

**Philippines: Bottom-Up Budgeting (BUB) Program
Qualitative Outcome Assessment**

Terms of Reference

I. Background

1. The Aquino administration, through the Human Development and Poverty Reduction Cluster (HDPRC) and Good Governance and Anti-Corruption Cluster (GGACC), launched the BUB Program in 2012. The BUB aims to empower civil society organizations (CSOs) including people's organizations (POs) to engage and make the government more responsive to the people's needs, while promoting a "meaningful devolution" to the local government for service delivery.

2. BUB mandates an annual participatory planning process where municipal or city governments known as LGUs and CSOs jointly identify priority poverty reduction projects based on the local needs. The priority projects are to be within a pre-determined budget ceiling for each LGU, which is calculated based on the number of poor households in each LGU. The prioritized projects are consolidated into Local Poverty Reduction Action Plans (LPRAPs). The projects can be identified on a relatively open basis as per the BUB menu of programs. LGUs are also allowed to propose a project of their own outside the menu. Once the LPRAPs are approved, the projects listed in the LPRAPs are included in the subsequent fiscal year budget of each of the 15 participating line agencies known as the National Government Agencies (NGAs). BUB is funded from within the existing NGA budget and complemented by LGUs' counterpart funds.

3. The BUB program oversight is provided by five national agencies which include:

- Department of Budget and Management (DBM)
- Department of the Interior and Local Government (DILG)
- National Anti-Poverty Commission (NAPC)
- Department of Social Welfare and Development (DSWD)
- National Economic Development Authority (NEDA)

4. An Executive Committee composed of the Secretaries of the five agencies provides overall policy guidance and addresses any major program implementation issues. A Technical Working Group (TWG) composed of officials from the five agencies is responsible for technical and policy oversight of the Program. The TWG serves as the main focal point for the World Bank's assistance for BUB. A Program Management Office (PMO), established within DILG, manages the day-to-day implementation and coordination of the Program.

5. A total of 15 NGAs are participating in the BUB Program, and allocate budget for the prioritized projects that fall under their respective sectors. Actual implementation of the projects is undertaken either by the NGA Regional Offices (ROs) or the LGUs. LGUs that meet specific local governance criteria along with financing, administrative, and technical requirements are allowed to implement the projects using funding disbursed to them from the concerned sector NGAs. For LGUs that do not meet the requirements, the identified projects are implemented by the concerned sector NGAs.¹

¹ The criteria and requirements include: attainment of the Seal of Local Good Governance from DILG; submission of public financial management improvement plan to DBM; approval of required counterpart funding in LGU annual budget; submission of proper financial and physical accomplishment reports to concerned sector NGAs for BUB projects from the previous years;

II. Implementation Status

6. Since its inception, the coverage has almost tripled covering all LGUs in the country. By the end of the administration, BUB would have disbursed approximately \$1.7 billion for over 60,000 projects.

Table 1: Breakdown of BUB Accomplishments (as of November 2015)

	FY2013	FY2014	FY2015	FY2016	TOTAL
LPRAP Planning Time-line	Apr - Jun 2012	Feb - Mar 2013	Nov - Dec 2013	Sep – Nov 2015	-
Sub-project Implementation	Jan - Dec 2013	Jan - Dec 2014	Jan - Dec 2015	Jan – Dec 2016	-
Budget Allocation	Php 9.1 billion (~USD 200m)	Php 23.3 billion (~USD 518m)	Php 20.8 billion (~USD 462m)	Php 23.6 billion (~USD 524m)	Php 76.8 billion (~USD 1.7b)
Actual LGU Coverage	595	1,226	1,590	1,590	1,590
Number of Approved Projects	9,305	21,897	14,484	~15,000	60,686
Project Status (as reported at the end of Oct. '15)	43.0% complete 12.5% ongoing 3.0% pipelined 24.0% proposed 17.5% dropped	16.2% complete 34.1% ongoing 29.2% pipelined 15.5% proposed 5.0% dropped	0.4% complete 3.1% ongoing 37.1% pipelined 58.8% proposed 0.6% dropped	-	-

III. Building an Evidence Base for BUB

7. At the request of the government, the World Bank has undertaken various analytical works to help build an evidence base to better inform the policy debate regarding BUB.

