Are periodic reconciliations performed among the different	Yes.	

Topic	Response	Remarks
offices/implementing agencies? Describe the project reporting and auditing arrangements between these offices and the main executing/implementing agencies.	On a monthly basis, the budget and actuals are reviewed by the project team (based in the field) and any issues /concerns are discussed with the national office	
4.53 If any sub-accounts (under the Imprest Account) will be maintained, describe the results of the assessment of the financial management capacity of the administrator of such sub-accounts.	Still to be finalized	
Contract Management and Accounting		
4.54 Does the agency maintain contract-wise accounting records to indicate gross value of contract, and any amendments, variations and escalations, payments made, and undisbursed balances? Are the records consistent with physical outputs/deliverables of the contract?	Yes	
4.55 If contract records are maintained, does the agency reconcile	Yes	
Other		
4.56 Describe project arrangements for reporting fraud, corruption, waste and misuse of project resources. Has the project advised employees, beneficiaries and other recipients to whom to report if they suspect fraud, waste or misuse of project resources or property?	Process are in place to address these	

Topic	Response	Remarks
5. Internal Audit		
5.1 Is there an internal audit (IA) department in the entity?	We have control and compliance unit which actually serve the function	
5.2 What are the qualifications and experience of the IA staff?	CPA, MBA, Accounting backgrounds	
5.3 To whom does the internal auditor report?	Global Assurance is the SC internal auditor	
5.4 Will the internal audit department include the project in its work program?	Yes	
5.5 Are actions taken on the internal audit findings?	Yes	
5.6 What is the internal audit program? How was it developed?	Global assurance of SCI is doing this	
5.7 Is the IA department sufficiently independent?	Yes	
5.8 Do they perform pre-audit of transactions?	Yes	
5.9 Who approves the internal audit program?	SCI	
5.10 What standards guide the internal audit program?	According to SCI	
5.11 How are audit deficiencies tracked?	Database are in place	
5.12 How long have the internal audit staff members been with the organization?	3-5 years	
5.13 Does any of the internal audit staff have an IT background?	Yes	
5.14 How frequently does the internal auditor meet with the audit committee without the presence of management?	Yearly	
5.15 Has the internal auditor identified/reported any issue with reference to retention or availability of records?	Yes	

Topic	Response	Remarks
5.16 Does the internal auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	There are Global assurance staff that are exposed to ADB guidelines	
6. External Audit- entity level		
6.1 Is the entity financial statement audited regularly by an independent auditor? Who is the auditor?	Yes, KPMG	
6.2 Are there any delays in audit of the entity? When are the audit reports issued?	Yes, year of 2017. There's transitioning with SCP Finance early this year and with KPMG as well in terms of personnel the audit is due October 2018.	
6.3 Is the audit of the entity conducted in accordance with the International Standards on Auditing, or the International Standards for Supreme Audit Institutions, or national auditing standards?	Yes	
6.4 Were there any major accountability issues brought out in the audit report of the past three years?	None	
6.5 Does the external auditor meet with the audit committee without the presence of management?	No	
6.6 Has the entity engaged the external audit firm for any non-audit engagements (e.g., consulting)? If yes, what is the total value of non-audit engagements, relative to the value of audit services?	No	
6.7 Has the external auditor expressed any issues on the availability	No	

Topic	Response	Remarks
of complete records and supporting documents?		
6.8 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	We can confirm from them.	
6.9 Are there any material issues noted during the review of the audited entity financial statements that were not reported in the external audit report?	None	
External Audit- project level		
6.10 Will the entity auditor audit the project accounts or will another auditor be appointed to audit the project financial statements?	The same audit for projects	
6.11 Are there any recommendations made by the auditors in prior project audit reports or management letters that have not yet been implemented?	All have been addressed	
6.12 Is the project subject to any kind of audit from an independent governmental entity (e.g. the supreme audit institution) in addition to the external audit?	N/A	
6.13 Has the project prepared acceptable terms of reference for an annual project audit? Have these been agreed and discussed with the EA and the auditor?	This has been discussed and this is common in most of the projects we are implementing.	
6.14 Has the project auditor identified any issues with the availability and	None	

Topic	Response	Remarks
completeness of records and supporting documents?		
6.15 Does the external auditor have sufficient knowledge and understanding of ADB's guidelines and procedures, including the disbursement guidelines and procedures (i.e., LDH)?	We can confirm from them	
6.16 Are there any recommendations made by the auditors in prior audit reports or management letters that have not yet been implemented?	None	
[For second or subsequent projects] 6.17 Were past audit reports complete, and did they fully address the obligations under the loan agreements? Were there any material issues noted during the review of the audited project financial statements and related audit report that have remained unaddressed?	Yes	
7. Reporting and Monitoring		
7.1 Are financial statements prepared for the entity?	Yes	
7.2 Are financial statements prepared for the implementing unit (s)?	PLEASE ANSWER	
7.3 What is the frequency of preparation of financial statements? Are the reports prepared in a timely fashion so as to be useful to management for decision making?	Monthly,	
7.4 Does the reporting system need to be	Yes	

Topic	Response	Remarks
adapted to report on the project components?		
7.5 Has the project established financial management reporting responsibilities that specify the types of reports to be prepared, the report content, and purpose of the reports?	Yes	
7.6 Are financial management reports used by management?	Yes	
7.7 Do the financial reports compare actual expenditures with budgeted and programmed allocations?	Yes	
7.8 How are financial reports prepared? Are financial reports prepared directly by the automated accounting system or are they prepared by spreadsheets or some other means?	Yes, from Agresso	
7.9 Does the reporting system have the capacity to link the financial information with the project's physical progress? If separate systems are used to gather and compile physical data, what controls are in place to reduce the risk that the physical data may not synchronize with the financial data?	Yes	
7.10 Does the entity have experience in implementing projects of any other donors, co-financiers, or development partners?	Yes	
8. Information System		
8.1 Is the financial management system computerized?	Yes	

Topic	Response	Remarks
8.2 If computerized, is the software off-the-shelf, or customized?	Yes	
8.3 Is the computerized software standalone, or integrated and used by all departments in the headquarters and field units using modules?	Global system	
8.4 How are the project financial data integrated with the entity financial data? Is it done through a module in the enterprise financial system with automatic data transfer, or does it entail manual entry?	Automatic	
8.5 Is the computerized software used for directly generating periodic financial statements, or does it require manual intervention and use of Excel or similar spreadsheet software?	Yes	
8.6 Can the system produce the necessary project financial reports?	Yes	
8.7 Is the staff adequately trained to maintain the system?	Yes	
8.8 Does the management organization and processing system safeguard the confidentiality, integrity and availability of the data?	Yes	
8.9 Are there back-up procedures in place?	Yes	
8.10 Describe the backup procedures – online storage, offsite storage, offshore storage, fire, earthquake and calamity protection for backups.	Server, firewalled and hard drive back ups	