Table 2: List of Analytical Works undertaken under Bank TA for BUB

Analytical Work	Description
1. Third Party process evaluation	Examines the quality of participation of the CSOs in decision-making and extent of participation in the project implementation. Undertaken by a third party for 4 consecutive planning cycles since FY2013.
2. Implementation evaluation	Identified key bottlenecks since the budget approval until the actual project implementation for FY2013 and provided key recommendations.
3. Independent Technical Audit	Examines the quality, cost-effectiveness, and satisfaction of top 5 key infrastructure built under BUB. Also compares the variances between different implementation modalities i.e.- NGA, LGU, and community-implemented projects.
4. OpenBUB platform	Developed a platform where each NGA's Regional Offices provide online reporting and displays all key physical and financial progress of all projects under BUB.
5. LGSF Study	Examines: (i) the implementation process of LGSF-LGU projects (especially compared to the implementation process of NGA-funded LGU-executed BUB projects); and (ii) the LGUs' capacity to execute the projects. The study will propose LGUs' performance measurement mechanism with concrete

compliance with the participatory budgeting process of the program; liquidation of all cash advances from concerned sector NGAs; and adequate implementation of sub-projects from previous years.

	indicators that will help differentiate LGSF fund allocation for FY2016 based on LGUs' project implementation capacity.
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IV. Findings from the BUB Planning Process

8. Since the inception of BUB, the Government, with technical assistance from the World Bank, has commissioned four rounds of process evaluations. The objective of these evaluations was to measure and analyze the extent of “representation” and “voices” of the target group i.e. - poor households through CSOs and basic sector groups in the decision-making process, and assess perceived satisfaction over implementation of planned projects. The studies have looked at both KC and non-KC LGUs in urban and rural areas. Since FY2014, the study has followed a small set of the same LGUs to see whether there has been any progress. Key findings from Philippine Institute of Development Studies (PIDS) that conducted the FY2015 and 2016 process evaluation notes that while there are still weaknesses in terms of selection bias and some political interference, inclusiveness and CSOs' participation in decision-making has improved over the last 2 planning cycles. PIDS also concludes that in general, BUB adds value to making the local planning process more transparent and participatory. However, there is little evidence that the BUB process is integrated into the regular local development planning process. Other key findings include the following:

1) CSO Inclusiveness

- Still some cherry-picking and selection bias in which CSOs are invited to the CSO Assembly (those close to the Mayor tend to be favored).
- However, BUB is an improvement to statutory planning at local level where CSO participation in the Local Development Council is limited to 25% of its membership. (BUB mandates 50% of the members to be CSO representatives.)
- BUB has encouraged CSOs to organize themselves and become more active in local development.

2) Quality of CSO Participation

- Some sectors (e.g.- 4Ps, SEA-K associations) are “over-represented”, whereas CSOs from remote and poorer areas tend to be under represented.
- CSOs feel free to speak up and being listened to for the first time.
- In KC areas, especially in “old” KC areas where they’ve had various KC planning cycles, CSOs demonstrated greater degree of awareness and ability to articulate the needs of the communities. There is also a strong sense of empowerment.
- BUB provides a structured space for LGU-CSO interaction.
- BUB encourages inter-CSO relations. CSOs are becoming more supportive of each other.

3) Quality of Project Identification and Prioritization

- Discussion tends to be dominated by LGU representatives who are more articulate than CSO representatives.
- Discussion is open but unstructured, and tends to be more about ranking projects from the long list of approved menu of programs.
- In two LGUs, there were political interference. One mayor replaced the selected projects after the prioritization workshop with a small group of “LGU-friendly” CSOs. In another LGU, the presence of the mayor (which is not allowed) influenced the selection.

- Some improvement of CSOs' voice in decision-making is evident. Compared to FY2015 planning cycle, 60% of the studied LGUs have more CSO-identified and/or CSO-LGU jointly-identified projects.
- BUB allows LGUs to get information directly from the sectors whose needs and concerns are not typically considered and addressed in regular LGU planning and budgeting processes.
- BUB increases much needed fiscal space for LGUs by providing additional resources.

V. Findings from the BUB Implementation Process

9. The process evaluation has found improvement in the pace of project implementation between FY2013 and FY2014. Yet, implementation of projects has been slow in general. Based on the 3rd quarter reporting in 2015 (as of November 2015) by the NGA Regional Offices (ROs), completion rates are as low as 43.0% and 16.2% for FY2013 and FY2014 (although omitting projects that were dropped and never replaced from the total, the completion rates increase to 52% and 17.2% respectively) while 24.0% and 15.5% of FY2013 and 2014 subprojects remain proposed i.e.- uncommitted.

10. According to the World Bank's implementation evaluation of FY2013 projects, key constraining factors to implementation include: (i) poor quality of Local Poverty Reduction Action Plans (LPRAPs), a plan each LGU prepares for prioritized projects to be financed under BUB, resulting in lengthy process of sub-project validation; (ii) poor coordination among different levels of government such as the NGA central office, ROs, and LGUs; (iii) lack of LGU capacity; and (iv) prevalence of unliquidated advances among LGUs that prevents disbursement of BUB funds. The slow implementation undermines BUB's reputation, making it difficult for the current administration to advocate for its institutionalization. Indeed, PIDS' process evaluation has found that participation of CSOs in some LGUs had dropped as they were frustrated by the slow implementation of BUB and were disenfranchised.

11. That said, the TWG has been making concerted efforts in improving the implementation. The Executive Committee comprising 5 oversight agency secretaries keep a close watch on the implementation status. The Undersecretary of DILG and Assistant Secretary of DBM coordinate closely with each other and work on streamlining the implementation procedures, strengthening the oversight mechanism, train and re-train the BUB staff on the ground. Efforts have also been made to decentralize the execution of the projects from NGAs to the LGUs to expedite the process. PIDS study that also looked at the implementation status noted that the pace of project implementation improvement between FY2013 and FY2014 is evident with completion rate of FY2014 projects becoming faster.

12. With regard to the quality of the project outputs, the Bank has just initiated an independent technical assessment that looks at top 5 most popular infrastructure types and examines the quality, cost effectiveness, and beneficiary satisfaction. The assessment also compares possible variation in the outputs based on different implementation modalities, that is, NGA/LGU/community-implementation for the same type of infrastructure. The study will also shed more light on the implementation process. The findings are due April/May 2016.

13. Another area that has been problematic is the monitoring and reporting. To keep track of physical and financial progress of over 45,600 projects spanning across 1,590 LGUs that are managed by 15 different agencies is no easy task. The Bank helped develop a public disclosure portal called the OpenBUB (<http://openbub.gov.ph/>) that displays up-to-date physical and financial data of each project, with a citizen feedback function. The portal also introduced an online reporting system by the agency ROs

substituting the time consuming and inaccurate manual reporting by the NGA central offices. With streamlining of reporting protocol and intensive trainings, the online reporting is now completed on time by over 80% agency ROs. The portal allows the oversight agencies to check which ROs under which agency reported on time, and they use the data to name and shame them. While there is room for improvement in the quality of the data, getting data on time every quarter is a big step forward. To improve the quality of the data, the Government has initiated third party monitoring using NGO federations, church network, citizen monitoring, and validation by the LGU departments and CSOs' joint Local Poverty Reduction Action Teams.

Figure 1: OpenBUB Platform (openbub.gov.ph)

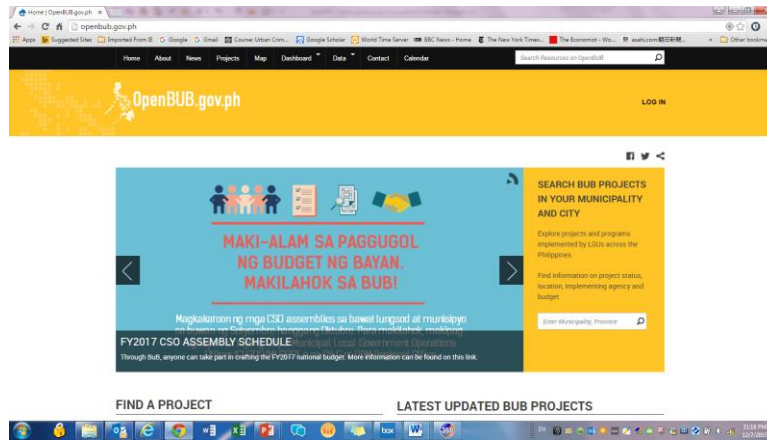
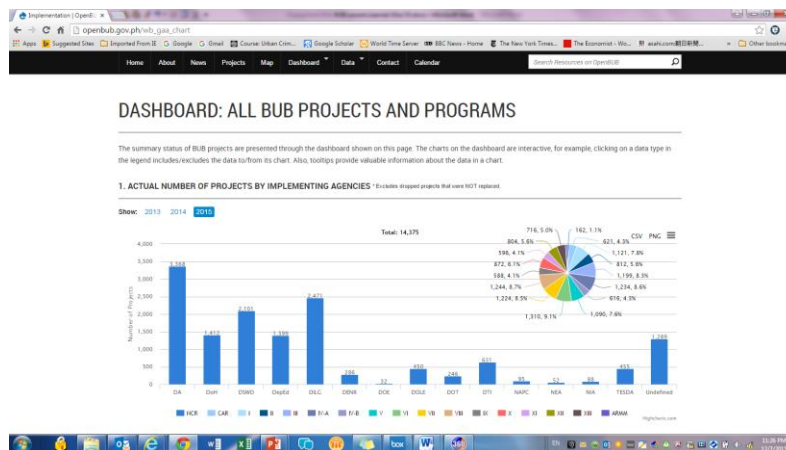


Figure 2: OpenBUB Dashboards



VI. Evolution of BUB

14. To address the slow implementation rate and the political interest of different levels of government seeking BUB resources, DBM has launched a few pilots. According to DBM, BUB's main focus remains to empower the city/municipal LGUs to enable them to fulfill their mandate to provide services as per the Local Government Code. Indeed, even with the roll-out of BUB at provincial and barangay levels, about 75% of the total budget will still be coursed to the city/municipal level. Yet, they are also being

opportunistic and putting funds at levels where government has the capacity and is responsive to expedite the budget disbursement for local service delivery.

15. The first pilot is the direct fiscal transfer from DBM central office to the LGUs since FY2015. DBM allocated over Php.2.8 billion of Local Government Support Fund (LGSF) for BUB projects to LGUs that satisfy the governance and financial conditions set out in the BUB Joint Memorandum Circular (JMC). As of October 2015, Php. 2.7 billion has been allocated for 1,153 projects in 627 LGUs across 16 Regions. 95% of the projects are roads (DILG access roads); 4.2% for subsidy; 0.4% for water supply (DILG *salin tubig*). Currently only 149 (13%) of the projects are ongoing while 899 (78%) are pipelined and 19 (1.6%) proposed. DBM plans to allocate over Php.11 billion to LGSF-LGU projects in FY2016. The Bank is undertaking an assessment of the implementation process of LGSF-LGU projects (especially compared to the implementation process of other NGA-funded LGU-executed BUB and non-BUB projects), and the LGUs' implementation capacity. Additionally, the study will also propose LGUs' performance measurement mechanism for LGSF fund allocation for future BUB. Ultimately, it is hoped that such LGU performance measurement mechanism will serve as the basis to further elaborate measurement of LGUs' service delivery capacity in the future.

Table 3: Breakdown of FY2015 BUB LGSF-LGU Projects by Type

Project Type	Completed	Ongoing	Pipelined	Proposed	TOTAL	%
Road	84	144	848	19	1095	95.0%
Water Supply			5		5	0.4%
Subsidy	2	5	42		49	4.2%
No Categorization			4		4	0.3%
TOTAL	86	149	899	19	1153	100%

16. The second pilot is the provincial BUB. Starting FY2016, DBM has allocated funds up to Php.100 million to approximately 80 provinces on condition that they comply with the Seal of Good Local Governance. Funds are exclusively for provincial roads. The pilot builds on DFAT's Provincial Road Management Facility, a \$100m program between 2009-15 that provided TA to 10 provinces on multi-year local road service delivery planning, procurement system, and organizational management, with the aim to improve provincial governments' transparency and accountability for better service delivery to the poor. The aim of the provincial BUB is to empower the provincial governments, who have little resources and authority over local development, especially in developing connective infrastructure that transcends one LGU's boundary. The implicit motivation is to appease provincial governors' discontent that they were bypassed and did not get any funds from BUB. The provincial BUB pilot has not rolled-out on the ground, but it is worth following up during the latter half of 2016 to check its efficacy.

17. The third pilot is the barangay BUB, where DBM plans to channel the BUB funds to barangay LGUs to help finance community-identified projects. DBM intends to allocate Php.10 billion for FY2017 for a total of 10,000 select barangays, each getting Php.1 million as a block grant. In theory, barangay BUB provides an opportunity to institutionalize good governance principles promoted under CDD and potentially serves as a way to institutionalize NCDDP. In practice, however, there are many risks that can

perversely affect the gains NCDDP has achieved by creating double standards. For example, barangay targeting mechanism based on different formula than NCDDP, equal funding allocation to all barangays, roll-out to barangays that have not gone through the community-driven planning process, coursing the funds through barangay LGUs (as opposed to communities), and unclear support and oversight mechanism are some of the technical differences that barangay BUB and NCDDP need to reconcile if barangay BUB were to function as a possible means to institutionalize NCDDP. The Bank needs to collectively examine how to best seek linkages between barangay BUB and NCDDP mitigating any perverse impacts on NCDDP's achievements but leveraging barangay BUB as a potential avenue to institutionalize the principles of good governance at the community level. One caveat is that as FY2017 budget will ultimately be approved by the new Congress, depending on the new government composition, barangay BUB may or may not materialize.

18. DBM has initiated these with the premise to empower different levels of local government and deepen decentralization. DBM wants to broaden the beneficiary base and create demand for BUB to make it difficult for future administration to do away with BUB. While all of these are true, there is also an implicit political motivation which is to develop a coalition of support for the Liberal Party.

VII. Objectives of the Assignment

19. The objective of the assignment is to conduct a qualitative outcome assessment of BUB in line with the BUB Results Framework (see Annex A) in lieu of a quantitative impact evaluation which could not be conducted due to lack of baseline and roll-out of the program into all LGUs (i.e.- lack of control group).

20. The outcome assessment should independently and objectively assess BUB's impact on people's access to services as well as on the accountability of the government in local service delivery. Since there is a planned qualitative outcome assessment carried out by PIDS, the World Bank, TWG, and the consulting firm will carefully identify areas that this assessment can add value before initiating the study. The outcome assessment should also take into account key findings from previous studies conducted on BUB.

VIII. Scope of Work

21. The main scope of work for the selected consulting firm (hereafter the Team) will include, though not limited to, the following:

- (1) Literature Review of BUB Related Documents

22. The Team will review all relevant documents and reports regarding BUB to understand the program's nature, planning and implementation process, opportunities and challenges the program faces especially in relation to service delivery and governance aspects. The Team should also collect and review relevant international and national impact evaluations of participatory development planning and budgeting programs to augment the areas that need to be examined under this assessment. PIDS is also initiating a qualitative outcome assessment focusing on BUB's correspondence with poverty reduction and participation in local governance. The Team should therefore closely examine the scope and outputs of the PIDS study.

- (2) Development of Methodology, Survey Instruments, and Work Program

23. The Team is required to submit an inception report to the World Bank that contains the following: (i) background of the assignment; (ii) objective of the assignment; (iii) methodology and data management arrangements; (iv) work plan with detailed timelines of the deliverables; (v) team members with assigned roles and responsibilities; and (vi) draft survey instruments.

(3) Survey Manual for Researchers

24. Upon approval of the inception report by the World Bank and the TWG, the Team should conduct a field test to finalize the survey instruments and develop a manual for researchers in close collaboration with the World Bank and the TWG (in particular DBM and DILG).

(4) Training of Researchers

25. Upon acceptance of the survey manual by the World Bank and the TWG, the Team should extensively train the researchers so that they fully understand the study objectives, research questions, and can effectively carry out key informant interviews (KIIs) and focus group discussions (FGDs) they are to undertake. It would be desirable to do at least part of this training as actual fieldwork. The team members should be particularly well trained to gain the trust of the respondents/focus group participants. Each team member will be provided with field notes to allow them to develop a field diary on a daily basis. This would form part of the data documentation report.

(5) Field Work

26. The Team will be required to conduct KIIs and FGDs with relevant stakeholders in a sample of LGUs selected based on a sampling strategy to be presented by the World Bank. While the stakeholders need to be determined in consultation with the Team, World Bank, and the TWG, expected stakeholders include: DBM Secretary, DBM Assistant Secretary in charge of BUB, DILG Undersecretary and Assistant Secretary in charge of BUB, TWG members, BUB oversight agencies, concerned NGA officials at the national and regional levels, Regional Poverty Reduction Action Teams (RPRATs), DILG Regional Focal Persons, NAPC Provincial Focal Persons, DILG Community Mobilizers, Local Poverty Action Teams (LPRATs), and CSO representatives. Should there be exceptional/interesting cases, the Team should provide a few in-depth case studies that can be added to the overall report.

27. Substantial supervision arrangements, and on-the-spot checking should be put in place to resolve inconsistencies and inaccuracies. The team leaders should review the team members' work on a daily basis; they should ensure that collected information is satisfactory before the Team leaves an area.

(6) Data Processing

28. Data processing should be undertaken as soon as data collection is completed. Database and all related documentations need to be prepared in English.

(7) Preparation of the Final Report

29. The Team will prepare a final report. The methodology for data analysis, structure, and content of the report will be discussed at length with the World Bank and the TWG before the Team starts preparing one.

IX. Deliverables

30. The Team is responsible for delivering the following deliverables to the World Bank and the TWG by the agreed deadline:

Key Outputs	Deadline
Inception Report – Overview of the methodology, sampling frame, work plan, and draft survey instruments.	2 weeks after mobilization.
Field testing	3 weeks after mobilization.
Final survey instruments	4 weeks after mobilization.
Survey manual for researchers	4 weeks after mobilization.
Draft Report and PowerPoint presentation – A succinct report and PowerPoint presentation that summarize key findings and recommendations, to be presented to the World Bank and the TWG.	15 weeks after mobilization.
Final Report and PowerPoint presentation – Incorporating all the comments, to be presented to the Executive Committee and Australian Department of Foreign Affairs and Trade (DFAT).	17 weeks after mobilization.

31. The inception report should clearly lay out the following: (i) background of the assignment; (ii) objective of the assignment; (iii) methodology including sampling frame; (iv) work plan with detailed timelines of the deliverables; and (v) team members with assigned roles and responsibilities.

32. Final survey instruments and survey manual for KIIs and FGDs with a list of interviewees need to be submitted and approved by the BUB TWG and the World Bank. They should be field tested before finalization. Final survey instruments need to be approved by the BUB TWG and the World Bank.

33. Draft Report must include the following: (i) executive summary; (ii) background of the assignment; (iii) objective of the assignment; (iv) methodology; (v) key findings; (vi) analysis of preliminary impacts of BUB; (vii) conclusions and recommendations; and (viii) annexes which include final survey instruments, list of persons interviewed, case study write-up, and any other materials as deemed necessary. A PowerPoint presentation that summarizes the key points will also need to be prepared to be presented to the BUB TWG, the World Bank, and other stakeholders as needed.

34. Final Report and final PowerPoint presentation need to be prepared based on comments received on the draft report. The Study Team may be requested to present the PowerPoint presentation to the BUB Executive Committee and DFAT.

X. Team Composition

35. The recommended team composition is as follows. The Team should make a detailed proposal of the team composition with respective responsibilities in the proposal.

- Team Leader/Senior Local Governance Specialist
- Social Development Specialist/Evaluation Specialist

- Economist
- Researchers

XI. Duration of the Assignment

36. The consultancy is expected to be undertaken between April 15 and September 30, 2016. The Draft Final Report should be submitted by July 31, 2015, and Final Report should be completed by August 15, 2016.

XII. Reporting

37. The Team will report to Ms. Makiko Watanabe, Senior Social Development Specialist, at the World Bank Manila Office. The Team will coordinate closely with the BUB TWG. For administrative matters, Ms. Christine Pascual at the World Bank Manila Office will be the point of contact.